

**HONDA**

Honda  
**SUSTAINABILITY REPORT**  
2018



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 For "Social Activity," please refer to the website below.

**WEB** "Honda Social Activity"

▶ <https://global.honda/about/sustainability/community.html>

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**Editorial Policy**



● Organizations covered

This report covers the entire Honda Group, which consists of Honda Motor Co., Ltd. and its 440 group companies in and outside Japan (comprising 368 consolidated subsidiaries and 72 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 FY2018 (April 1, 2017 – March 31, 2018), and also includes past background information and activities conducted up to the time of publication, as well as other matters including future outlook and plans.

● Standards

This report has been prepared in accordance with the GRI Standards: Comprehensive option. For details, please refer to the GRI Content Index (⇒ p. 112).

Note: The standards referenced in calculations and/or the basis for calculations is shown in the corresponding sections.

Honda has been a member of the GRI GOLD Community since 2016. The Company supports the mission of GRI to empower decision makers everywhere, through GRI Sustainability Reporting Standards and its multi-stakeholder network, to take action towards a more sustainable economy and world. The GOLD Community includes diverse companies and organizations across business, consultancies, civil society, academia, labor, public and intergovernmental agencies, totaling 522 members from 67 countries.



● Assurance

Honda obtained the independent practitioner’s assurance of the environmental data for the year ended March 31, 2018. For more details, please refer to the Independent Practitioner’s Assurance section of the report (⇒ p. 111).

Data indicated with  received the independent practitioner’s assurance.

● Accounting standards

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

● Date of publication

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Honda releases a Sustainability Report every year.

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● Published by

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● 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. 13)

Six Precise Circles = Motorcycles, Automobiles, Power Products and New Businesses for the future (⇒ p. 06)

Supporting Hands = The desire of stakeholders who empathize with Honda’s initiatives (⇒ p. 18)



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Disclaimer

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

## Message from the President and CEO

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

Honda has provided appealing products and services that bring joy to customers worldwide in all aspects of our businesses, namely motorcycles, automobiles, power products, aircraft and aircraft engines. Thanks to these efforts, we have grown as a mobility company that is capable of serving over 30 million customers in a single year by providing value unique to Honda.

Meanwhile, the business environment surrounding Honda is now at a major turning point. Changes include the diversification of values such as the shift from "owning" to "using" things (i.e., products and services), the advance of an aging society and acceleration of urbanization, and the ever more serious issue of climate change. Moreover, the transformation of the industrial structure due to technological advancements, including energy conversion, artificial intelligence (AI) and the Internet of Things (IoT), is proceeding on a global level.

To ensure our ongoing viability as a company within this evolving environment, a future-looking vision that can quickly address the changes of the times is essential. With this in mind, in 2017 Honda formulated the "2030 Vision," which articulates our direction toward the future. Specifically, as we continue operating our existing businesses, we must determine how we are going to transform and evolve the value of our existing businesses in accordance with the significantly changing expectations of society and the needs of our customers. Also, we will consider how we are going to create new value in our motorcycle, automobile and power products business domains beyond the framework of our existing businesses.

In keeping with the "2030 Vision," we will move quickly to reinforce the "strengths of Honda." One of these is creating new value that encapsulates Honda's "passion" to "Serve people worldwide with the 'joy of expanding their life's potential.'" Accordingly, we have newly established a research and development operation that will focus on new value areas which include robotics. Additionally, we are working to strengthen collaboration between Japan and overseas bases as well as inter-business collaboration including motorcycles, automobiles and power products. These efforts are steadily achieving results.

Honda believes its sustainability as a company depends on fulfilling its corporate social responsibilities. This includes meeting the expectations and demands of stakeholders by providing value such as relevant products and services while considering the impacts on the environment and society. Equally important for our corporate sustainability is for Honda to help solve social issues through business activities such as responding to the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

You can look forward to Honda continuing to achieve sustainable growth together with society and making further strides within this era of change.

I sincerely appreciate your continued support for our endeavors.

President and  
Representative Director  
Chief Executive Officer





## 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 and the associates' behavior and decision-making.

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, and social or economic status have no bearing on the individual's opportunities.

###### Trust

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

##### The Three Joys

###### The joy of buying

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

###### The joy of selling

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

###### The joy of creating

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

#### Company Principle

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

#### Management Policies

- Proceed always with ambition and youthfulness.
- Respect sound theory, develop fresh ideas and make the most effective use of time.
- Enjoy your work and encourage open communications.
- Strive constantly for a harmonious flow of work.
- Be ever mindful of the value of research and endeavor.

# 3 philosophy

# 4 Overview of Honda

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## Overview of Honda

## 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 and cumulative global production topped 100 million units in October 2017. Honda will celebrate the 60th anniversary of the series' launch in 2018, continuing to offer the joy of being able to go wherever and whenever one wants through daily mobility to many users around the world.

The way the commuter model is used made it the perfect candidate for electrification, and the PCX Electric electric scooter will hit markets in Asia and Japan in 2018. Honda also plans to conduct demonstration testing for electrified postal delivery motorcycles in collaboration with Japan Post Co., Ltd. (⇒ p. 41)

In January 2018, Honda carried out a full model change of its flagship Gold Wing for the first time in 17 years as it developed a new body and engine with the aims of realizing a "exhilarating riding experience" and "joy of maneuvering." In doing so, Honda completely revamped the Gold Wing as a motorcycle that incorporates a variety of cutting-edge equipment along with a compact design that pursues functionality and top quality that enables the rider and passenger to share the highest level of excitement.

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

## Automobiles

Honda commercializes unique and personal automobiles to provide people with the joy and freedom of mobility. Honda's production of automobiles commenced in 1963 with the T360 and in 2016 cumulative global production reached 100 million units. Honda currently offers a diverse variety of automobiles, from the N-Box mini-vehicle sold in Japan and global models, the Accord and HR-V/Vezel, to the Ridgeline pickup truck in North America and the NSX super sports car.

Honda is targeting 2020 for reducing CO<sub>2</sub> emissions intensity in products by 30% (compared with 2000) and 2030 for electrifying two-thirds of global automobile unit sales.



PCX Electric



Gold Wing



Accord



EV Concept vehicles

## Overview of Honda

## Business Domains

## Power Products

Honda has been providing annually a total of approximately six million power products to customers in more than 150 countries and regions based on a diverse range of items including general purpose engines, tillers, generators, snow throwers, lawnmowers, pumps and outboard engines. Further, through development and commercialization of the electrified products, Honda continues to propose products that offer new value 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.

Additionally, 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. Attainment of the Medical Device Directive (MDD) compliance in December 2017 has enabled deployment in Europe.

Looking ahead, by improving existing internal combustion engine and proactively promoting electrification, Honda will continue to deliver products useful in everyday life to people across the world, and to realize a clean, safe and secure society.



Miimo



Honda Walking Assist Device



HondaJet



HF120 turbfan engine

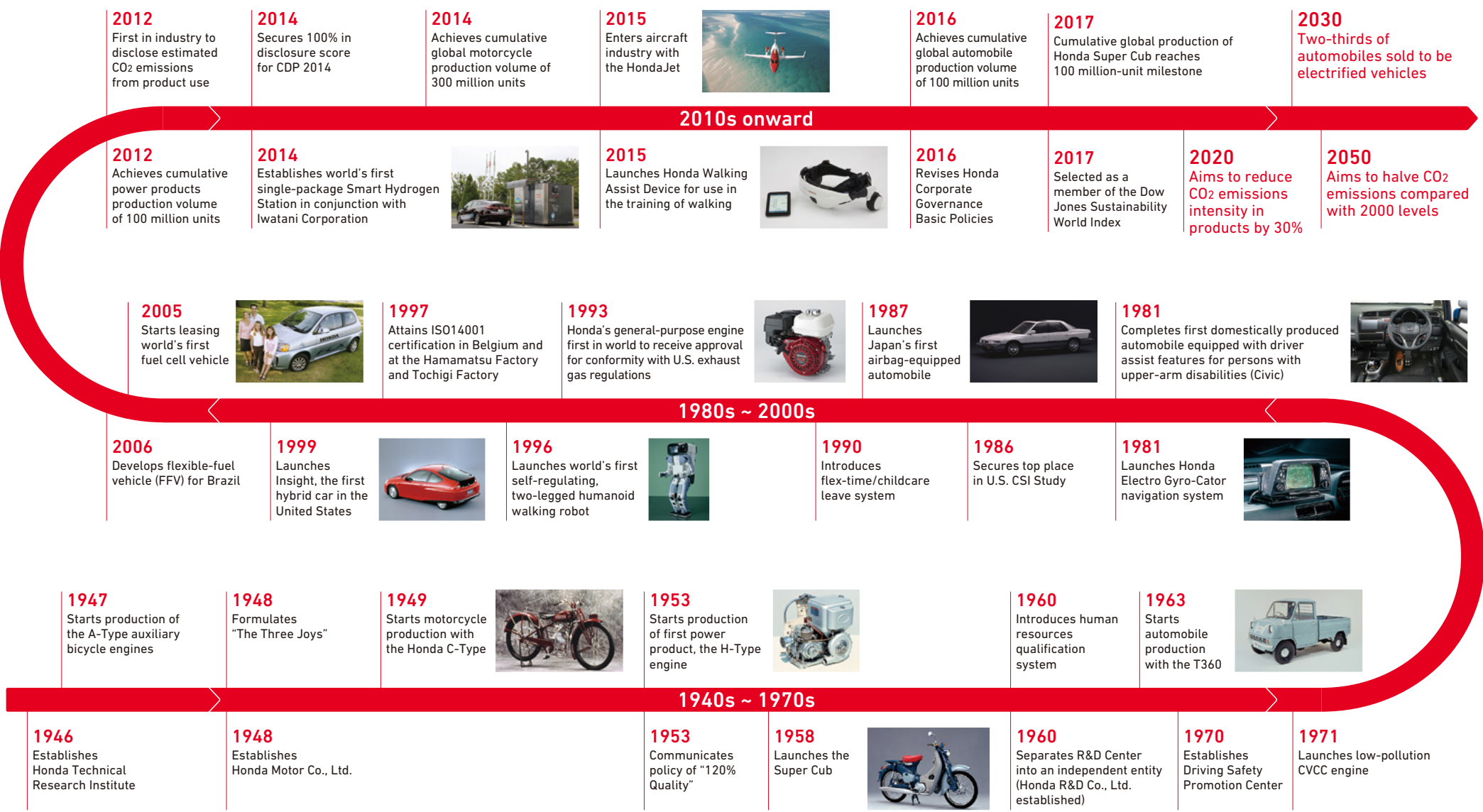
## Aircraft and Aircraft Engines

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 are underway in North, Central and South America as well as in Europe and Southeast Asia, and the aircraft has been very well received by the market. The HondaJet was the most-delivered jet in the small jet category for the first half of 2017 (as reported by the General Aviation Manufacturers Association (GAMA)). Honda began taking orders for the jet in China in October 2017 and in India in March 2018.

Honda has also developed an aircraft turbfan engine in collaboration with General Electric (GE). 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 turbfan 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.

**Overview of Honda**

Value Creation History

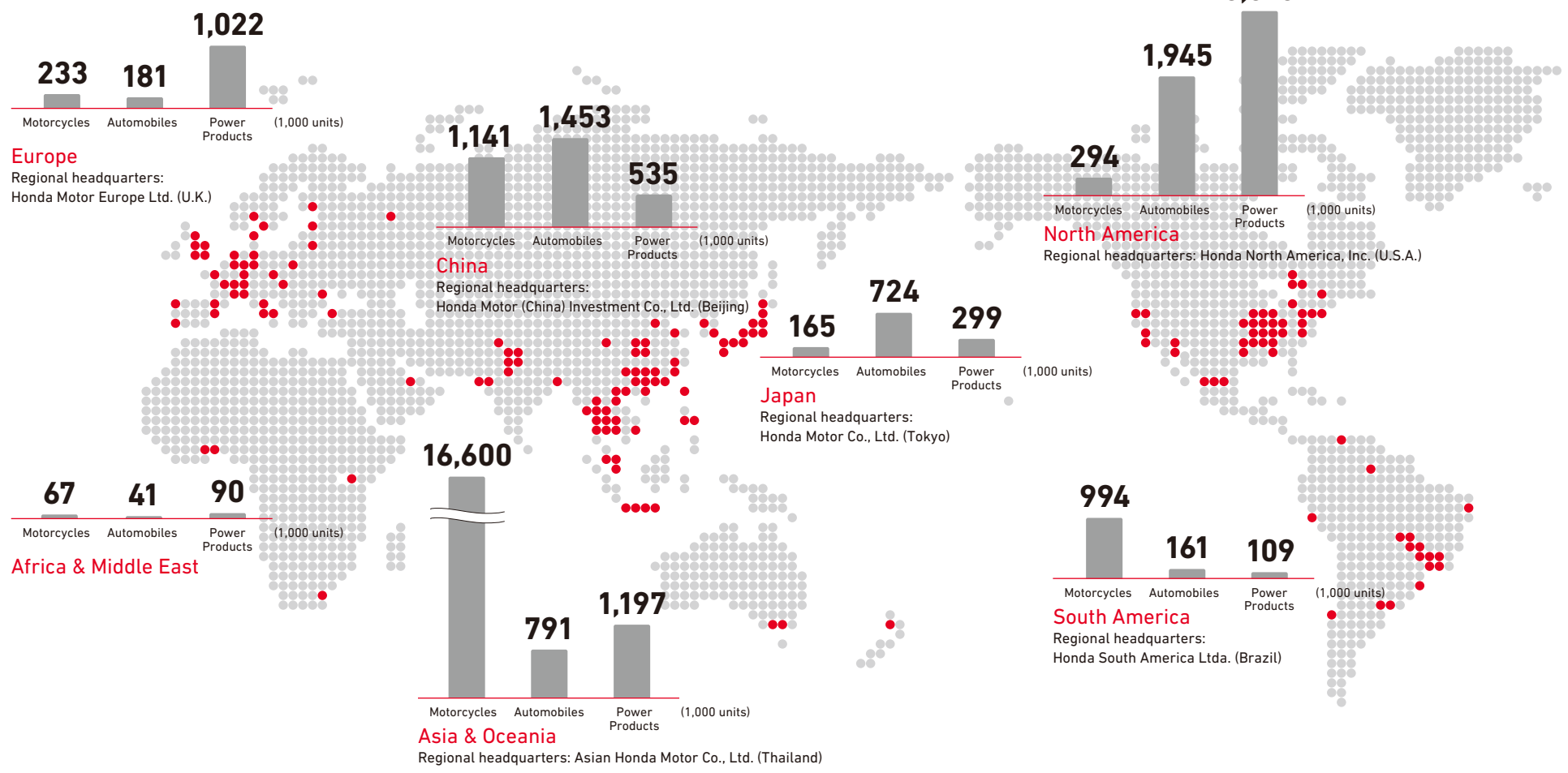




Overview of Honda

Unit Sales and Principal Operation Bases

Joy of mobility to **31,000,000** people transcending national borders



Company name: Honda Motor Co., Ltd.  
 Established: September 1948  
 President and Representative Director, CEO: Takahiro Hachigo  
 Capital: 86,067 million yen (as of March 31, 2018)

\*The graphs show unit sales (retail) of motorcycles, automobiles and power products (in units of 1,000) for FY2018. (April 2017 to March 2018)  
 The symbol ● represents the approximate locations of Honda Group companies.

Overview of Honda

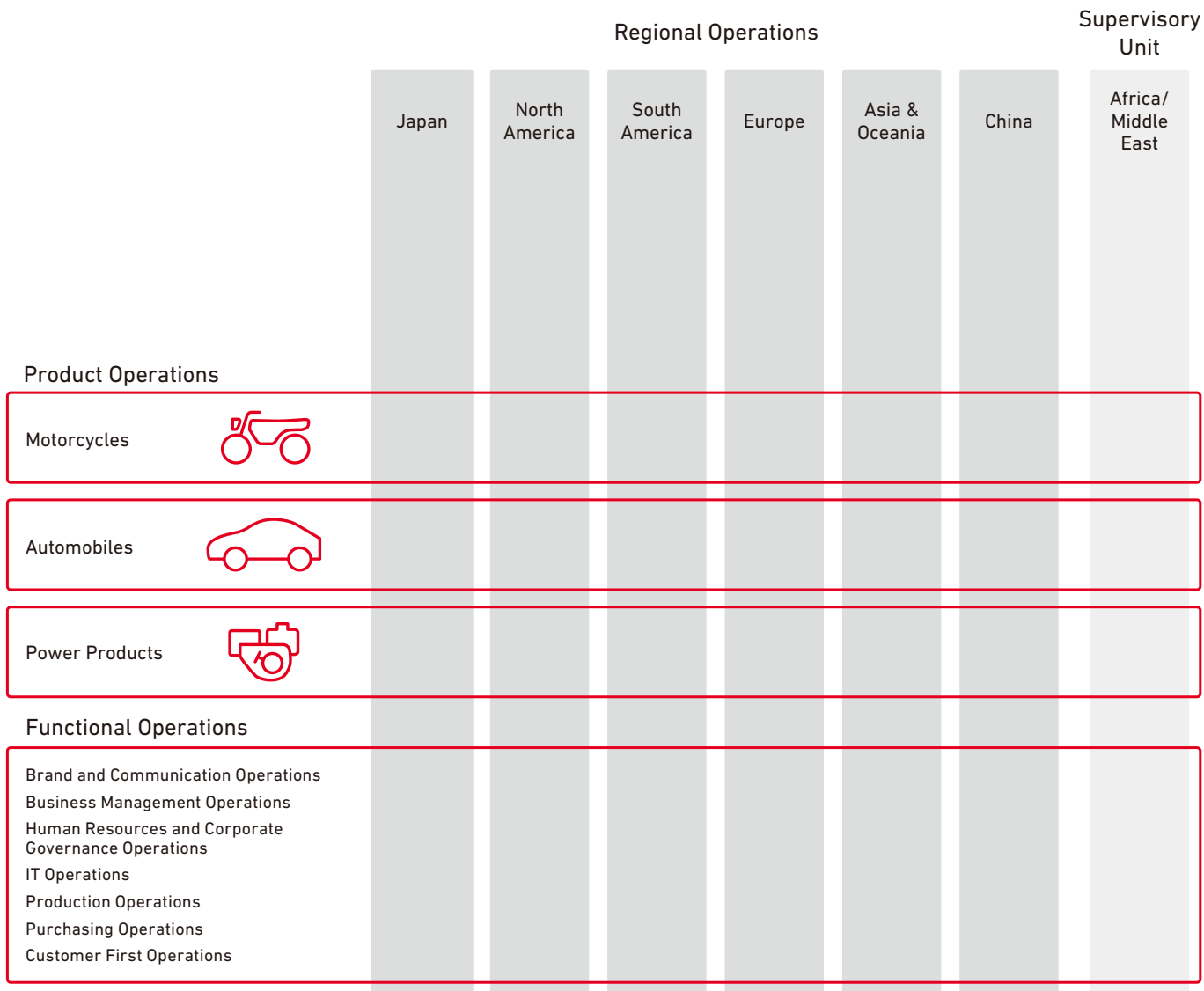
Matrix Management System

## Organizational Operating System

On the basis of our Fundamental Beliefs and from a long-term perspective, to support business expansion six Regional Operations functions and one Supervisory Unit have been established and are responsible for management of business operations 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 regions to optimize and facilitate global business operations.

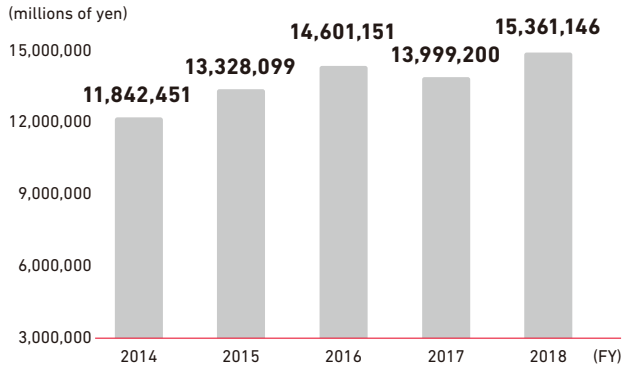
In addition, each of the Company's functional operations — including Brand and Communication Operations; Business Management Operations; Human Resources and Corporate Governance Operations; IT Operations; Production Operations; Purchasing Operations and Customer First Operations — is providing support and coordinating efforts to increase the effectiveness and efficiency of the Honda Group as a whole.



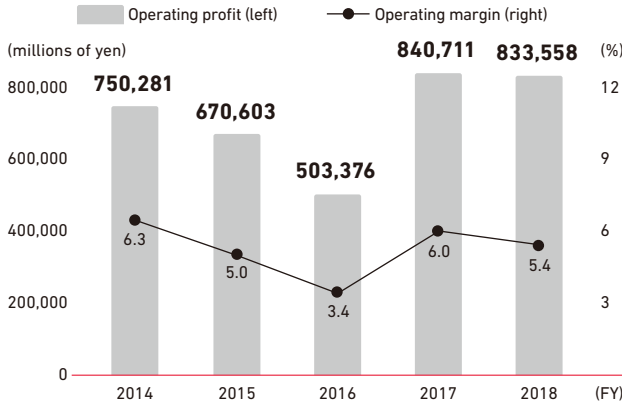
Overview of Honda

Financial Highlights

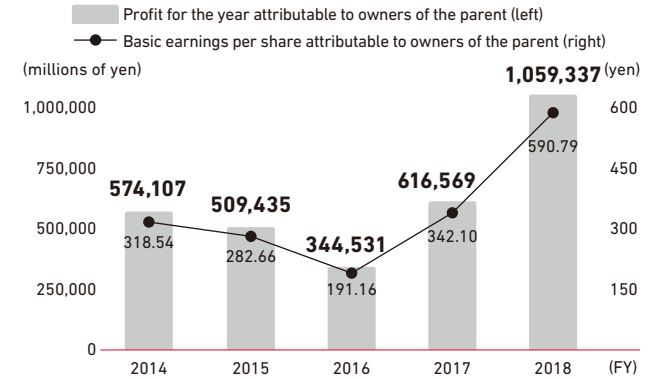
Sales revenue



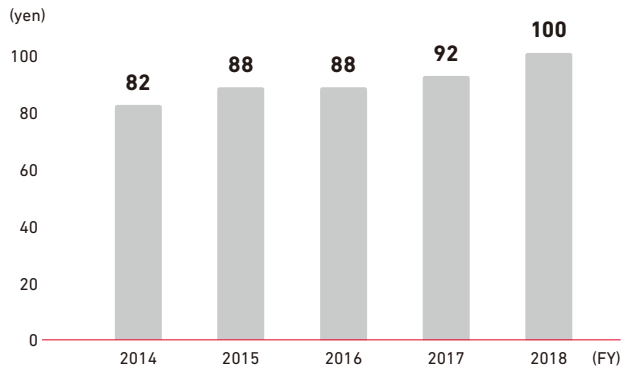
Operating profit/Operating margin



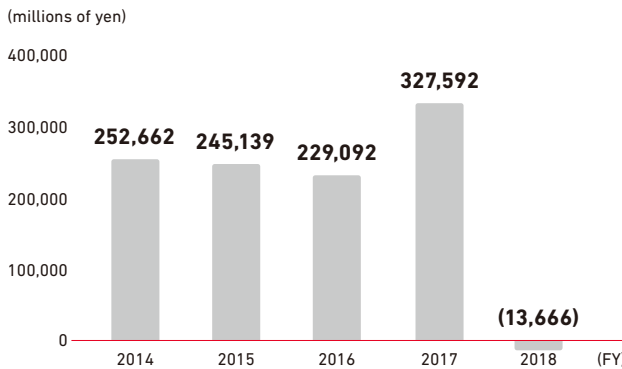
Profit for the year attributable to owners of the parent/  
Basic earnings per share attributable to owners of the parent



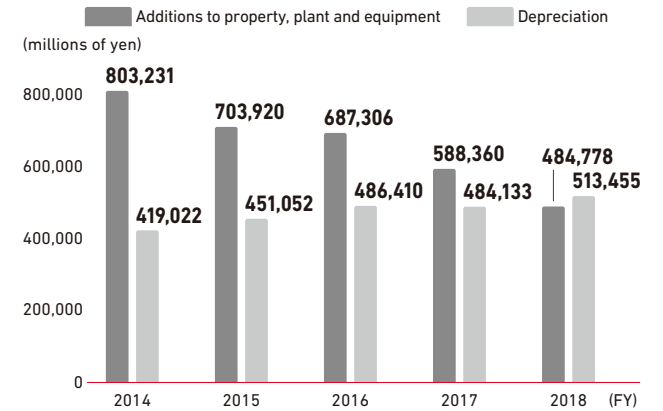
Dividend per share



Income tax expense



Additions to property, plant and equipment/Depreciation



Figures up to FY2014 are compiled pursuant to generally accepted accounting principles in the United States (U.S. GAAP) while figures from FY2015 and thereafter are compiled pursuant to International Financial Reporting Standards (IFRS), except for FY2014 amounts for "Additions to property, plant and equipment / Depreciation", which are based on IFRS and not U.S. GAAP.

# 5 Strategy



# strategy

## Material Issues

- Advancing powertrain electrification
- Eliminating the mobility divide
- Improving the quality of the mobility experience
- Applying automation and information technologies to everyday life

- Strengthening brand management
- Utilizing management resources efficiently
- Contributing to the economic development of developing countries

**5 Strategy**

**Honda's Sustainability**

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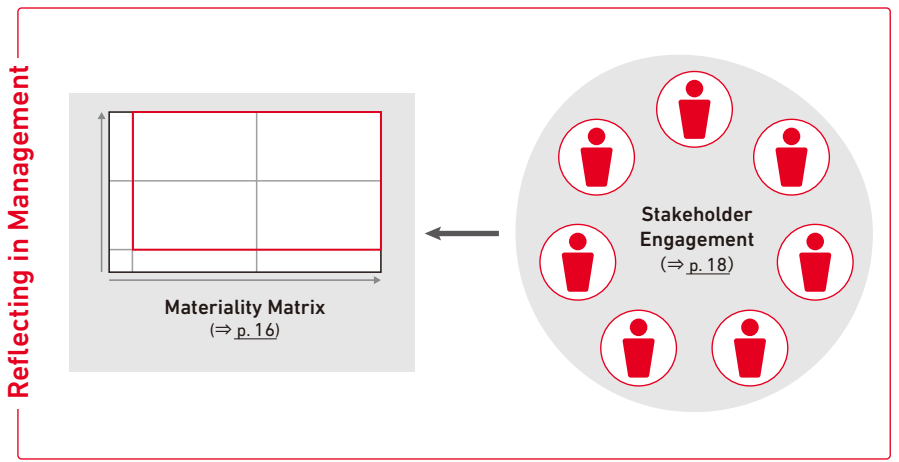
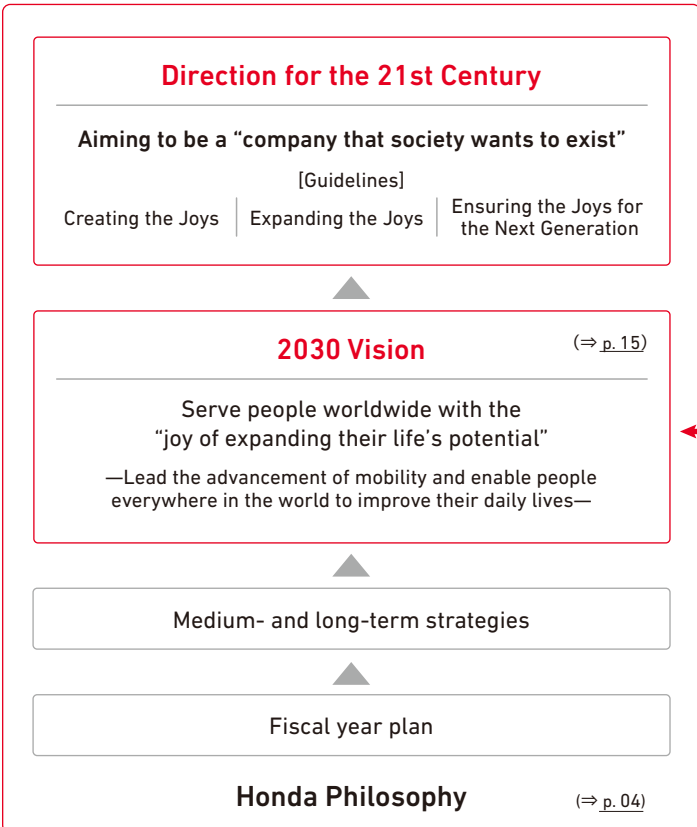
Innovation Management ..... 21

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

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

The "2030 Vision" is one milestone indicating in concrete terms the direction Honda ought to take toward realizing these objectives. For Honda's sustainability, it is important

to both meet stakeholders' expectations and needs by providing products and services of value, fulfill its corporate social responsibility such as by considering the impact on the environment and society, as well as to contribute to the resolution of social issues through its business activities. To this end, Honda is devising medium- and long-term strategies that consider the roles it should fulfill and contributions it should make. Further, these are matched to the characteristics of each region around the world, using the materiality matrix, which assesses issues based on both stakeholder and Honda's corporate perspectives, as its guide.





**5 Strategy**

**Roadmap for Sustainable Growth**

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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. In addition, in order to swiftly respond to and overcome rapid changes in the business environment, it is necessary to set forth Honda's future direction in the form of a vision.

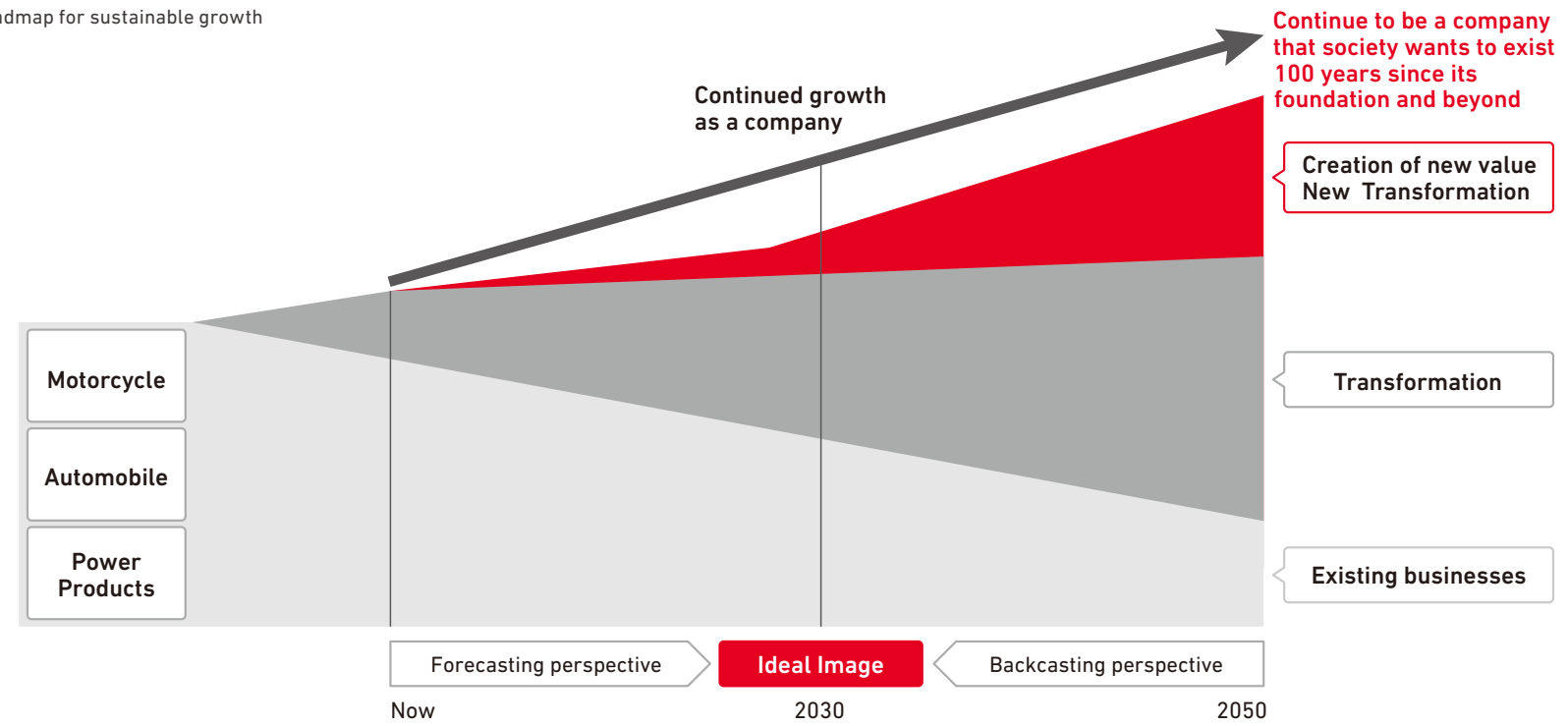
The "2030 Vision" embodies an ideal image of what Honda wants to be in the year 2030 in order to continue being "a company that society wants to exist" in 2050, when the Company will have marked more than 100 years since its founding.

In formulating the Vision, Honda examined long-term environmental changes from two perspectives: forecasting, or looking ahead to the future from the present point in time, and backcasting, or looking back from 2050 to the present. As the Company continues operating existing businesses, how is it going to transform and evolve the value of existing businesses in accordance with the significantly changing expectations of society and the needs of Honda customers?

Moreover, how is Honda going to create unprecedented new value in motorcycle, automobile and power products businesses, as well as new areas beyond the framework of its existing businesses?

In order to formulate a vision that will enable the realization of sustainable growth over the long term, Honda has examined the direction of the transformation of its businesses toward 2030 from the three perspectives of "Current, Transformation and New."

Roadmap for sustainable growth



**5 Strategy**

**2030 Vision**

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

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

From the second perspective of "Expanding the Joys," Honda will undertake efforts to "accommodate the different characteristics of people and society." In this area, the Company will strive to further expand the joy of people by offering products and services that are optimized for all people reflecting different cultures and values and diverse

societies, irrespective of whether they are in developed or developing nations.

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

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

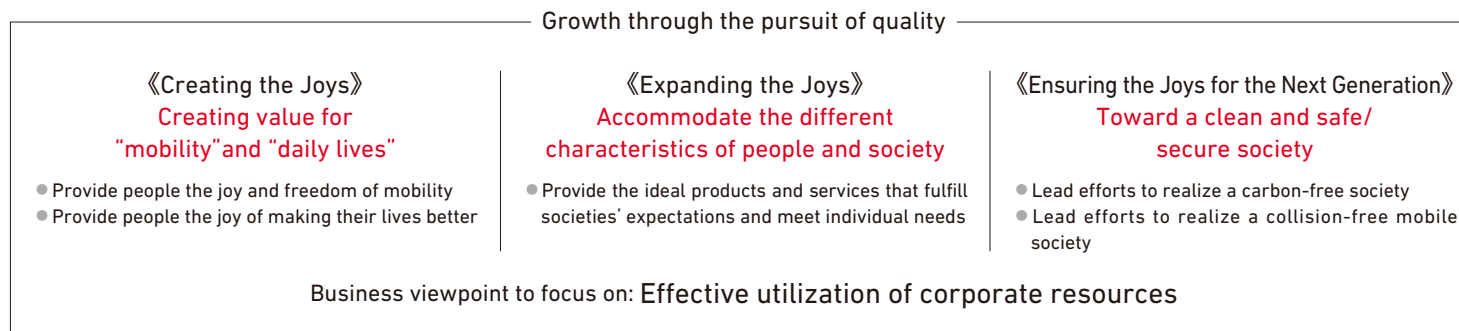
To realize this Vision, the Company will make effective utilization of limited corporate resources to transform and evolve existing businesses and create new value.



2030 Vision

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

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



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**Materiality Matrix**

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

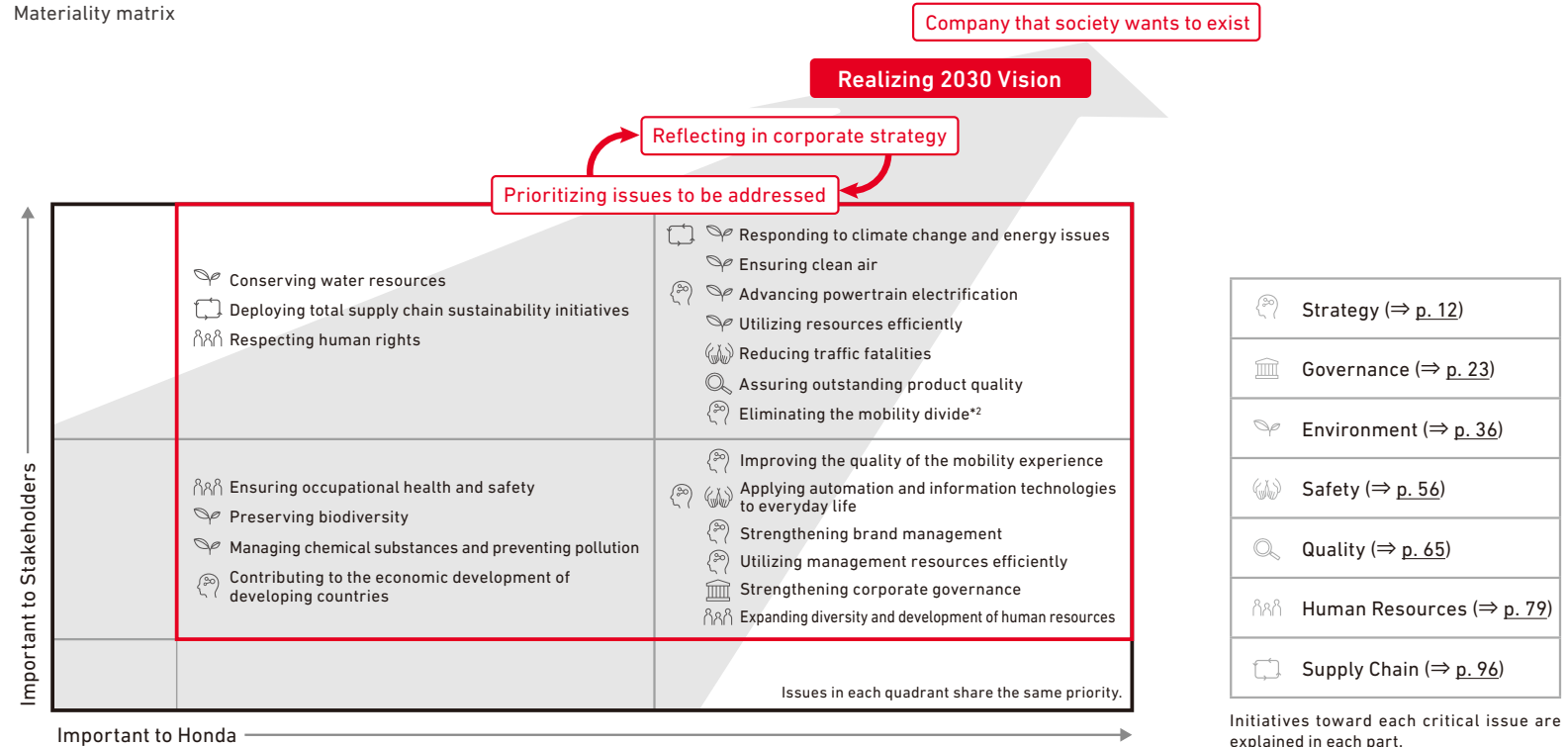
Toward achieving our long-term vision which is based on the Honda Philosophy, key issues to be addressed are organized from our perspective and from the viewpoint of our stakeholders. The materiality matrix provides the essential framework for organizing these issues. By creating and employing this matrix,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

The materiality matrix was prepared in two stages; identifying issues and then categorizing them according to their materiality. Issues were identified through dialogue among members of respective operating divisions within the Company and the process

took into account various viewpoints including global and value chain perspectives, the status of technological innovation, Sustainable Development Goals (SDGs)\*1 and social issues pursuant to the Paris Agreement. We evaluated the materiality of these issues in light of the views of stakeholders through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company's Sustainability Strategy Committee meetings and other occasions.

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

Materiality matrix



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

**5 Strategy**

**Sustainability Management Structure**

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## Structure for Deliberating Sustainability Initiatives

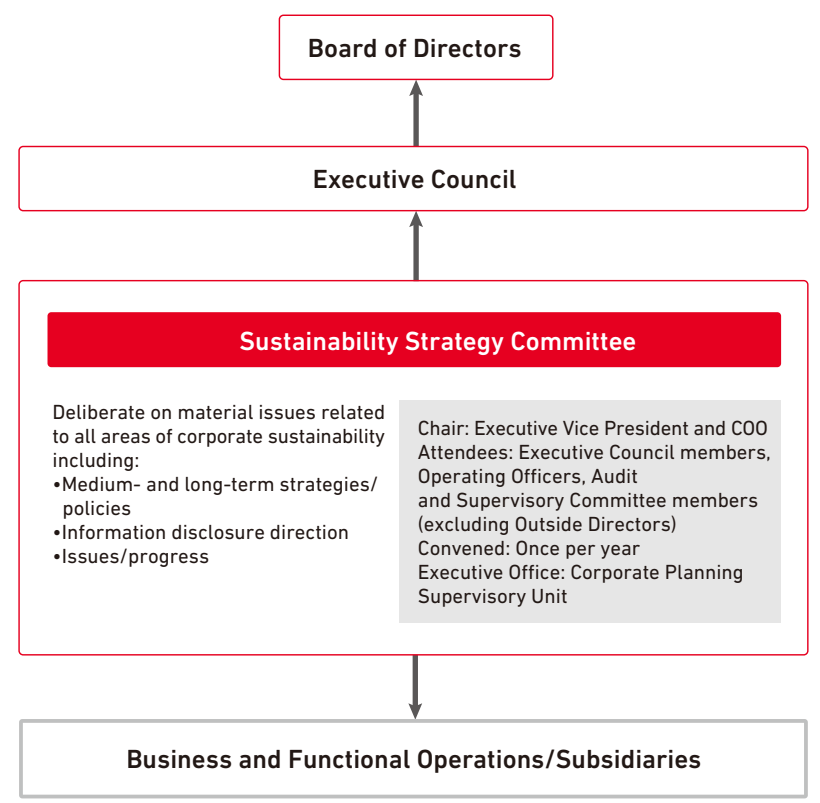
Honda organized the Sustainability Strategy Committee, chaired by the Executive Vice President and COO, as a platform to discuss and assess policy and initiatives related to sustainability activities.

Through this Committee, we identify the challenges in realizing the long-term vision of the Company, referring to the expectations and demands of key stakeholders recognized 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 are 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 strategies through the Executive Council and Board of Directors, taking into consideration the key challenges examined here. Then the Company breaks them down into policies and measures for business and functional operations and subsidiaries for actual execution.

Sustainability management structure from FY2018



**5 Strategy**

**Stakeholder Engagement**

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**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.

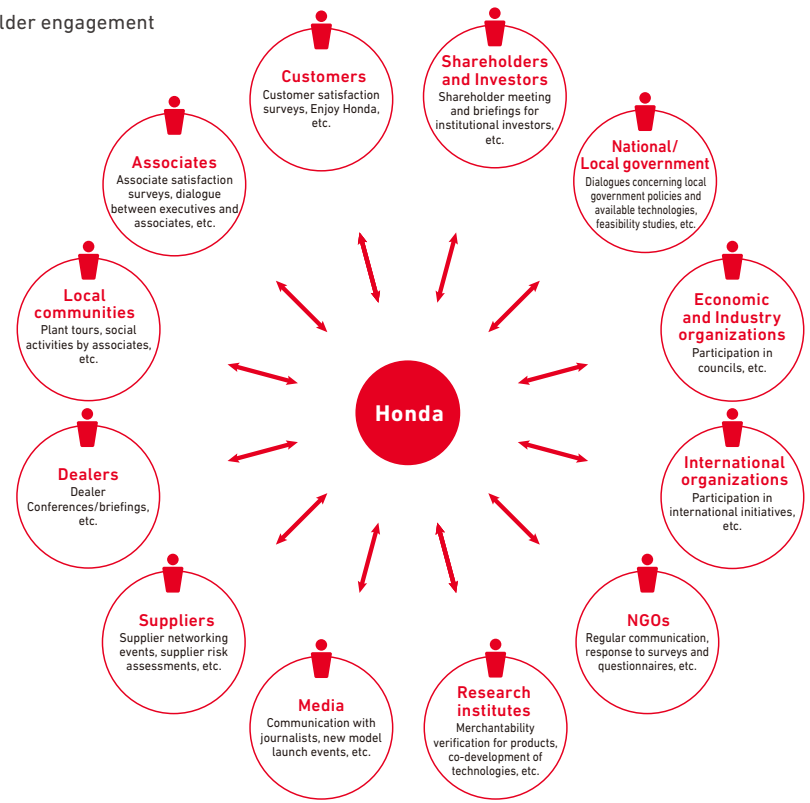
Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads 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, namely, those stakeholders shown in the diagram below that either are impacted by Honda’s business activities or whose activities impact Honda’s business activities.

In addition, opinions gained from leading ESG rating agencies and NGOs are reflected in the Materiality Matrix (⇒ p. 16), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder engagement





**5 Strategy**

**Stakeholder Engagement**

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## Cooperation with External Organizations

To carry out our responsibility as a global mobility company, Honda engages in dialogues with government, economic and industry organizations and also cooperates with external bodies. In Japan, Honda personnel serve as vice chairman, 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 World Index

In September 2017, Honda was selected for the first time as a component of the Dow Jones Sustainability World Index after being ranked fifth in the global Automobiles sector in the annual review of the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing. At the same time, the Company was selected for the third consecutive year as a component of the Dow Jones Sustainability Asia/Pacific Index.

The DJSI are investment indices run and offered cooperatively by U.S.-based S&P Dow Jones Indices and Switzerland-based RobecoSAM. The sustainability of the world's leading companies are evaluated 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 Third Straight Year with a Bronze Class Rating in the RobecoSAM Sustainability Index

Honda was selected for the third year running with a Bronze Class rating in the Automobiles sector of the Sustainability Award 2018 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 2017

In October 2017, 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 2017, 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.

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**Research and Development**

## Value Creation from an Independent Entity

In 1960, Honda spun off the research and development division from Honda Motor Co., Ltd. as an independent entity with the founding of Honda R&D Co., Ltd.

As expressed by words of Honda's founder Soichiro Honda, "What I am researching is not technology, but rather what people like," the aim of Honda's research is not just to research technologies but to also undertake research that extends to people's values. This is because researching people's values will enable Honda to create new value through the cultivation of unexplored domains.

Honda R&D has separate research centers for the motorcycle, automobile and power products businesses to research and develop products. These research centers have established structures in their respective regions to carry out highly efficient product development in accordance with the products and market characteristics of each business. Additionally, 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 research results with one another for effective usage, while working to develop products suited to local markets and to gather information on leading-edge technologies and markets through cooperation and coordination with local regions. Moreover, in response to recent technological innovations and industrial changes, Honda has declared a commitment to joint development and collaboration with a wide range of technological and business partners and is firmly pushing ahead with these efforts. Besides advancing existing businesses, the aim is to drive innovation that transcends conventional fields.

Besides these centers, at the Fundamental Technology Research Center, research has been conducted based on diverse ideas that give an insight into the future. From here, aircraft, aircraft engines, fuel cell vehicles, hydrogen production stations and walking assist devices have been commercialized. In addition, robotics technology developed at the center has been used for posture control for racing motorcycles and in automated driving research for automobiles. The center was transformed into R&D Center X in 2017 with the aim of creating further new value (⇒ p. 21).

\*1 Steel sheet with tensile strength higher than that of ordinary steel sheet  
 \*2 Honda survey (as of August 2017)  
 \*3 A pillar-shaped material that connects the body with the roof between the front seat and rear seat. It is visible when getting in and out of a vehicle and is an essential component for body strength.

TOPICS

### Large Weight Reduction by Reviewing the Basic Body Frame from Materials and Joining Methods

Along with a full model change for the N-Box, the top-seller in Japan's mini-vehicle category for three consecutive years, Honda redesigned approximately 90% of components, beginning with a newly designed platform and powertrain, to reduce weight by around 80kg even while installing enhanced safety features and other functions.

For the body, where the largest weight reduction was achieved, Honda expanded the use of high-tensile strength steel sheets\*1 to allow the use of thinner materials while ensuring sufficient strength. As a world-first\*2, Honda utilized the 1180MPa-class high-tensile strength steel sheet, which up to now was used mainly for inner frame reinforcement due to the difficulty in shaping, for the outer panel of the center pillar\*3.

Honda also effectively introduced new production technologies such as shifting from usually applied spot welding to seam welding and joining surfaces by high viscosity adhesive materials to increase the body rigidity while significantly reducing weight. In addition, Honda reviewed body structure to improve crashenergy absorption during collisions and enhanced crash safety performance at the same time. These advancements enabled Honda to complete the basic body frame, which simultaneously realized improved cabin space and collision safety performance, high rigidity, secure and fun driving experiences as well as excellent fuel economy.

Previous model

(MPa)  
 980  
780  
590  
440  
270

Steel sheet with over 780MPa-class tensile strength

New model N-Box

(MPa)  
 1180  
980  
780  
590  
440  
270

Steel sheet with over 780MPa-class tensile strength

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## Promoting Open Innovation That Accelerates Research & Development in New Fields

Honda has been striving to evolve mobility and the daily lives of people all around the world as part of our 2030 Vision (⇒ p. 15). This requires R&D in new domains in addition to the existing motorcycle, automobile, power products and aircraft domains. The potential for creating new value is growing in increasingly diverse fields in line with advancements in artificial intelligence (AI), big data and other digital technologies. Honda sees this as a favorable opportunity and is focusing on R&D in more new areas.

In addition, Honda is taking a proactive approach to open innovation, which encourages strategic ties with innovative partners. There is no denying that development in a closed environment would not be able to keep pace with the speed of change in today's world. To enable a swift response, Honda is embracing open innovation. Based on the concept of "AI × Data × Honda's strengths," we are working toward *Mono-zukuri* (the art of making things) and *Koto-zukuri* (new experiences drawn from the art of making things) that provide new value in harmony with people as an extension of our manufacturing projects up until now.

### Opened R&D Center X

In April 2017, Honda established R&D Center X, which takes a non-traditional approach to assume responsibility for R&D in "new value" areas ahead of new challenges.

R&D Center X will conduct R&D with a focus on long-term strategy in consideration of Honda's ideal image for 2030 and with 2050 as its starting point. In robotics, one of Honda's R&D domains, we aim to realize a robotics society that will further highlight the inherent greatness of human beings in areas that include autonomously operated machines and systems, such as mobility systems in addition to robotics technology, and energy management, which is necessary to power them. The Center has stated 3E (Empower, Experience, Empathy) as the concept behind its R&D.

In February 2017, Honda opened Honda Innovation Lab Tokyo in Akasaka, Tokyo, as a new hub to promote open innovation prior to the establishment of R&D Center X. We have received a high number of inquiries already as a space for strategic ties with outside entities and there are high expectations that it will produce significant results in the future.

3E concept



T O P I C S

### Proposing a Robotics Society at CES 2018

Honda once again took part in the Consumer Electronics Show (CES), the world's largest trade show in the consumer electronics field held in the United States in January 2018. The Company's exhibit was centered on Honda's 3E concept and proposed a robotics society that will further highlight the inherent greatness of human beings, one of Honda's aims. A concept model of a robot embodying 3E was presented at the venue, attracting the attention of visitors.



The 3E-A18 can communicate and interact with people.  
 The 3E-B18 empowers people to be mobile in a variety of situations.  
 The 3E-C18 can learn by observing and serves as a platform for product sales and mobile advertising.  
 The 3E-D18 supports people in a broad range of work activities on grueling terrains.

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## Roles of Honda R&D Innovations

In 2015, Honda established Honda Xcelerator, an open innovation program headquartered in Silicon Valley. With locations in Silicon Valley, Detroit, Europe, Israel, China and Japan, Honda Xcelerator serves as a catalyst to discover new technologies and proactively seeks to partner with startups globally. The program helps startups with innovative ideas through access to a collaborative workspace, test vehicles and support from Honda mentors. Focus areas of development for the program include energy, human machine interface (HMI), personal mobility, automated driving, artificial intelligence (AI), robotics, advanced materials and industrial innovation as part of aims to revolutionize mobility and energy management.

Silicon Valley-based Honda Innovations (Honda R&D Innovations, Inc.) is the driving force behind Honda Xcelerator. Honda first established Honda Research Institute, established in Silicon Valley in 2000 and added a corporate venture capital (CVC) function in 2005. In 2011, the CVC group became part of Honda R&D Americas, transforming into an open innovation lab called Honda Silicon Valley Lab. In April 2017, the lab became Honda Innovations, an independent new company with an expanded mandate — a global role for R&D in new value areas, growing from development focused on the conventional automobile. The new company, Honda Innovations, has taken on the role of discovering and developing new technologies, focusing on near-future developments.

Honda Innovations has already partnered with a number of startups and is pushing ahead at the speed of Silicon Valley. Honda Innovations also partners closely other Honda R&D facilities in Japan and overseas in a push toward viable future application. Headquartered in Silicon Valley, Honda Xcelerator has established a network of satellite operations in Boston, Israel, Detroit, Europe, China and Japan.

In 2014, Honda Innovations also established “Honda Developer Studio,” an open innovation program focusing on new services, connected vehicles and applications leveraging Honda products, such as the automobile as a platform. Development is focused on such areas as new services and payment systems as well as in-vehicle entertainment for passengers.

Honda Innovations serves as the open innovation hub for Honda globally and leverages several tools to share information and promote interdepartmental collaboration. One such tool is an internal newsletter shared with Honda engineers and researchers around the world. Also, a “Demo Day” is held twice a year to introduce the latest technology trends and technologies under development, and anyone from Honda who wishes to participate can do so. Demo Days help to uncover the needs of engineers and researchers, provide hands on experience and spread the culture of open innovation throughout Honda.

Honda will continue to proactively promote open innovation and pursue development in new value areas at the global level.

Global development of Honda Xcelerator



# 6 Governance



# governance

## Material Issues

- Strengthening corporate governance



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**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/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. (Please refer to the link below.)

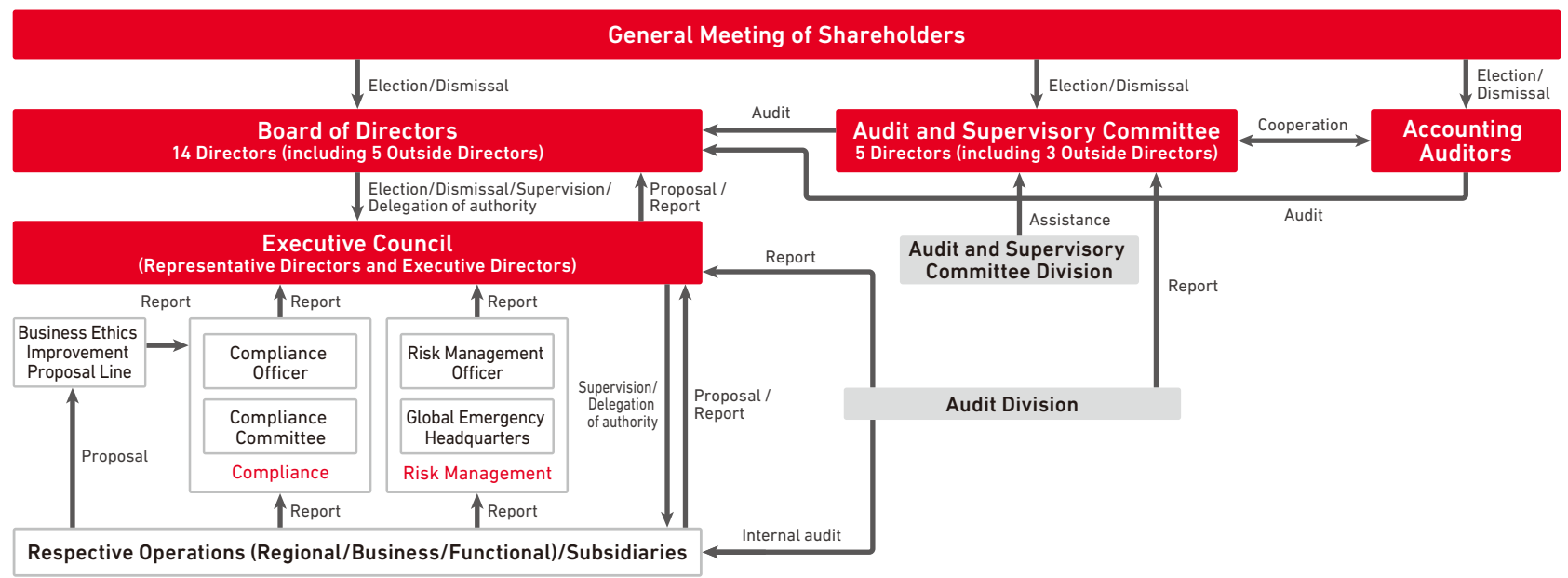
**WEB** "Honda Corporate Governance Basic Policies" "Corporate Governance Report"

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

**DATA** Overview of corporate governance

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Corporate governance structure (as of June 14, 2018)



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## Corporate Governance

### Executive Decision-Making Process

On June 15, 2017, the Company has transferred to a company with an Audit and Supervisory Committee in order to further delegate the decision-making authority of executing important business matters from the Board of Directors to the Directors in accordance with the provisions of the Company's Articles of Incorporation and resolutions approved by the Board. The new system enables quick decision-making and prompt business execution, and advances to separate management supervision and business execution, making to shift the focus of the Board's function to overseeing of business execution furthermore.

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 by Directors. In addition, the Board of Directors discusses and makes decisions concerning matters specified in the regulations of the Board of Directors, as well as matters set forth in the articles of incorporation and applicable laws. All other matters are delegated to the Representative Directors or the Executive Directors.

## Evaluation of Effectiveness of the Board of Directors

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

As same as the previous fiscal year, a self-evaluation was conducted by the Company for FY2018. Based on the results of a questionnaire and interviews conducted with the Directors,

the self-evaluation was deliberated and resolved at the Board of Directors. The self-evaluation questionnaire was prepared under the supervision of outside attorneys. The interviews and the compilation of the results were carried out by outside attorneys as well.

The Board of Directors shared the view that "effectiveness of the Board is ensured appropriately", through fulfilling the matters pointed out in the previous evaluation. Such matters include revision of the composition of Directors, revision of the deliberation standard, and enhancing provision of useful information to Outside Directors. Further, in consideration that the Company has transferred to the Company with Audit and Supervisory Committee in June 2017 and adopted "monitoring type" management system, they also shared understanding of the needs to further enhance the Board's supervising capabilities.

The Company will further enhance monitoring capabilities of the Board of Directors to raise effectiveness as a "monitoring-type" Board of Directors, by providing more information that is beneficial to demonstrate the Board's supervisory function to Directors and, by activating discussion appropriate to monitor global business management.

DATA

Status of the meetings of the Board of Directors

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## 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. (Please refer to the link below.)

WEB

"Honda Corporate Governance Basic Policies"

▶ <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.

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**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, Human Resources 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.

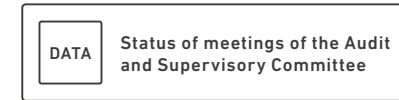
In order to facilitate quick and appropriate management decisions at the regional and working levels, Honda appoints Operating Officers who have been delegated the business execution authority from the Representative Director or the Executive Director to play the roles in their respective fields of Regional,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

**Audit Organization**

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

To provide timely and accurate reports to the Audit and Supervisory Committee, Standards for Audit and Supervisory Committee Reports 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.



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

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

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

Mr. Masafumi Suzuki, a director who is also a member of the Audit and Supervisory Committee, has had sufficient operating experience in the finance and accounting departments of the Company and its subsidiaries, and Mr. Hideo Takaura, also a director and a member of the Audit and Supervisory Committee, has abundant experience and considerable knowledge as a certified public accountant. Both of them qualify as "persons with considerable knowledge 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 including outside training that focuses on corporate governance as the central theme, and including code of conduct, prevention of bribery and prevention of anti-competitive behavior. 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.

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## Remuneration of Directors

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

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

WEB

"Honda Corporate Governance Basic Policies"

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

DATA

Total amount of remuneration for Directors and Corporate Auditors

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DATA

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

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DATA

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

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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 77 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 74 professional staff members (including 22 certified public accountants, 4 accountants with U.S. public accountant certification and 48 other staff members).

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

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## Directors



### Directors

- |  |   |   |  |  |   |                            |                            |  |
|--|---|---|--|--|---|----------------------------|----------------------------|--|
| ① President and Representative Director<br>Chief Executive Officer<br>Takahiro Hachigo | ② Executive Vice President and Representative Director<br>Chief Operating Officer<br>Seiji Kuraishi | ③ Senior Managing Director<br>Yoshiyuki Matsumoto | ④ Senior Managing Director<br>Toshiaki Mikoshiba | ⑤ Senior Managing Director<br>Yoshi Yamane | ⑥ Senior Managing Director<br>Chief Financial Officer<br>Kohei Takeuchi | ⑦ Director<br>Hideko Kunii | ⑧ Director<br>Motoki Ozaki | ⑨ Director and Advisor<br>Takanobu Ito |
|--|---|---|--|--|---|----------------------------|----------------------------|--|

### Directors (Audit and Supervisory Committee Members)

- |  |   |  |  |  |
|--|---|--|--|--|
| ⑩ Director (Audit and Supervisory Committee Member)(full-time)<br>Masahiro Yoshida | ⑪ Director (Audit and Supervisory Committee Member)(full-time)<br>Masafumi Suzuki | ⑫ Director (Audit and Supervisory Committee Member)<br>Toshiaki Hiwatari | ⑬ Director (Audit and Supervisory Committee Member)<br>Hideo Takaura | ⑭ Director (Audit and Supervisory Committee Member)<br>Mayumi Tamura |
|--|---|--|--|--|

⊕ See career background.



\*Hideko Kunii, Motoki Ozaki, Toshiaki Hiwatari, Hideo Takaura and Mayumi Tamura are Outside Directors as provided for in Article 2, Item 15 of the Company Law.

\*Hideko Kunii, Motoki Ozaki, Toshiaki Hiwatari, Hideo Takaura and Mayumi Tamura have been designated by the Company as Independent Directors as provided for in the rules of the Tokyo Stock Exchange and registered with the Tokyo Stock Exchange.

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## Operating Officers

### Managing Officers

<p><b>Takashi Sekiguchi</b> ● Chief Officer, Automobile Operations</p>	<p><b>Soichiro Takizawa</b> ● President and Director, Honda of America Mfg., Inc.</p>	<p><b>Michimasa Fujino</b> ● President and Director, Honda Aircraft Company, LLC</p>	<p><b>Shinji Aoyama</b> ● Vice Chief Officer, Regional Operations (North America) ● Senior Executive Vice President and Director, Honda North America, Inc. ● Senior Executive Vice President and Director, American Honda Motor Co., Inc.</p>
<p><b>Noriya Kaihara</b> ● Chief Officer, Purchasing Operations</p>	<p><b>Toshihiro Mibe</b> ● Executive Vice President and Director, Honda R&amp;D Co., Ltd. ● Risk Management Officer, Honda R&amp;D Co., Ltd.</p>		

### Operating Officers

<p><b>Naoto Matsui</b> ● Chief Officer, IT Operations</p>	<p><b>Mitsugu Matsukawa</b> ● Executive Vice President and Director, Honda of America Mfg., Inc.</p>	<p><b>Tetsuo Suzuki</b> ● Representative of Motorcycle DEB, Motorcycle Operations</p>	<p><b>Issao Mizoguchi</b> ● Chief Officer, Regional Operations (South America) ● President and Director, Honda South America Ltda. ● President and Director, Honda Automoveis do Brasil Ltda. ● President and Director, Moto Honda da Amazonia Ltda.</p>
<p><b>Yusuke Hori</b> ● Chief Officer, Customer First Operations</p>	<p><b>Tomomi Kosaka</b> ● Vice President, Fuel Cell System Manufacturing LLC</p>	<p><b>Noriaki Abe</b> ● Chief Officer, Motorcycle Operations</p>	
<p><b>Toshiyuki Shimabara</b> ● Executive Vice President and Director, Honda of America Mfg., Inc.</p>	<p><b>Yasuhide Mizuno</b> ● Chief Officer, Regional Operations (China) ● President, Honda Motor (China) Investment Co., Ltd. ● President, Honda Motor Technology (China) Co., Ltd.</p>	<p><b>Kazuhiro Odaka</b> ● Chief Officer, Human Resources and Corporate Governance Operations ● Compliance Officer</p>	<p><b>Masayuki Igarashi</b> ● Chief Officer, Regional Operations (Asia &amp; Oceania) ● President and Director, Asian Honda Motor Co., Ltd.</p>
<p><b>Hiroyuki Kachi</b> ● Vice Chief Officer, Production Operations ● Executive in Charge of Corporate Project</p>	<p><b>Soichi Yamamoto</b> ● President and Representative Director, Honda Engineering Co., Ltd. ● General Manager, Saitama Factory, Production Operations</p>	<p><b>Katsushi Inoue</b> ● Chief Officer, Regional Operations (Europe Region) ● President and Director, Honda Motor Europe Ltd.</p>	<p><b>Kimiyoshi Teratani</b> ● Chief Officer, Regional Operations (Japan)</p>
<p><b>Asako Suzuki</b> ● Vice Chief Officer, Regional Operations (Japan) ● General Manager, Product Planning and Brand Division, Regional Operations (Japan)</p>	<p><b>Katsuhisa Okuda</b> ● Chief Officer, Power Product Operations</p>	<p><b>Katsuhide Moriyama</b> ● Chief Officer, Brand and Communication Operations</p>	<p><b>Keiji Ohtsu</b> ● Chief Quality Officer</p>



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## 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, 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. (Please refer to the link below.)

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

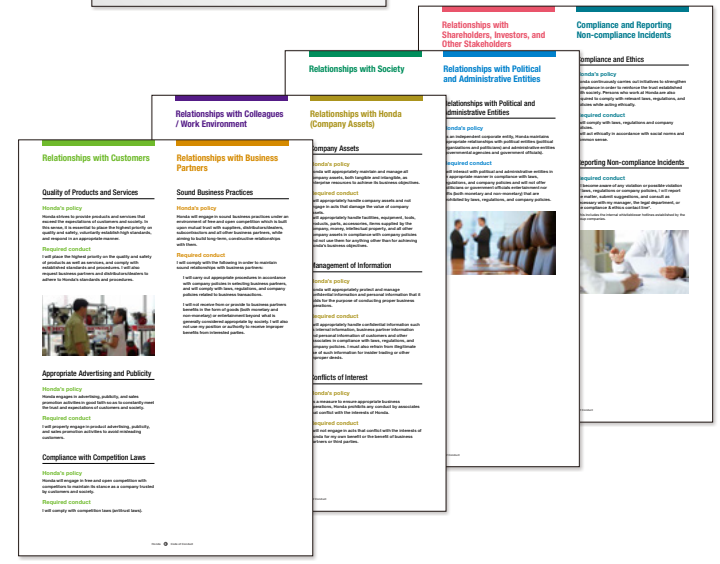


► <http://world.honda.com/codeofconduct/>

## 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 Audit and Supervisory Committee.

The Compliance Committee met three times in FY2018 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 FY2018.



Honda Code of Conduct



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## 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 and suppliers 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 FY2018, 386 suggestions and consultations were handled by the Business Ethics Improvement Proposal Line (including points of contact outside the Company). Among these, 155 concerned the parent company, 208 concerned subsidiaries and 23 concerned other matters. Following investigations, disciplinary action was taken in eight cases involving subsidiaries, and one of these eight 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.

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## 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 Responsible Minerals Initiative (RMI). 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. In FY2018, Honda received responses from more than 7,000 suppliers. In addition to reporting survey results to the SEC, the Company also makes them publicly available on its website. (Please refer to the link below.)

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

PDF

“Honda Supplier CSR Guidelines”

► <http://world.honda.com/sustainability/supply-chain/pdf/csr-guideline.pdf>

WEB

Under the IR Library website  
“Form SD/Conflict Minerals Report”

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

## 6 Governance

## Risk Management

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## Establishing an Effective Risk Management Structure

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

The Honda Global Risk Management Policy aims at driving the Company's sustainable growth and stabilizing management based on the Honda Philosophy and targets all risks with the potential to impact operations on a global scale. Each organization is building its own independent risk management structure and is responsible for promoting its own independent risk management activities in accordance with the basic policies of these regulations.

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

As main initiatives, Honda undertakes "risk analysis" for evaluating potential risk in terms of impact and frequency. When a crisis occurs, the Company establishes a Global Emergency Headquarters for crisis response 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 foreseeing risks and minimizing the impact.

As for specific procedures, for the 91 risk items identified by the Honda Group, such as economic crisis, economic recession, exchange rate and interest rate fluctuations, climate change and energy issues, 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 Business Operations chooses the risks most relevant to its business operations in the next fiscal year. In addition, information regarding risk management measures is shared at the management meeting every year with monitoring of progress.

In FY2017, along with identifying priority risks from the bottom up, the Company started identifying risks that need a company-wide response (company-wide priority risks) by using a materiality matrix (⇒ p. 16), and from a long-term perspective based on our visions and strategies. In the future as well, Honda will establish the process for identifying and responding to these long-term strategic risks as it works to strengthen its company-wide risk response capabilities.

## Crisis response

Honda's Kumamoto Factory and dealers were substantially damaged as a result of a series of large earthquakes that hit Kumamoto and other parts of Kyushu in April 2016. In response to the emergency, Honda set up a Global Emergency Headquarters and made all out company-wide efforts for recovery of not just the Kumamoto Factory but also suppliers and regional communities.

In FY2017, Honda implemented a verification of its crisis response for the Kumamoto earthquakes, and the issues that became evident were reflected in the Global Emergency Headquarters Manual and the manual was revised.

In FY2018, Honda implemented drills using the revised manual and confirmed the manual's effectiveness.

Honda is striving to improve its crisis response capabilities through drills by the Global Emergency Headquarters while newly establishing venues (group leader meetings) for discussions concerning crises during ordinary times. By doing so, Honda is working to create a culture that enables effective cooperation when a crisis occurs.

Also with regard to disaster drills, besides ensuring the safety of human life and procedures to account for its associates, from FY2017 Honda has continuously held 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.

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## 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). The Company also established the Global Confidentiality Committee in FY2015 and created a committee to promote regional information management with the Chief Officer of the Human Resources and Corporate Governance Operations as its chairperson. 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 FY2018, Honda confirmed that the establishment of an information management system has been completed in each region and determined the confidentiality action policies and initiatives for the next three years starting from FY2019. 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 decided 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.

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

## 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, restrictions are placed on access to digital data containing personal information and an access log is kept. Personal information in print form is stored with rigorous security, including in cabinets with locks. The Company conducts a review 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 FY2018, no complaints were filed with Honda globally concerning any leak of personal information.

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## Overview of Corporate Governance (as of June 14, 2018)

Form of organization Company with Audit and Supervisory Committee

• Number of Directors (excluding Audit and Supervisory Committee Members)	9
Number of Outside Directors	2
Number of Specified Independent Directors	2
Number of Female Directors	1
• Term of Directors (excluding Audit and Supervisory Committee Members)	1
• Number of Directors serving as Audit and Supervisory Committee Members	5
Number of Outside Directors	3
Number of Specified Independent Auditors	3
Number of Female Outside Directors	1
• Terms of Directors Serving as Audit and Supervisory Committee Members	2

## Status of the meetings of the Board of Directors (FY2018)

• Number of meetings held (no. of times)	10
• Attendance rate of Directors (excluding Directors who are Audit and Supervisory Committee Members)*1 (%)	100
Attendance rate of Outside Directors (%)	100
• Attendance rate of Directors who are Audit and Supervisory Committee Members*2 (%)	100
Attendance rate of Outside Directors*3 (%)	100

\*1 "Directors" before adopting to a company with the Audit and Supervisory Committee system on the 15th of June 2017

\*2 "Corporate Auditors" before adopting to a company with the Audit and Supervisory Committee system on the 15th of June 2017

\*3 "Outside Corporate Auditors" before adopting to a company with the Audit and Supervisory Committee system on the 15th of June 2017

## Status of meetings of the Audit and Supervisory Committee (FY2018)

• Number of meetings held (no. of times)	8
• Attendance rate of Directors who are Audit and Supervisory Committee Members*1 (%)	100
Attendance rate of Outside Directors*2 (%)	100

\*1 "Corporate Auditors" before adopting to a company with the Audit and Supervisory Committee system on the 15th of June 2017

\*2 "Outside Corporate Auditors" before adopting to a company with the Audit and Supervisory Committee system on the 15th of June 2017

## Total amount of remuneration for Directors and Corporate Auditors

Category of directors	Total amount of remuneration and bonuses (millions of yen)	Total amount by type of remunerations (millions of yen)		Number of eligible directors (Number of persons)
		Base remuneration	Bonus	
Directors (excluding Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	639	408	230	10
Outside Directors (excluding Directors who are Audit and Supervisory Committee Members)	29	29	-	2
Directors (Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	100	100	-	2
Outside Directors (Directors who are Audit and Supervisory Committee Members)	35	35	-	3
Corporate Auditors (excluding Outside Corporate Auditors)	33	33	-	2
Outside Corporate Auditors	11	11	-	3

This amount includes remuneration paid to three Directors and one Corporate Auditors who retired during the fiscal year ended March 2018.

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

Annual total remuneration and bonuses of highest-paid individuals (millions of yen)	155
Ratio to median annual total remuneration for all associates (%)	1,938

## 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 (%)	104
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## Environment

# 30%

Honda is aiming to reduce the CO<sub>2</sub> 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

### Material Issues

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

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## Honda Environmental and Safety Vision/ Honda's Environment Statement

Ever since the 1960s, Honda has actively endeavored to solve environmental 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 Greenhouse Gas (GHG) emissions, which are considered to be a cause of climate change; use of resources, including water and minerals; and suitable processing and reduction of waste.

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



### Honda Environmental and Safety Vision

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

### Honda's Environment Statement

As a responsible member of society whose task lies in the preservation of the global environment, the Company will make every effort to contribute to human health and the preservation of the global environment in each phase of its corporate 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



\* CVCC: Compound Vortex Controlled Combustion



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## 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 had continued to meet every year as the World Environment and Safety Strategy Committee. From FY2018, environmental issues have been incorporated as items to be considered at the Sustainability Strategy Committee for integrated discussions under a single committee.

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

Following the decisions made at the above meeting, the World's Six Region Environmental Committee, made up of the environmental divisions of each regional headquarters, also meets every year. Once the information sharing process at these meetings 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 Sustainability Strategy Committee. The Company is striving to continuously enhance environmental management through the reflection of the above information in the medium-term business plan and policy for the following term and the implementation of the plan-do-check-act (PDCA) cycle by each Regional Operation and environmental division.

## Environmental Management System

Honda's existing global vehicle assembly and product assembly plants had acquired ISO14001, an international certification for environmental management systems (as of March 2018). 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 five years, Honda has not committed any serious noncompliance with environmental laws and regulations, paid substantial fines/sanctions in breach thereof, or recorded any major chemical releases.

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

## Environmental Accounting

### Environmental Accounting in Japan

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

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

**DATA** Cost of environmental conservation activities and investments

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**DATA** Economic benefits (Effect on revenue and expenses)

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**Material Issues in the Environmental Dimension**

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## Honda's Material Issues

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

### Triple ZERO

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

#### Zeroing CO<sub>2</sub> emissions using renewable energy

To address "climate change issues," Honda is striving to eliminate CO<sub>2</sub> emissions in products and business activities in the future by utilizing renewable energy.

#### Zeroing energy risks

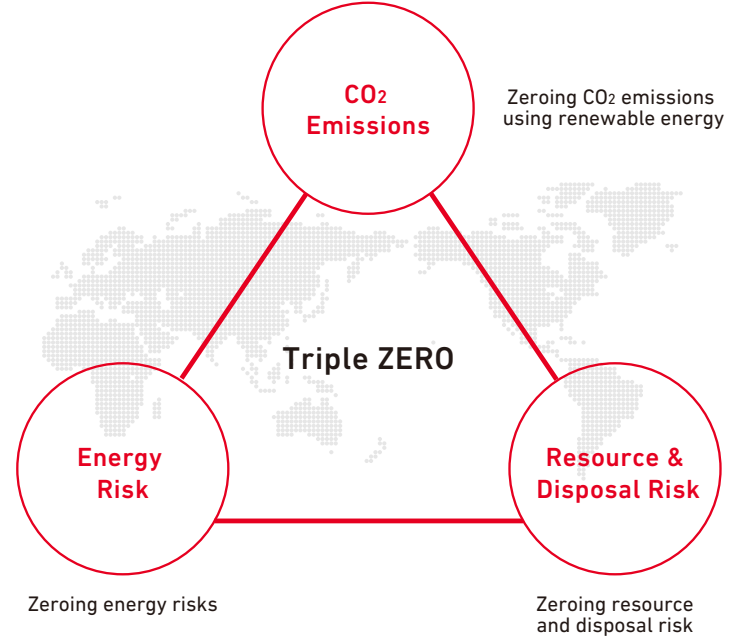
To address "energy issues," Honda is striving to eliminate energy risks in the future, such as those caused by a dependence on fossil fuels.

#### 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



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Global Management

**Material Issues in the Environmental Dimension**

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**Material Issues in the Environmental Dimension**



**Dealing with Climate Change and Energy Issues**

**Mitigating Climate Change and Energy Risk**

Honda is moving forward with its response to climate change through initiatives that link Honda's business strategy with its environmental strategy. With the vision of a zero impact society, in 2014 the Company announced its aim to cut total corporate CO<sub>2</sub> emissions in half by 2050 compared with 2000 levels. Going forward, Honda will continue with activities to reduce CO<sub>2</sub> using science-based target setting using the latest information. As an interim objective, Honda is currently working to achieve its 2020 Product CO<sub>2</sub> Emissions Reduction Targets to lower CO<sub>2</sub> emissions intensity from the use of motorcycles, automobiles and power products worldwide by 30% from the 2000 base year level.

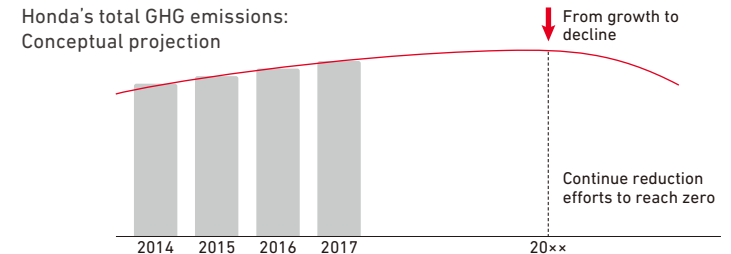
In North America, Honda conducts credit trading with the portion exceeding the amount set forth in GHG and Corporate Average Fuel Economy (CAFE) laws and regulations and is working efficiently to reduce GHG while keeping an eye on the impact of this on business. The Company believes this is also connected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

As automobiles account for approximately three quarters of Honda's sales revenue, in pursuing the reduction of CO<sub>2</sub> emitted from its products, Honda considers that reputational risk and potential penalties arising from failure to comply with fuel economy regulations can have a significant impact on its business. Accordingly, Honda has taken efforts to mitigate risks by applying a system called "SED" in which products are developed jointly by the Sales (S), Engineering (E) and Development (D) functions. In addition, operations such as Honda R&D Co., Ltd., Automobile Operations and the Certification & Regulation Compliance Division coordinate research on trends in fuel economy regulations around the world, while the Certification & Regulation Compliance Division publishes the results as regulatory information. Regular meetings are held to provide a forum for sharing the contents and interpretation of new regulations, as well as for discussing the responses to them. Also, Honda has built an organizational structure for developing technologies that always anticipate future fuel economy regulations through engagement with policy makers.

In recent years, stakeholders have become increasingly conscious of fuel efficiency, CO<sub>2</sub> emissions and other environmental performance indices when choosing mobility products. Honda recognizes these changes in consumer values and market demands as critical matters to focus on, and it is actively expanding the lineup of products that it offers powered by Earth Dreams Technology\*. Through these initiatives, Honda is meeting customers' needs and generating additional profit.

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

energy sources used in its products and business activities, with the aim of completely eliminating energy risk from heavy dependence on fossil fuels, etc. The Company has set an interim target for 2020 and aims to establish technologies that diversify home energy sources and reduce CO<sub>2</sub> emissions from personal mobility and home living to zero. Honda is developing the Honda Smart Home System (HSWS) to help it realize this goal. In addition, in the fields of its business activities Honda plans to introduce solar power generation of 4.2 MW in FY2019 for the use of renewable energy. As mentioned above, Honda is promoting energy diversification by actively introducing large-scale solar and wind power generation at Honda's facilities.



**Advancing Powertrain Electrification**

Honda views dealing with climate change and energy risk as key challenges and actively promotes electrified products. Honda has set a goal to increase the ratio of vehicles adopting electrified 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 plug-in hybrid electric vehicles (PHEV), electric vehicles (EV) and fuel cell vehicles (FCV), while entering into partnerships with other companies for the preparation of a hydrogen infrastructure involving the likes of hydrogen stations. To give an example of the Company's efforts to develop such products and the infrastructure supporting their proliferation, American Honda Motor Co., Inc. installed 60 new EV charging stations on its Torrance, California campus, while the Honda Clarity series was announced in the United States, in which FCV, EV and PHEV powertrains are covered with the same platform (⇒ p. 43). Honda is also working to promote electrification company-wide, by designating the Yorii assembly plant as the mother plant and base for all EVs, establishing a structure enabling development and production that meets market needs worldwide.

As for motorcycles, Honda is developing the PCX Electric/Hybrid and conducting demonstration experiments for the EV-CUB. Regarding power products, the Company has expanded product selection in line with customer needs by accelerating product electrification. This includes the LiB-AID E500, a handy storage battery that can be used as a portable power source, and the Miimo HRM520 robotic lawn mower.

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

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**Material Issues in the Environmental Dimension**

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\* A cloud-based solution service that uses the GPS of smartphones and tablets and assists in increasing the efficiency of small vehicles (2-wheeler or light trucks) in short-distance commuting

T O P I C S

**Adopting Electrified Technologies with Motorcycles**

**Entered discussions on collaboration with Japan Post toward establishment of social infrastructure**

Honda is pushing ahead with demonstration testing for postal delivery operation as environmentally friendly business activities, which include making a transition to a recycling-oriented society where limited resources are used more effectively as well as complying with increasingly strict exhaust emissions regulations.

Specifically, this initiative is aimed at the establishment of social infrastructure with a vision of utilizing electric motorcycles and other vehicles for postal delivery. This means exploring the possibility of introducing electric vehicles for postal delivery operation and conducting demonstration testing for installing charging stations in

post offices.

Additionally, there is another initiative intended to realize efficient delivery vehicle operations and sustainable and universally available services. This includes utilization of Honda Biz LINC\* telematics service for postal delivery service and establishment of a structure supporting a stable, accurate and safe postal delivery operation.

Honda will actively work to realize the establishment of social infrastructure that will contribute to the sustainability of the global environment.

**Toward the Wider Use of Hydrogen**

**Operation of taxis as transportation infrastructure**

Honda started operation of taxis using its Clarity Fuel Cell at the end of June 2017 in four major cities in Japan directed toward the wider use of FCV in the future. The Company will make use of information such as driving data gained through the taxi operation in research and development aimed at further performance evolution of FCVs to promote increased usage.

**Collaboration to expand the hydrogen refueling station network in Northern California**

Honda is supporting the introduction of seven hydrogen refueling stations in Northern California in collaboration with Toyota and Shell as a means to help spread the use of FCVs. Honda believes fuel cell technology has great potential to address society's energy and environmental concerns and will build cooperative relationships so as to meet the needs of more customers.

**Activities promoting hydrogen to the next generation**

Honda conducts classes on hydrogen for students in collaboration with multiple local governments as part of stakeholder engagement efforts. By facilitating an accurate understanding of hydrogen among the younger generation, Honda is striving to respond to the increasing use of next-generation energy.

In addition, the Company is undertaking measures to promote the appeal of hydrogen at different events. Besides gaining the understanding of stakeholders, this serves as a valuable opportunity to hear the opinions of customers who visit the venue.



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**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.

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.

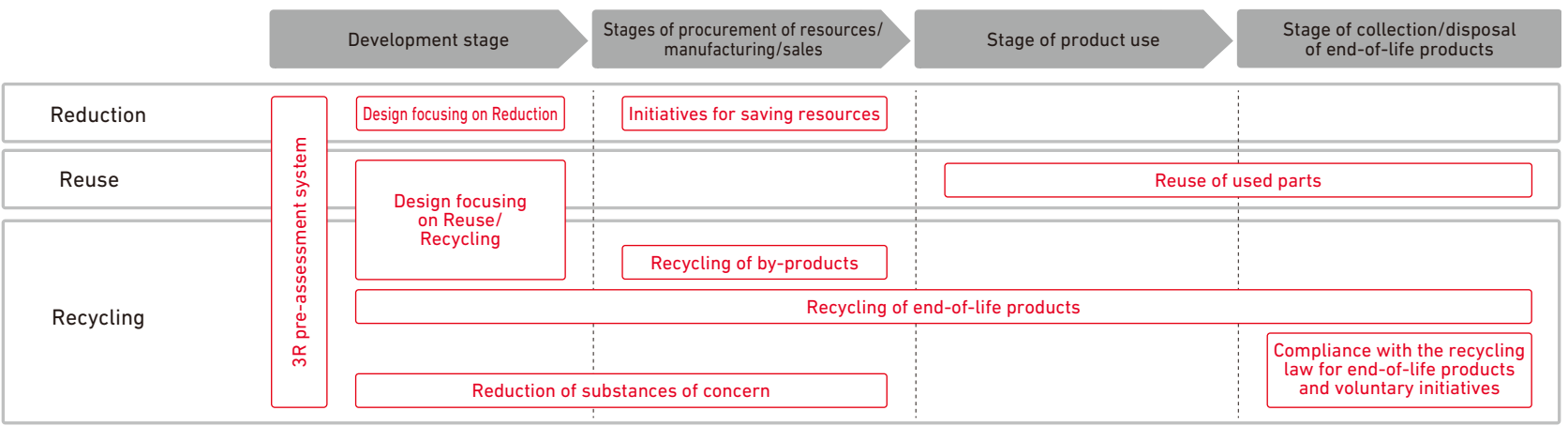
Honda has also enhanced the combustion efficiency of engines and cleaned exhaust emissions by promoting conversion from two-stroke to four-stroke engines in motorcycles and power products as well as shifting from a carburetor to the Honda Programmed Fuel Injection (PGM-FI) system.

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

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



Initiative for the elimination of risks related to resources and disposal



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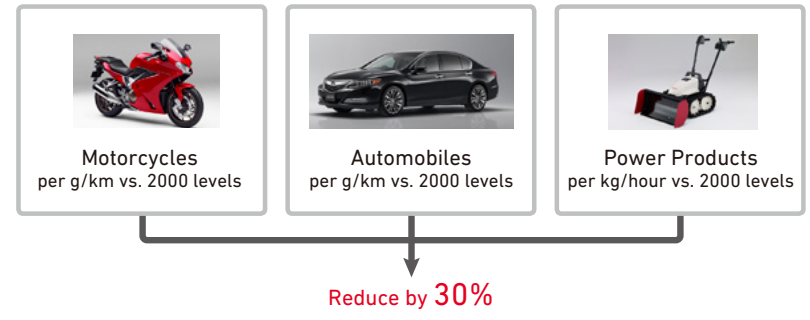
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**Responses to Climate Change and Energy Issues**

## Goal to Reduce CO<sub>2</sub> Emissions Intensity in Products by 2020



\*Global average CO<sub>2</sub> emissions from Honda products

Honda believes in the necessity of reducing CO<sub>2</sub> emitted from products in response to climate change and energy issues, which it views as key environmental challenges. Therefore, to ultimately realize zero CO<sub>2</sub> emissions in product usage, Honda has formulated and is promoting initiatives under a goal to reduce CO<sub>2</sub> 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.

DATA Current status of achievement vs. 2020 product CO<sub>2</sub> emissions intensity reduction targets

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T O P I C S

### Clarity Series of EVs Released in North America, Expanding the Range of Choices

The Honda Clarity series, which is available in three advanced electrified powertrains (FCV, EV and PHEV) installed on the same platform, went on sale in North America in December 2017. The Clarity series is the first in the world to offer the power of choice to customers who want an EV without the compromise, which has won it plaudits from different quarters, including recognition as the 2018 Green Car of the Year® by *Green Car Journal* of the United States.

Besides not only boasting outstanding environmental performance, The Clarity series of cars are full of practical value as well. The sedan model provides both aerodynamic performance and advanced design while efficient packaging ensures top-class interior space and ample trunk room.

Honda aims to spread the use of EVs with low environmental burden beyond North America to help mitigate the effects of climate change and reduce energy risk.



Clarity series





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**Three Initiatives to Achieve Environmental Performance Targets**

Emissions from “use of products” account for approximately 80% of CO<sub>2</sub> emissions from Honda’s entire product life cycle. In light of this, Honda works to reduce CO<sub>2</sub> 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 CO<sub>2</sub> Emissions Reduction Targets with a view to halving total CO<sub>2</sub> emissions by 2050 compared with 2000 levels while expanding production and sales globally.

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

By implementing these in phases, Honda is steadily reducing CO<sub>2</sub> 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 FY2018, 27 motorcycle models, 8 automobile models and 3 power product models – a total of 38 models – were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 171 motorcycle models, 97 automobile models and 54 power product models, or 322 models in total.

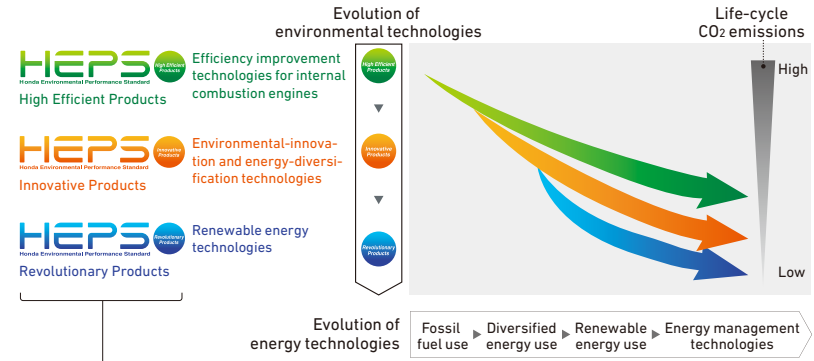
In addition, there were no violations in product and service information or labeling in general.

DATA Global number of HEPS-compliant models

► p. 55

DATA Number of HEPS-compliant models by region

► p. 55



**● High Efficient Products**

Products that emit less CO<sub>2</sub> emissions because of improved internal combustion engine efficiency. This category includes products that incorporate technologies for improving fuel combustion and transmission efficiency and reducing friction between engine parts. Compliance is determined based on how well a product reduces or helps reduce CO<sub>2</sub> emissions during use compared with preceding models.

**● Innovative Products**

Products that emit less CO<sub>2</sub> because they use an environmentally innovative technology or an alternative energy source. This category includes motorcycles that incorporate Honda’s patented Idling Stop System, automobiles that incorporate hybrid technologies or direct injection engine technologies, and power products with electronic fuel injection (FI). Alternative energy technologies include motorcycles and automobiles that can run on ethanol and power products that can run on gaseous fuels. Compliance is determined based on how well a product reduces or helps reduce CO<sub>2</sub> emissions during use compared with preceding models.

**● Revolutionary Products**

Products that reduce or eliminate CO<sub>2</sub> emissions by harnessing renewable energies or facilitating total energy management. This category includes products that incorporate electromotive technologies or technologies for using renewable energy.



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**Responses to Climate Change and Energy Issues**

**Corporate Activities Initiatives**

With the aim of ultimately achieving zero CO<sub>2</sub> emissions and zero energy risk, Honda is focusing on the reduction of energy consumption and CO<sub>2</sub> emissions while expanding production/sales globally. Mid-term plans for operations-related environmental initiatives specify the reduction of CO<sub>2</sub> emissions intensity per unit of production\*<sup>1</sup> by 18% by FY2020 (baseline: FY2009) as the target. 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\*<sup>2</sup>. 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 FY2018, Honda generated a total of 117GWh of electricity, including solar power generation and wind power generation.

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

T O P I C S

**Received Energy Conservation Grand Prize for FY2018 with Two New Technologies**

Honda received the Director-General's Prize (Agency for Natural Resources and Energy) in the Energy Conservation Case Example Category within the Energy Conservation Grand Prize for FY2018 for a new energy-saving testing method employed at the Transmission Factory Hamamatsu Plant. Previously, when testing the durability of its Continuously Variable Transmission (CVT), an actual engine was used and the test was conducted continuously over a long period. The newly developed test apparatus cuts testing time by approximately 70% and has therefore been highly regarded for boosting efficiency by reducing gasoline consumption and being kind to the environment.

In addition, Honda Engineering Co., Ltd. received the Reviewer's Prize in the same category for reducing the amount of hydrogen consumed in the fuel cell stack. The technology, developed to promote the increased use of FCVs, has been highly acclaimed, in particular, since energy generated in the production process has been slashed by 99.7% while processing time is kept to around one-sixth of conventional systems.

Honda will continue implementing initiatives aimed at realizing its 2030 Vision.

\*1 Intensity that is a weighted average calculated on the basis of CO<sub>2</sub> emissions intensity and the units produced for each of motorcycles, automobiles and power products

\*2 Comparison with Saitama Factory's Sayama assembly plant



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**Efficient Utilization of Resources**



## Initiatives in the Development Stage

### 3R Pre-Assessment System

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

### Design Focusing on Reduction

Honda is making efforts in downsizing and weight reduction by considering alternative structures and materials for all components in each product, such as the body framework, engine and bolts. For example, the Company used thinner structural bumpers in the N-WGN, 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 FY2018, Honda is maintaining more than 90% for automobiles and more than 95% for motorcycles, as well as a recoverability rate of more than 95% for components/materials\*2 used in power products.

## Initiatives at the Product Use Stage

### Recycling of End-of-Life Components

Honda collects and recycles end-of-life components generated from repair, replacement,

etc., from dealers nationwide. In FY2018, 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 FY2018, the number of Honda automobiles collected was approximately 490,000 for fluorocarbons (+11% from the previous fiscal year), approximately 460,000 for airbags (+10%) and approximately 520,000 for ASR (+6%). Recycling rates for gas generators and ASR were 93.9% and 98.1%, 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 1,020 Honda products in FY2018, which accounted for 59.2% 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.

## Corporate Activities Initiatives

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

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

\*1 Index based on "Definition of Recyclable Rate for New Vehicles and Guidelines on Calculation Method" issued by Japan Automobile Manufacturers Association, Inc. (JAMA)  
 \*2 Recyclable rate that includes the thermal energy recovered; In accordance with calculation methods of recyclable rate for cars in ISO22628, etc.

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**Preservation of Clean Air**

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

The engines of all commercial motorcycles have been switched to four stroke, with 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 LEV\*13-SULEV\*230 emissions compliant, beginning with the Accord Hybrid released in 2013, 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 United States Environmental Protection Agency Phase 3 regulations, the most stringent in the world, through engine enhancement technology.

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

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

In Japan, Honda set FY2011 VOC emissions intensity as the control value pursuant to the goal established by the Japan Automobile Manufacturers Association and introduced voluntary efforts aimed at reduction from there. We have cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.

## Conserving Water Resources

Cognizant of the potential for business activities to impact upstream and downstream water resources, Honda is also focusing on the conservation of water resources. Since Honda seeks out communities where harmonious coexistence with nearby water sources is viable as potential plant locations, and builds plants in compliance with host countries' environmental assessment laws and regulations, no water sources are significantly impacted by the Company's water use. In addition, no water sources are affected by wastewater from Honda facilities since it treats wastewater and discharges treated water in accordance with applicable laws and regulations. Under these circumstances, Honda appropriately manages the amount of water used and works to manage and provide information on wastewater, which includes thorough quality control and disclosure of water quality test findings. In addition, to minimize water use, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation. The Company is also working to recycle and reuse water in manufacturing processes, which utilize about 4.8 million cubic meters of water each year, or about 20% of all water use by Honda. This ongoing effort includes installing full recycling systems that allow reuse of almost 100% of all water at Honda Engineering Co., Ltd. (Japan), the No.2 Plant at Honda Automobile (Thailand) Co., Ltd. (Thailand) and the No.2 Plant at Guangqi Honda Automobile Co., Ltd. (China).

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

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

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

WEB 「Honda Marine Science Foundation」

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

WEB “Forest watersheds” (Japanese only)

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



\*1 Low Emission Vehicle  
\*2 Super Ultra Low Emission Vehicle

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## Biodiversity Conservation

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

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

Honda believes that minimizing the environmental impact resulting from 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.



► <http://www.honda.co.jp/environment/report/pdf/report/report-biodiversity-en.pdf>

## Management and Reduction of Chemical Substances

Honda works to ensure the appropriate management and reduction of chemical substances contained in automotive components from the product design and development stages in order to reduce those materials that impact the environment.

Laws and regulations have been 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 FY2018, components that do not use mercury were chosen for combination meters. The Company is striving to eliminate the use of mercury on a voluntary basis.



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**Honda GHG Emissions in FY2018**

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 FY2018 show that GHG emissions from Honda business activities were 5.45 million t-CO<sub>2</sub>e, and total emissions from the value chain, including other indirect emissions, were 319.59 million t-CO<sub>2</sub>e. Honda will continue to monitor and manage data and utilize this information in the actual implementation of emissions reduction measures.

**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 CO<sub>2</sub> emissions intensity by 30% from 2000 levels by 2020, and is working to improve the fuel efficiency of our products.

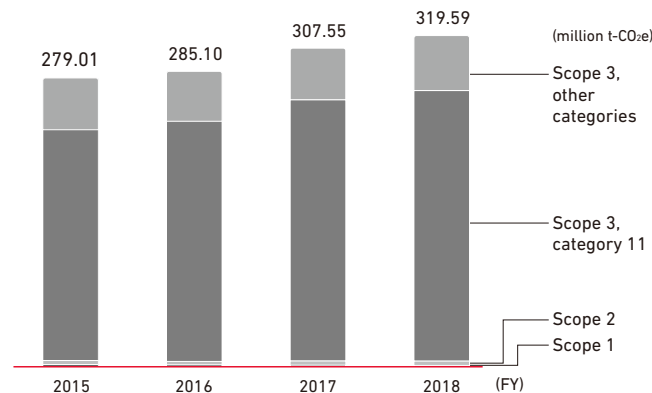
**Promoting Life-Cycle Assessment (LCA)**

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.

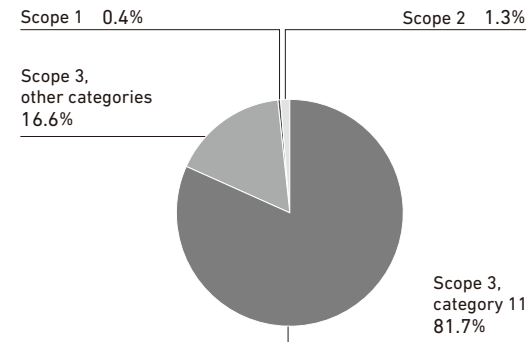
In March 2002, the Company built the Honda Life-Cycle Assessment (LCA) Data System, a system for quantitatively measuring CO<sub>2</sub> emissions from all business activities. Since then Honda has been making focused efforts to meet reduction targets set for each business area including production, purchasing, sales and service, administration and transportation.

Honda is also calculating and assessing CO<sub>2</sub> 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 CO<sub>2</sub> emissions for each model. This approach is also important when considering applications for the next-generation technologies that will become more diverse further in the future. Accordingly, the Company will utilize the above information further to develop low-carbon solutions at the development stage, for instance.

Total GHG emissions



Breakdown of total FY2018 GHG emissions



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



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Honda's total GHG emissions		(million t-CO <sub>2</sub> e)			
		FY2015	FY2016	FY2017	FY2018
GHG emissions from the entire Honda value chain (Scopes 1, 2, and 3)		279.01	285.10	307.55	319.59
Breakdown	Direct emissions from business activities (Scope 1)	1.38	1.33	1.28	1.35 <input checked="" type="checkbox"/>
	Indirect emissions from energy use (Scope 2)	3.86	3.81	3.92	4.10 <input checked="" type="checkbox"/>
Emissions from Honda business activities (total of Scopes 1 and 2)		5.24	5.14	5.20	5.45
Emissions from customer use of sold products (Scope 3, category 11)		223.54	231.77	252.59	261.03 <input checked="" type="checkbox"/>
Other emissions (Scope 3, other categories)		50.23	48.19	49.76	53.10
Other indirect emissions (total of Scope 3)		273.77	279.96	302.35	314.14

- Scope 1: Direct GHG emissions from business activities, as defined by the GHG Protocol (e.g. Combustion of fuel oil at a manufacturing plant, emissions from work vehicles and company cars). The Scope 1 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). In Japan, Honda uses the emission factor based on the Act on Promotion of Climate Change Countermeasures and in each region except Japan, emission factors from the 2006 IPCC Guidelines for National GHG Inventories. Figures for climate change potential coefficient are derived from the IPCC's Fourth Assessment Report (2007).
- Scope 2: Indirect GHG emissions from a company's use of energy, as defined by the GHG Protocol (e.g. electrical energy used by a manufacturing plant or office). The Scope 2 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). Honda adopts to the GHG Protocol's standard market-based method. In Japan, Honda uses electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures and in each region except Japan, Honda uses electricity utilities emission factors and latest regional emission factors, if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.
- Scope 3: Other indirect GHG emissions not included in Scope 1 and Scope 2, as defined by the GHG Protocol. Scope 3 is systematically broken down into 15 categories (e.g. category 11 includes emissions arising from the use of sold products; category 12 includes emissions arising from the end-of-life treatment of sold products).
- The "Scope 3, category 11" figures presented in this report represent the cumulative amount of GHGs that will have been emitted by products sold by Honda in the applicable fiscal year (automobiles, motorcycles, power products) 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: CO<sub>2</sub> emissions intensity x Annual distance traveled (for power products: annual usage in hours) x Product lifetime in years x Annual unit sales.
  - CO<sub>2</sub> emissions intensity: Average annual mileage of each model set at same value per region. (Annual consumption of each model and average annual used time distinguish general business from business use.)
  - Annual mileage / Lifetime years of use: Referring to IEA estimation model, "SMP Model" etc.
  - CO<sub>2</sub> emission factor: Referring to the GHG calculation guidelines that public authorities in each region issued. If there are no appropriate guidelines, reference from the ones of Japanese.
- The "Scope 3, other categories" figures presented in this report are the sum of emissions from categories 1, 2, 3, 4, 5, 6, 7, 9, 10, 12 and 15. As per the GHG Protocol, Honda excludes categories 8, 13 and 14 from its calculations, as these categories are either not part of Honda business activities or emissions from these categories are accounted for in other categories.

Data indicated with  received the independent practitioner's assurance.





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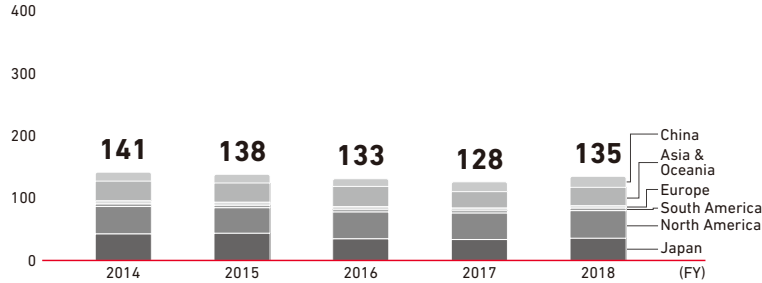
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GHG emissions

Direct emissions (Scope1)

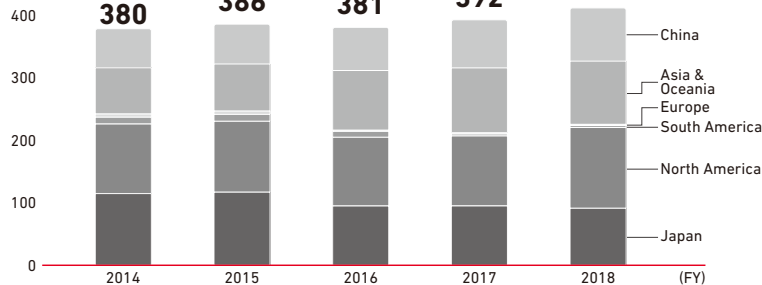
(10,000 t-CO<sub>2</sub>e)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)  
 Calculation method: Emissions amount = Σ [Volume of fuel usage x CO<sub>2</sub> emission factor] + CO<sub>2</sub> emissions from non-energy sources + Σ [Volume of non-CO<sub>2</sub> GHG emissions x Global warming factors]  
 Emission factors  
 Japan: Emission factors based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: Emission factors from 2006 IPCC Guidelines for National GHG Inventories Figures for global warming potential coefficient: The IPCC's Fourth Assessment Report (2007)  
 \*Figures of GHG emissions from non-energy source include some estimated values.  
 \*Calculations are mainly based on emissions from stationary combustion sources.  
 \*Expressed in three significant digits

Indirect emissions (Scope2)

(10,000 t-CO<sub>2</sub>e)



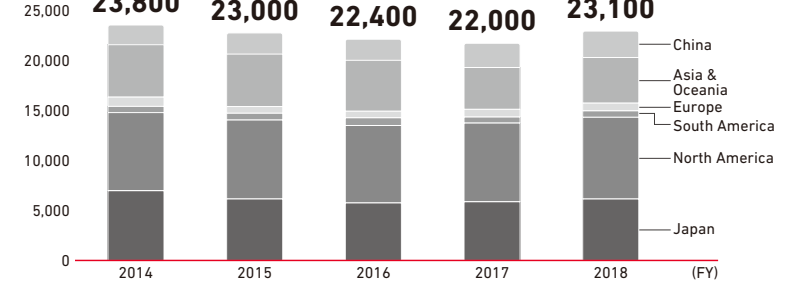
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group  
 Calculation method: Emissions amount = Σ (Purchased electricity consumption etc.\*1 x emission factor)  
 Honda adopts to the GHG Protocol's standard market-based method.  
 Emission factor:  
 Japan: Electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: Electricity utilities emission factors and latest regional emission factors, if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.  
 \*1 Other includes steam and hot water, the emission factors is based on the Act on Promotion of Global Warming Countermeasures.  
 \*Expressed in three significant digits



Energy consumption

Direct energy consumption

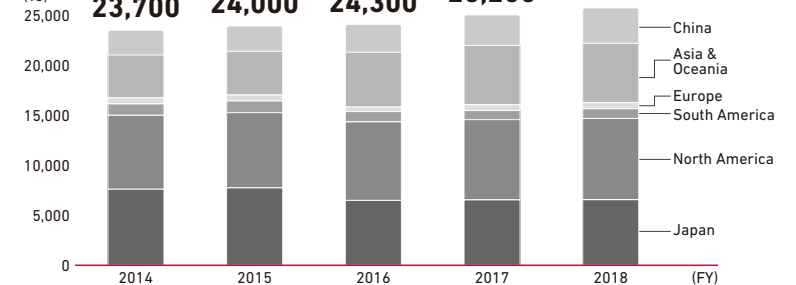
(TJ)



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

Indirect energy consumption

(TJ)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)  
 Calculation method: Consumption amount = Σ (Purchased electricity consumption etc.\*1 x unit calorific value)  
 Purchased electricity has been converted to joules using the international standard 3.6 GJ/MWh.  
 \*1 Other  
 Unit calorific value:  
 Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: 2006 IPCC Guidelines for National GHG Inventories  
 \*Expressed in three significant digits



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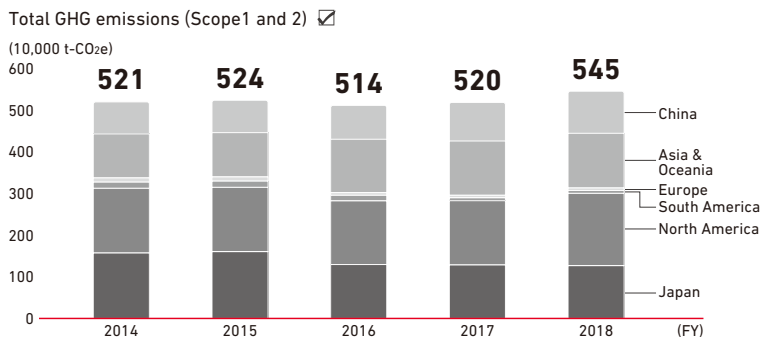
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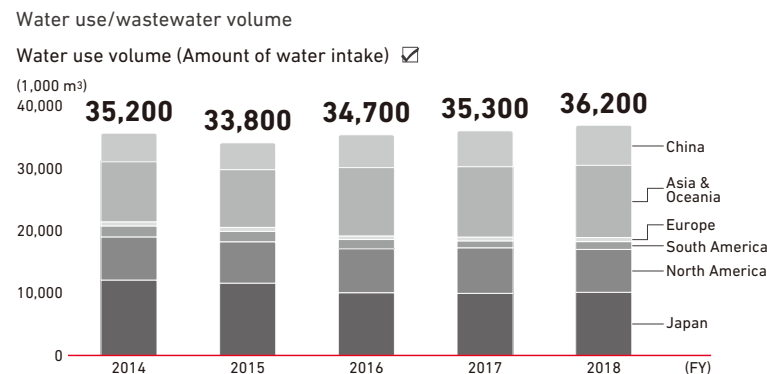
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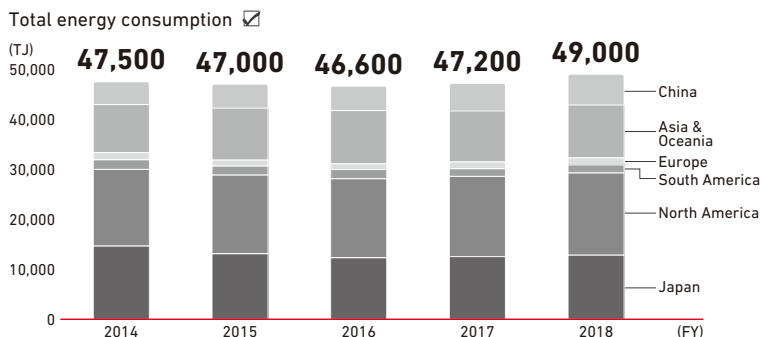
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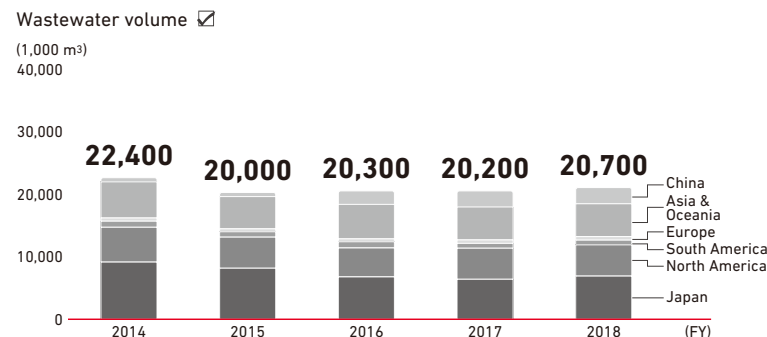
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)  
 Calculation method: Total GHG emissions (Scope1 and 2) = Direct GHG emissions + Indirect GHG emissions  
 \*Expressed in three significant digits



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



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



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



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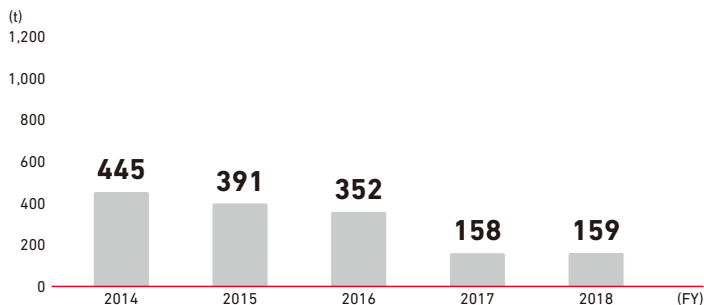
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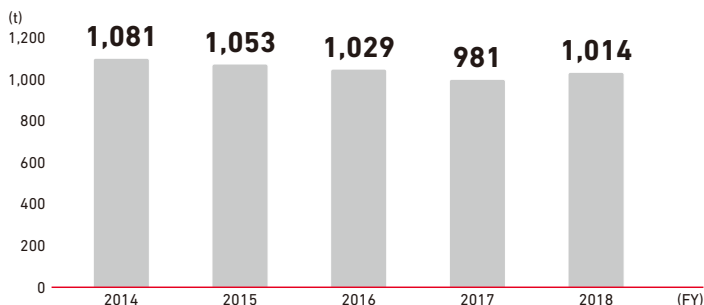
Atmospheric pollutants

SOx emissions



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

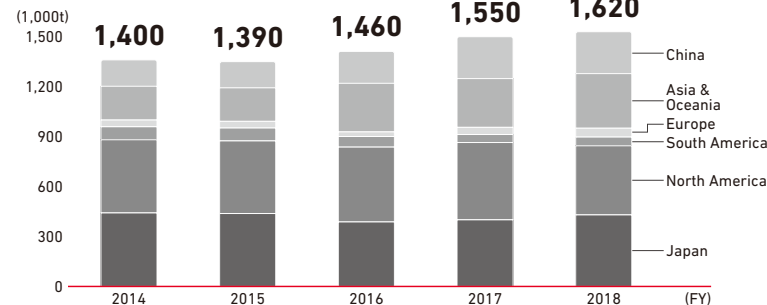
NOx emissions



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

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 =  $\sum$  (Industrial waste + general administrative waste +valuable resources emission)  
 \*However, regions outside of Japan are beyond the scope of data for industrial waste (excluding harmful waste defined in accordance with regulations in respective countries) and general administrative waste.  
 \*Expressed in three significant digits



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Cost of environmental conservation activities and investments in FY2018

Category	Major activities and investments	Investments (millions of yen)	Expenditures (millions of yen)
Business area costs	Pollution prevention costs ● Air, water, and soil pollution prevention	167	166
	Global environmental conservation costs ● Global warming mitigation, ozone depletion prevention, and other conservation activities	2,038	359
	Recycling costs ● Waste processing, treatment, reduction, elimination, and recycling	434	374
Upstream/downstream costs	● Collection, recycling, resale, and proper disposal of products manufactured and sold ● Industry organization and other membership fees	120	278
Management costs	● Installation, operation, and acquisition of certification for environmental management systems ● Environmental impact monitoring and measurement ● Management and training of associates and organizations responsible for environmental conservation (expenses for environment-related communications activities)	69	6,535
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)	4,398	283,048
Local conservation costs	● Environmental improvement measures, including ecosystem protection, cleanups, green space development, and natural landscape conservation ● Local conservation and communication activities (beach cleanups and watershed conservation activities)	42	378
Environmental damage costs	● Remediation of polluted soil	0	0
<b>Total</b>		<b>7,268</b>	<b>291,138</b>

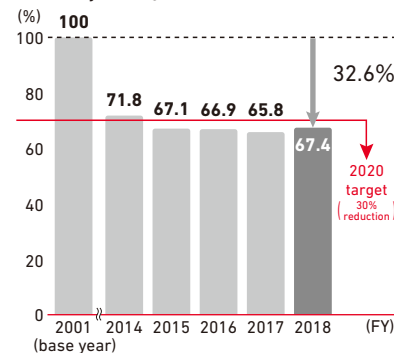
\* Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation  
 \* Accounting period: April 1, 2017 to March 31, 2018  
 \* Some figures are estimated values.  
 \* Guidelines, guidebooks and other environmental accounting publications by 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)

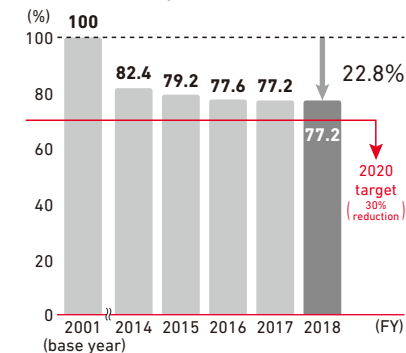
		FY2018 (millions of yen)
Income from sale of valuable waste materials		3,084
Cost reductions from saved energy	Installed technologies	29
	Behavioral changes, etc.	80
<b>Total</b>		<b>3,193</b>

Current status of achievement vs. 2020 product CO<sub>2</sub> emissions intensity reduction targets

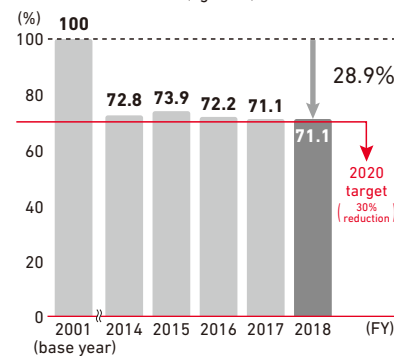
**Motorcycles (g/km)**



**Automobiles (g/km)**



**Power Products (kg/hour)**



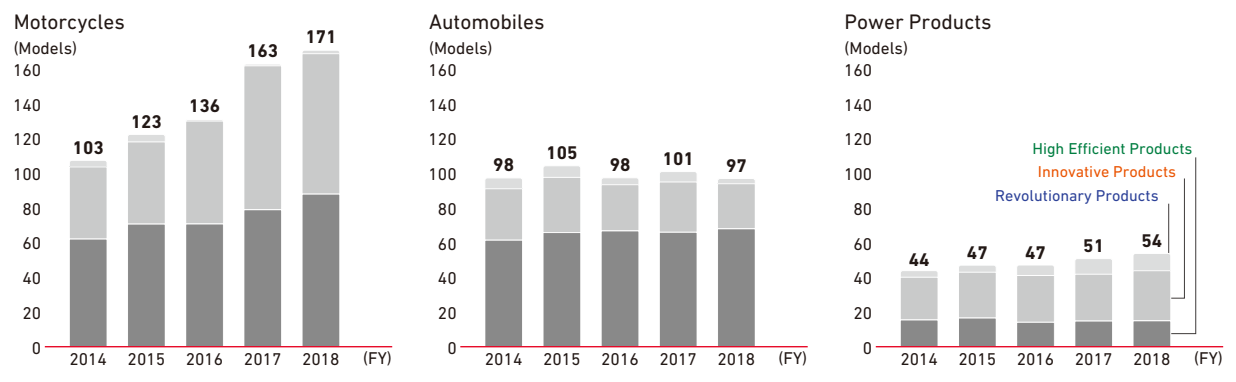
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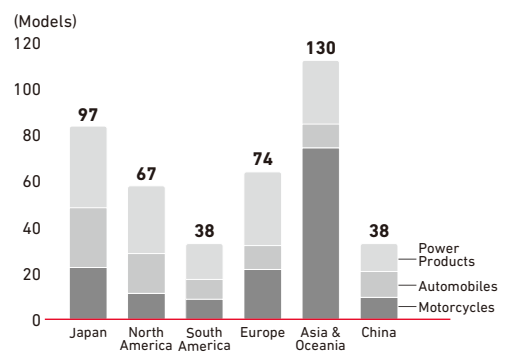
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**Environmental Data**

Global number of HEPS-compliant models



Number of HEPS-compliant models by region (FY2018)



# Safety

# 6.37 million people

Honda provided road safety and driving education to over six million people in Japan in collaboration with many stakeholders. This effort is also being actively expanded worldwide.



## Material Issues

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

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## Toward a Collision-Free Mobile Society

As exemplified by the words of the Company's founder Soichiro Honda that "as long as we are handling a mode of transportation, we are entrusted with human lives," Honda is, on the basis of the concept of 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.

## Direction of Activities

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

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

In Thailand, for example, safety measures are an urgent challenge due to the high percentage of motorcycle riders among the number of traffic fatalities in particular compared with other parts of Asia. In response, 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.



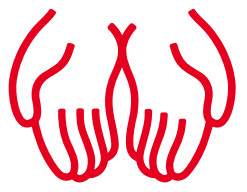
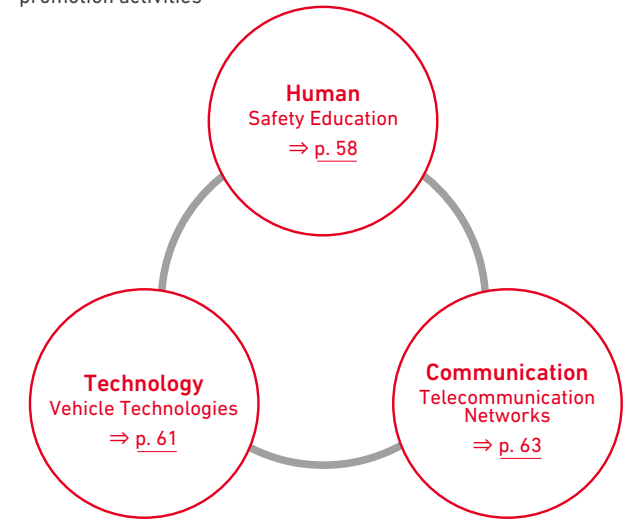
### Global Safety Slogan

## 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**

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**Safety Initiatives**

## Human (Safety Education)

### Honda's Approach

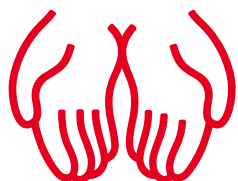
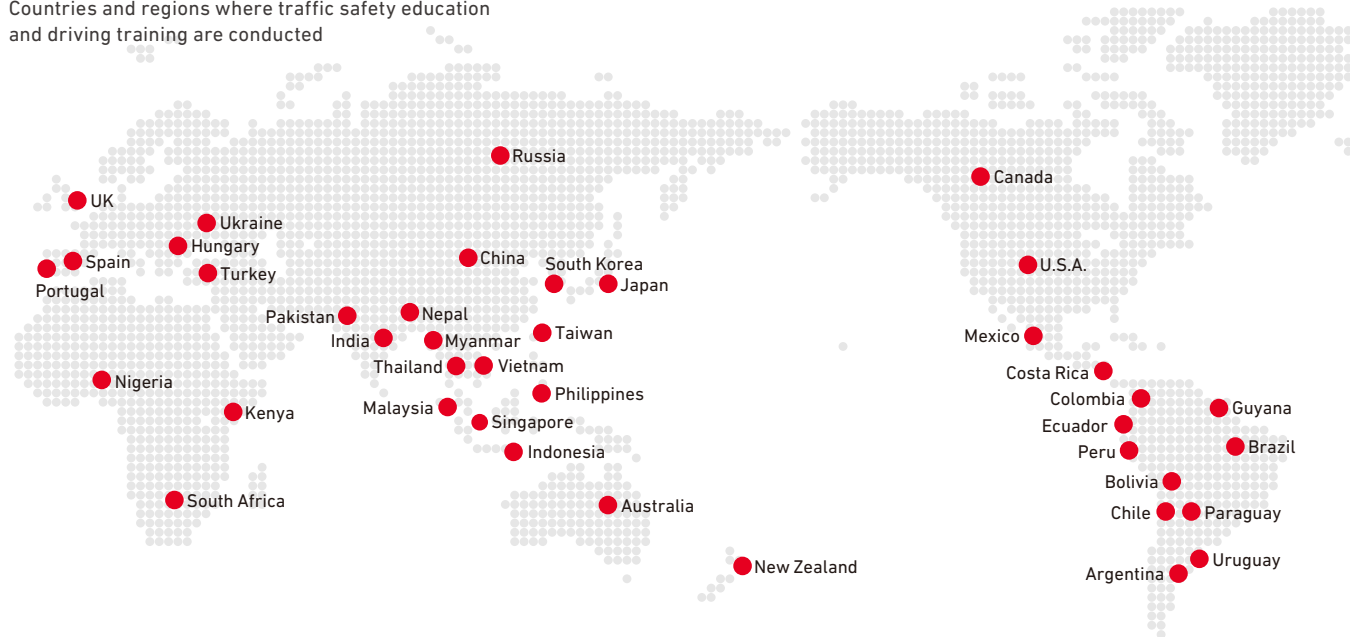
In 1970, Honda established the Driving Safety Promotion Center. Since then, through cooperation with Honda Traffic Education Centers\*, motorcycle/automobile/power product dealers, local corporations and schools, we have provided traffic safety education and training for drivers and riders to more than 6.37 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 40 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.

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



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



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**FY2018 Activities**

In FY2018, toward the realization of a "collision-free mobile society" as stated in the 2030 Vision, Honda evolved its activities in accordance with changes and the needs of traffic society in a new era on the basis of "passing on safety education from person to person" and "providing participatory hands-on education."

In response to the increasing use of "Honda Sensing," an advanced driver-assistance safety system, Honda developed a training program for customer contact staff of automobile dealers. The program aims to cultivate a correct understanding among customers of the abilities and limitations of the Collision Mitigation Brake System (CMBS) and the false start prevention system included in the system and promote their proper usage. Going forward, the program will be rolled out on a full scale.

The Suzuka Circuit Traffic Education Center also revamped the IT system used for its safe driving training programs for corporate and other customers, which are designed to facilitate drivers' attitude and behavior changes. This renovation enables better visualization of individual driving habits and serves to increase training effectiveness by significantly improving the understanding of specific details in a convincing manner.

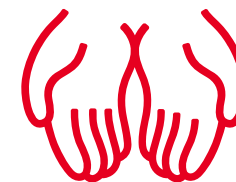
The pedestrian traffic casualties data by age shows that children aged 7 are the most frequent victims of traffic accidents. In response, Honda developed a new educational program for early elementary school students including this age group. This program is based on the theme of hazard prediction while walking on a street and incorporates a technique to help children think and recognize on their own. Honda plans to encourage traffic safety instructors to use the program and expand its usage nationwide.

Additionally, an agreement relating to the promotion of traffic accident prevention measures was concluded with Chiba Police Headquarters and the Metropolitan Police Department. The aim is to facilitate the use by the police of emergency braking and other information in a Safety Map in formulating their accident prevention measures, including road improvement.

As one of the ongoing efforts to help people with higher cerebral dysfunction to resume driving, Honda has been supporting the promotion of autonomous activities in each region, including collaboration between the Authorized Drivers School Association and Association of Occupational Therapists in Okinawa Prefecture.

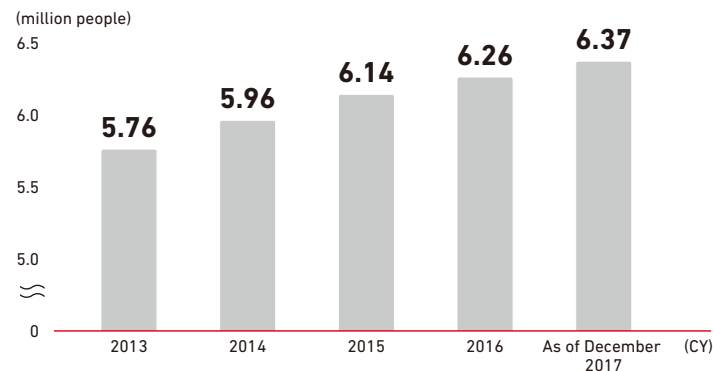
Overseas, Honda Vietnam Co., Ltd. (HVN) established its Traffic Education Center in March 2017. The Driving Safety Promotion Center assisted in upgrading the skills of their local instructors.

In order to promote traffic safety in Asian countries, where automobiles are becoming increasingly popular, Honda provides relevant training to the responsible staff at overseas business locations and expects that these activities will be further developed in the future.



"Honda Sensing" training provided for the staff of local dealers

Participation in traffic safety promotion activities in Japan (total)



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**Safety Initiatives**

T O P I C S

**Opening a Traffic Education Center in Vietnam**

In 1999, Honda Vietnam Co., Ltd. (HVN) embarked on full-fledged safety promotion activities. In response to the increasing use of motorcycles, HVN has since made a broad range of efforts, including providing safety advice to customers at dealers, conducting safety education for children and young people and raising safety awareness through a TV program. In March 2017, HVN established a Traffic Education Center on its plant premises located near Hanoi. In addition to its original service of providing a seminar for the acquisition of a motorcycle license, the Center now offers a similar seminar for an automobile license. Also, in collaboration with government-affiliated organizations, the Center hosts an automobile instructor contest and is significantly contributing to the traffic safety of Vietnamese society.



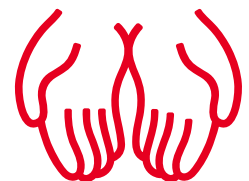
Traffic Education Center established near Hanoi (left) and training provided at the Center (right)

**Conducting Education in Japan for Staff of Automobile Business Sites in Asia**

Asian Honda Motor Co., Ltd. (Thailand), the regional headquarters in the Asia & Oceania region, hosted driving safety promotion activities training at the Suzuka Circuit Traffic Education Center. The responsible staff of overseas automobile business sites in Southeast Asia and Southwest Asia learned from the Center's instructors how to give advice on the safety equipment fitted in Honda cars to customers during business negotiations or advice on safe driving at the time of vehicle delivery as well as how to operate and give instructions in a mini-school after delivery.



Instructor training for overseas automobile business sites in Asia



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## Technology (Vehicle Technologies)

### Honda's Approach

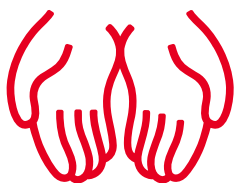
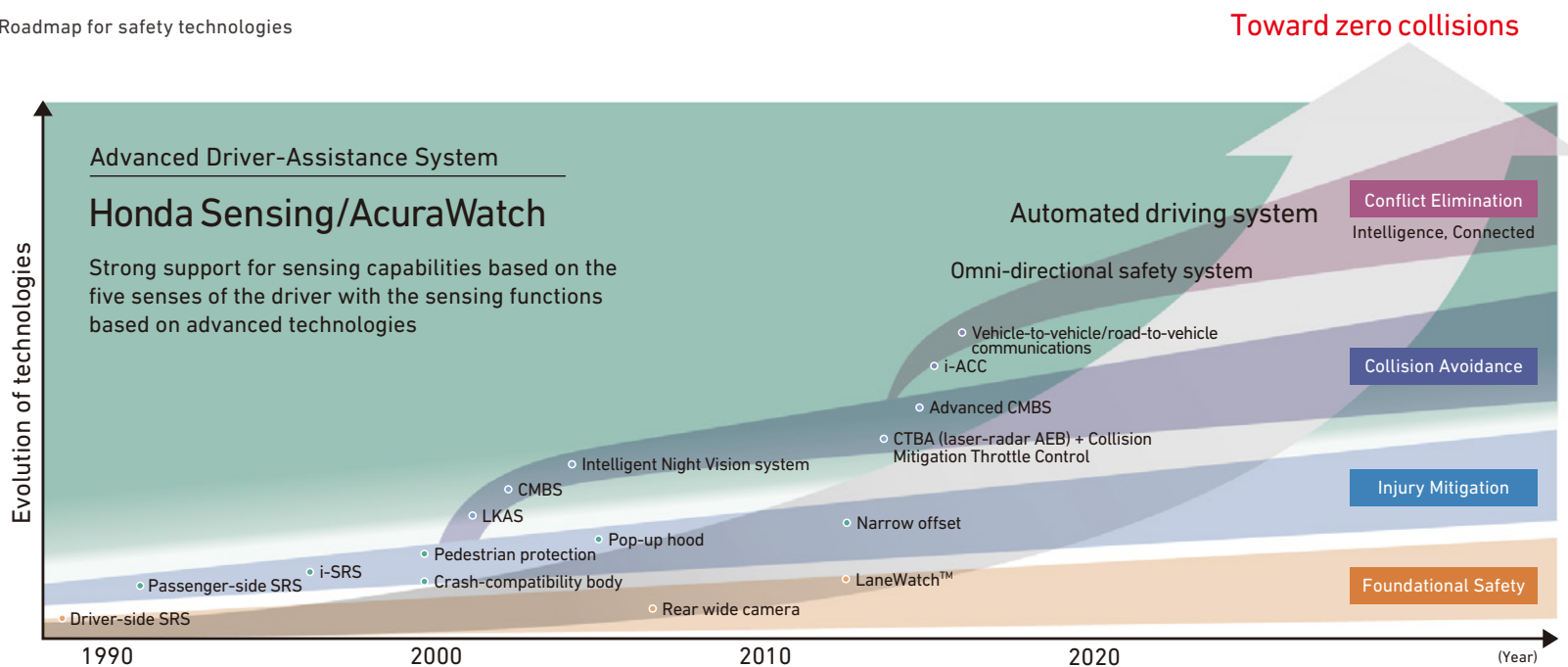
Honda has engaged in the development of safety technology placing an emphasis on real-life traffic environments – where multiple forms of mobility, such as motorcycles and automobiles, mix – and the realities of crashes in the real world, with high-minded objectives that go beyond meeting regulatory 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.

Roadmap for safety technologies



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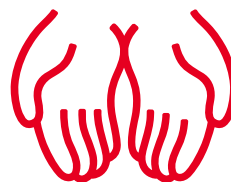
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**Safety Initiatives**

**FY2018 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.

In Japan, Honda has installed this system in more models in the mini-vehicle and compact vehicle categories, such as the N-Box, Grace and Shuttle, and has been increasing the number of models offering the system as a standard feature. In the United States, with the addition of the system to the Fit and HR-V in the compact vehicle category, almost all models are now offered with the system. Also, the system has been equipped on the Jazz (Fit in Japan) and HR-V in Europe, Fit in China and CR-V in Thailand.



T O P I C S

**Automated Driving Vehicle Test-Ride Event in Tokyo in November 2017**

Honda aims for the actual application of a Level-3 equivalent automated driving system on the highway by around 2020 and to subsequently expand usage to general roads. Honda has also created a roadmap to make a Level-4 system technically feasible by around 2025 and drawn up a vision of automated driving to provide new value to people and society. To realize this vision, Honda is working to create better systems (legal, insurance, etc.), build a required infrastructure and cultivate an understanding among the general public of automated driving systems.

In November 2017, the SIP\*1-Promoting Committee started implementing a large-scale field operational test for SIP-adus\*2 and held the SIP-adus Workshop 2017. Honda participated in both events and offered an opportunity for policymakers and experts in and outside Japan to test ride an automated driving vehicle on the Metropolitan Expressway as part of efforts to increase recognition for the evolution of Honda's automated driving technologies and deepen discussion toward solving relevant issues in the real world.



Automated driving vehicle test-ride event

\*1 Cross-ministerial Strategic Innovation Promotion Program, a national project led by the Council for Science, Technology and Innovation of the Cabinet Office, designed to "lead science, technology and innovation beyond the framework of government ministries and traditional disciplines"

\*2 SIP-Innovation of Automated Driving for Universal Services

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## Communication (Telecommunication Networks)

### Honda's Approach

In 1998, Honda started to offer "Internavi," a car navigation system equipped with communication functions that provides information on traffic congestion through the use of driving data gathered from Honda vehicles. In addition to the usefulness mentioned above, Honda started to offer weather information in 2004 and disaster information in 2007. By utilizing the telematics service that 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 safely and confidently enjoy the freedom of mobility.

T O P I C S

**Launching Joint Research with SoftBank on Connected Car Technologies\*<sup>1</sup> Using 5G\*<sup>2</sup>**

Honda R&D Co., Ltd. has started discussing a joint research project with SoftBank Corp. with a view to the future adoption of 5G. The project aims to strengthen connected car technologies, which will offer new experiences and value by connecting mobility products, primarily cars and various other things. In FY2019, SoftBank plans to set up experimental 5G base stations on the Takasu Proving Ground, a closed test course owned by Honda R&D in Kamikawa-gun, Hokkaido. Under this 5G environment, the two companies will launch full-fledged joint research into technologies to enable a stable handover of base stations during high-speed driving and to secure data sending and receiving capabilities in weak-signal or out-of-range areas.

\*1 Internet-connectivity and vehicle-to-vehicle (V2V) communication technologies  
\*2 Fifth-generation mobile communication system



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**Third-Party Evaluations**

## Honda's Approach

Many of Honda's models have achieved high safety assessments from NCAP\*1 in various regions. In Japan, the N-Box achieved "ASV++"<sup>\*2</sup>, the highest rank, in the JNCAP's preventive safety assessment.

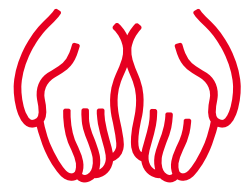
Results of key third-party evaluations (tests conducted in 2017)

Country / Region	Third-party evaluation		Model
Japan	JNCAP	5★	N-Box
		ASV++	Fit / N-Box
Europe	Euro NCAP	5★	Performance not evaluated in FY2018
China	C-NCAP	5★	Performance not evaluated in FY2018
U.S.A.	NCAP	5★	CR-V / Pilot / Odyssey / Ridgeline
		TSP+	
		TSP	Accord / CR-V / Pilot / Odyssey / Ridgeline / Acura MDX / Acura RDX
Australia	ANCAP	5★	CR-V / Civic
Southeast Asia	ASEAN NCAP	5★	CR-V
Latin America	Latin NCAP	5★	Performance not evaluated in FY2018

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

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

\*3 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.



TOPICS

New CR-V Receiving 5★ in the ASEAN NCAP's New Assessment Protocol

Honda's new CR-V earned 5★ in the ASEAN NCAP's crash test and became the first model to receive the rating in this new assessment protocol.

The new CR-V is equipped with the latest Honda Sensing driver-assistance safety system and "LaneWatch™," a camera built into the outside mirror on the passenger side to provide the vehicle's rear view. Both technologies won the Safety Technology Award at the ASEAN NCAP Grand Prix Awards in 2016 and 2014, respectively.

New CR-V winning 5★

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N-Box Receiving the Highest Rating in the JNCAP's Collision and Preventive Safety Assessments

The N-Box achieved the highest rating in the JNCAP's collision safety performance tests (5★) and also in the JNCAP's preventive safety assessment (ASV++). The N-Box became the first mini-vehicle model to receive the top rating in both assessments.

The N-Box has adopted an array of technologies to achieve a high level of omni-directional crash avoidance performance. It is also the first model among Honda's mini-vehicles to adopt "Honda Sensing" as a standard feature in all types.

## Quality

# 120%

Aiming for 120% product quality



### Material Issues

- Assuring outstanding product quality



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## 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 number one in customer satisfaction in all points of contact 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.



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Global Management



## Quality Management System and Quality Enhancement Promotion System

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

As Honda's production and parts and materials sourcing expand globally, a shared global quality management system is essential to ensure that all Honda facilities continue to generate 120% product quality. 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 2018, 61 of the 67 Honda facilities had acquired ISO9001 certification.

### Global Meeting Structure

In order to ensure the strengthening of quality under this quality management system, Honda sets challenges based on quality targets established in company-wide policy, which are then modified to reflect the challenges found in different regions with countermeasures formulated for them. The management of this initiative and information-sharing are conducted regularly at the Global Quality-related Meetings, 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	Global Production Strategy Conference	2
		Global Automobile Quality Meeting	3
	Automobile	Global Chief Inspecting Engineer (CIE) Meeting	1
Aftersales business	Power Products	Power Product CIE Meeting	1
	Motorcycle	Global Aftersales Business Meeting	2
	Automobile		
	Power Products		



Global Automobile Quality Meeting



Power Product CIE Meeting

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

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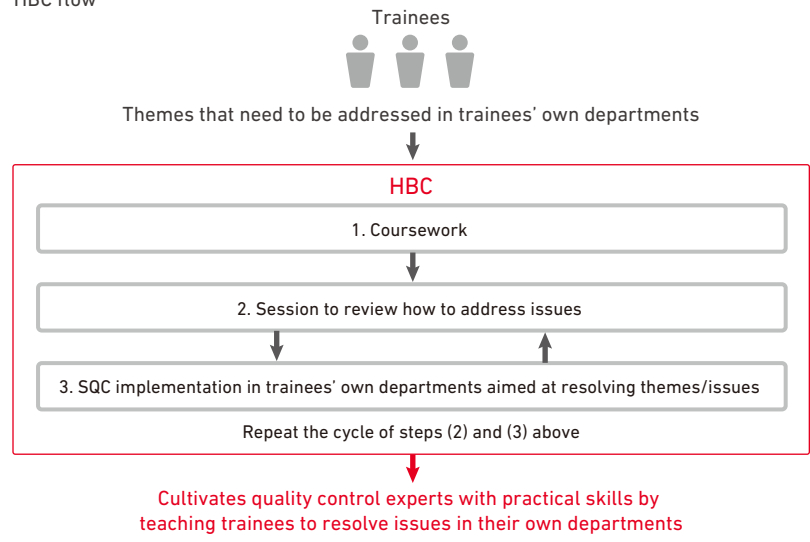
**Quality Management Education**

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.

HBC flow



Training curricula content

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

\*SQC Course and HBC are held in Japan.



Providing education on quality control



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



**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 six-year period from FY2013 to FY2018, a total of 49 sites were visited around the world enabling direct communication with associates.



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## 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



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**Quality Initiatives**

**Design/Development and Production (Mass Production)**

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

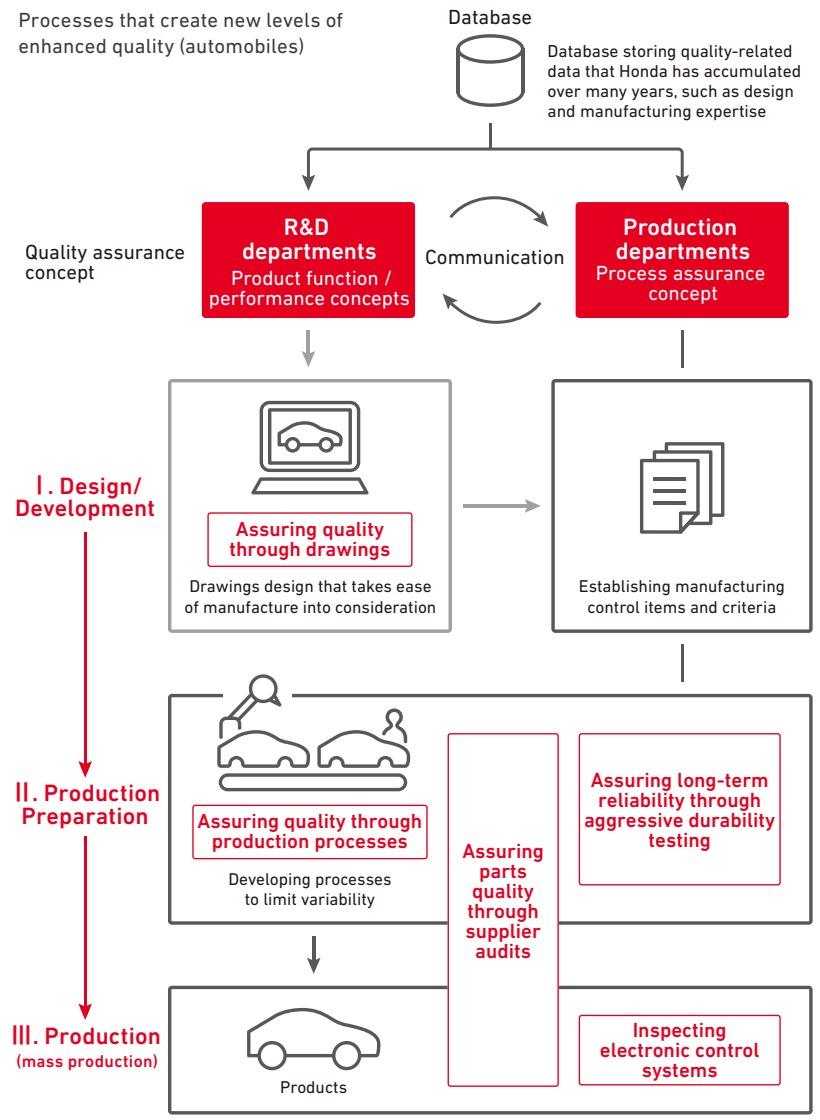
Honda's R&D departments create drawings that take ease of manufacture into consideration in order to limit process variability and prevent human error during the manufacturing process. These drawings serve as the basis of our quality assurance efforts.

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.

**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.





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### 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.



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.



Inspection using LET system

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**Quality Initiatives**

## IV. Sales and Service

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

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

To attain this goal, Customer First Operations will implement three activities, which are realizing a stress-free time for customers, creating new services and expanding businesses that support this platform. They are implementing basic activities to protect the customer so that regional dealers – Honda’s point of contact with customers – can address customer satisfaction enhancement more effectively and efficiently.

### Honda Total Care

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

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

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

Honda has also entered into a business alliance with the Japan Automobile Federation (JAF), a first in the automotive industry, to provide the industry’s most expansive\*1 roadside service as an optional service.

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

### 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 FY2018 it processed 239,681 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 Kumamoto Factory

### Customer Satisfaction Survey

Honda conducts a survey around the world on customer satisfaction related to service operations for customers who have received after-sales service from a dealer. In FY2018, the survey was conducted in 26 countries, including Japan and nations in North America, South America, Europe, Asia and Oceania, Africa and the Middle East. 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 each country, with the results used as a reference as we work to maintain and improve customer satisfaction at an industry-leading level. In FY2018, results exceeded benchmarks in 15 countries\*2.



\*1 Survey by Honda; as of December 2017  
\*2 Internal survey by Honda; as of March 2018



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**Quality Initiatives**

## V. Quality Information Collection/ Analysis and Quality Improvement

Honda has established a Quality Center to bring together the various components of 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.

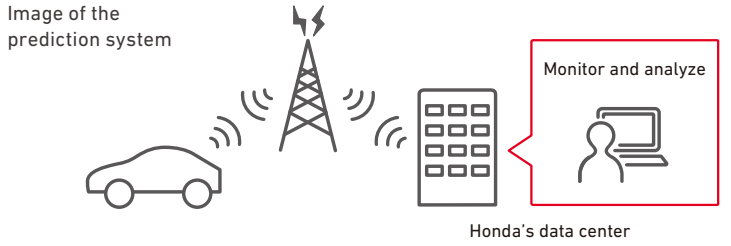
When a quality issue does occur, Honda moves quickly to resolve it, for example, by working closely with R&D and production departments to investigate and address the cause, assisting affected customers and taking action to prevent a recurrence.

### Trial of Prediction system

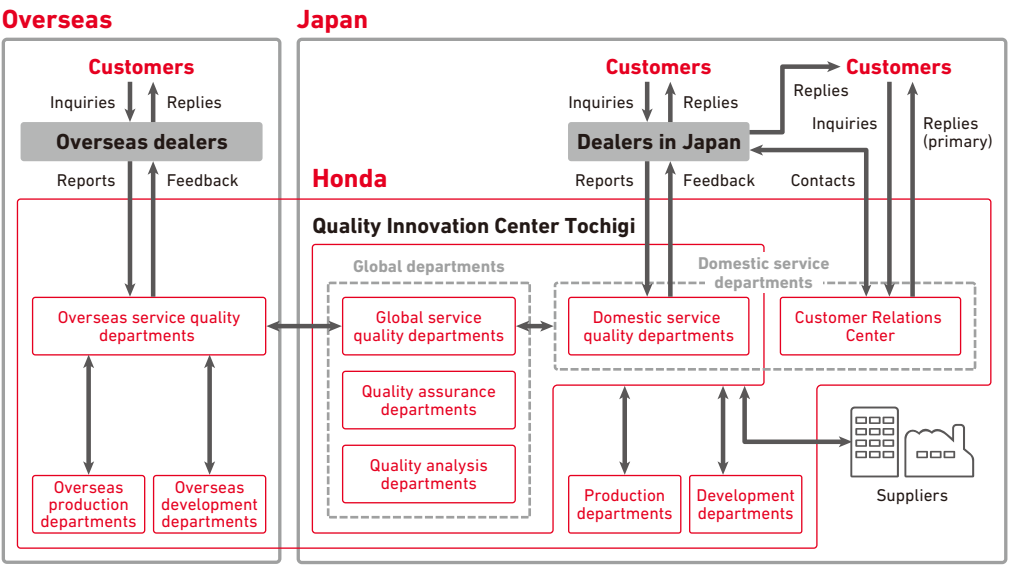
Honda believes in the necessity of a system to provide peace of mind to customers in preparation for new environmental automobiles such as fuel cell and electric vehicles.

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

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



Market quality enhancement system (automobiles)



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**Quality Innovation Center Tochigi**

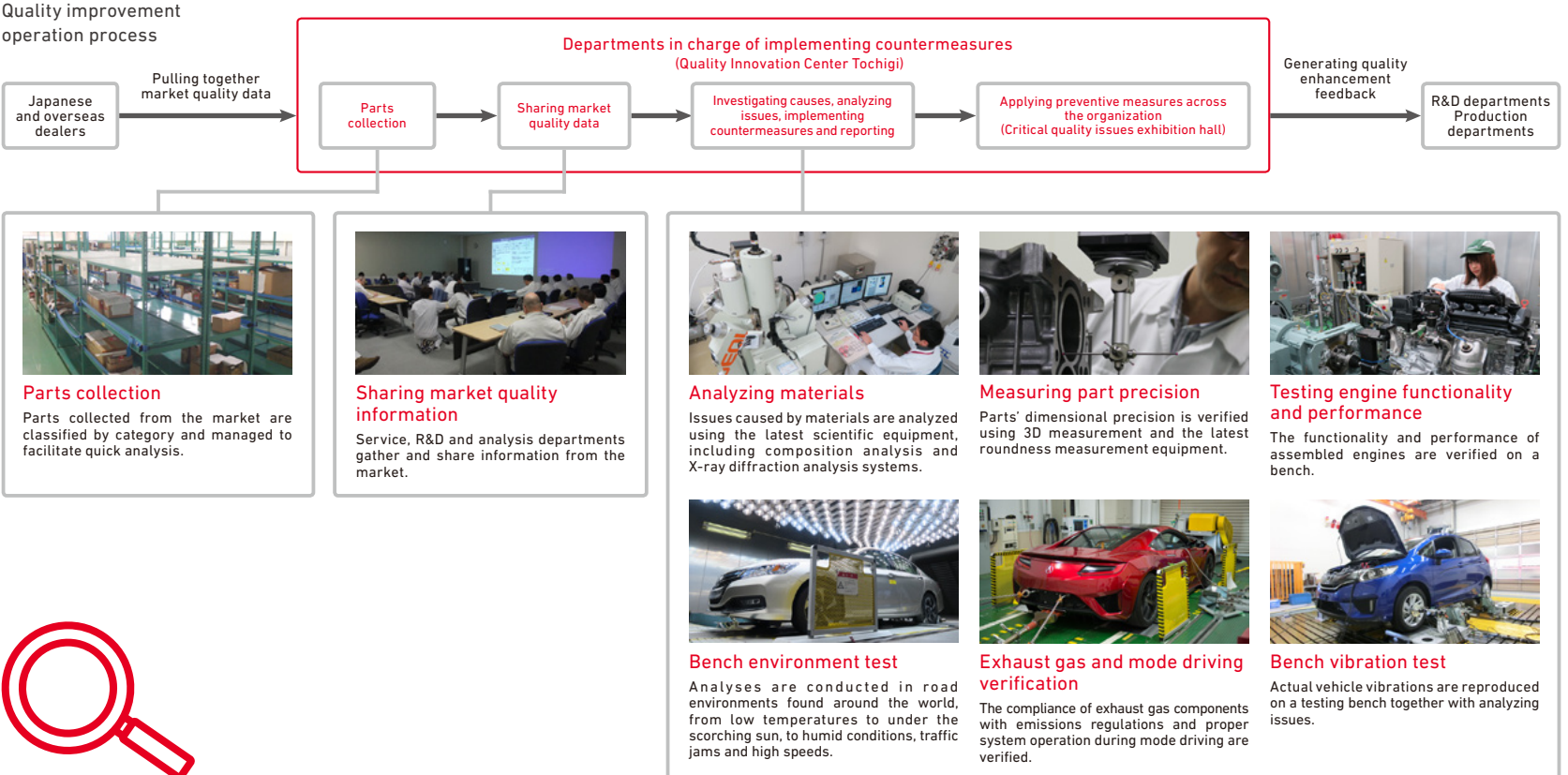
The Center brings all the organizational components necessary to collate product quality data, analyze issues, consider countermeasures and provide quick and precise feedback to development and production departments together into a single facility.

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**

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.



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## 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.

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



Rust on the body of a Honda Civic made in 1981



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



Training for members of an overseas factory

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## Analysis in Partnership with Overseas Entities

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

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



Quality Innovation Center Tochigi, Japan

Working with automotive production plants



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## 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 G-HQS and decisions concerning market actions are made by its chairperson in consultation with overseas members, including experts from departments involved with quality issues who are capable of making objective decisions.

Number of Global Quality Committee meetings (FY2018)

Segment	Number of times
Automobiles	50
Motorcycles	16
Power Products	8
Total	74

**<Airbag recalls>**

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

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

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

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

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### Third-Party Evaluation

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

Results of the 2017 IQS for automobiles

J.D. Power Asia Pacific

Country	Brand	Ranking
U.S.A.	Honda	No.20
	Acura	No.19
Japan	Honda	No.2

Country	Segment	Model	Ranking
U.S.A.	Small Car	Fit	No.3
	Midsize Pickup	Ridgeline	No.3
Japan	Mini-vehicle	N-WGN	No.1
	Minivan	Freed	No.1
China	Midsize SUV	CR-V	No.1
	Midsize Upper	Accord	No.1
India	Midsize	City	No.1
	Premium Compact	Jazz	No.3
	Entry Midsize	Amaze	No.3
Thailand	Compact SUV	HR-V	No.1
		BR-V	No.3
	Entry Midsize	City	No.2
		Jazz	No.3
Midsize	Civic	No.2	

\* Includes top three vehicles in major markets from January to December 2017

Sources:

- \* J.D. Power and Associates 2017 U.S.
  - Initial Quality Study SM (based on responses from more than 77,515 owners who purchased or leased a new vehicle as surveyed from February to May 2017)
- \* J.D. Power Asia Pacific 2017 Japan
  - Initial Quality Study SM (based on responses from more than 22,924 owners who purchased a new vehicle as surveyed from May to June 2017)
- \* J.D. Power Asia Pacific 2017 China
  - Initial Quality Study SM (based on responses from more than 23,993 owners who purchased a new vehicle as surveyed from March to July 2017)
- \* J.D. Power Asia Pacific 2017 India
  - Initial Quality Study SM (based on responses from more than 8,578 owners who purchased a new vehicle as surveyed from May to September 2017)
- \* J.D. Power Asia Pacific 2017 Thailand
  - Initial Quality Study SM (based on responses from more than 4,866 owners who purchased a new vehicle as surveyed from May to September 2017)



## Human Resources

3 Times (2020)      9 Times (2025)

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



### Material Issues

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



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## Basic Policy for Personnel Management

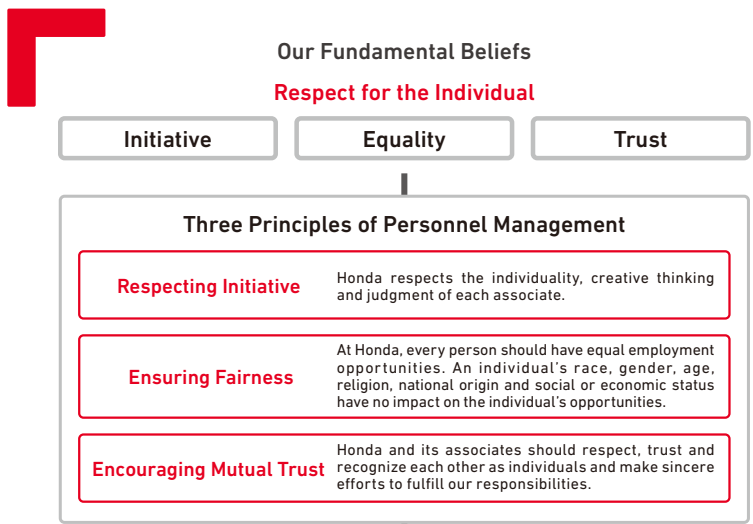
Honda believes that human beings are born as free and unique individuals with the capacity to think, reason and create – and the ability to dream. The Company’s wish is to nurture and promote these characteristics in Honda by respecting individual differences and trusting each other as equal partners.

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, taking into account “the Universal Declaration of Human Rights” as well as “the ILO Declaration on Fundamental Principles and Rights at Work,” 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 FY2018, there were no incidents identified.

Examples of specific activities

Activities (Example)	Target	Description
<ul style="list-style-type: none"> <li>Pre-assignment training for persons stationed overseas (monthly)</li> </ul>	Associates stationed overseas	Cultivating awareness for the importance of labor management based on the Associate Relations Policies
<ul style="list-style-type: none"> <li>Pre-assignment training for persons stationed overseas as officers of locally incorporated companies (annually)</li> </ul>	Associates stationed overseas as officers of locally incorporated companies	Cultivating awareness for the importance of labor management based on the Associate Relations Policies
<ul style="list-style-type: none"> <li>Honda Associate Relations Policies practice level check (annually)</li> </ul>	Honda Group local subsidiaries, including joint ventures	Paper-based assessment to confirm business operations are conducted in accordance with the Associate Relations Policies
<ul style="list-style-type: none"> <li>Global Human Resources Committee (annually)</li> <li>Regional human resources officers meeting (monthly)</li> </ul>	Associates responsible for human resources at the corporate headquarters and regional operations	Periodic meetings to share information and hold discussions with associates responsible for human resources in each region
<ul style="list-style-type: none"> <li>Global Monthly Report (monthly)</li> </ul>	Honda Group local subsidiaries, including joint ventures	A report for sharing the status of labor management of all local subsidiaries, including joint ventures



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

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

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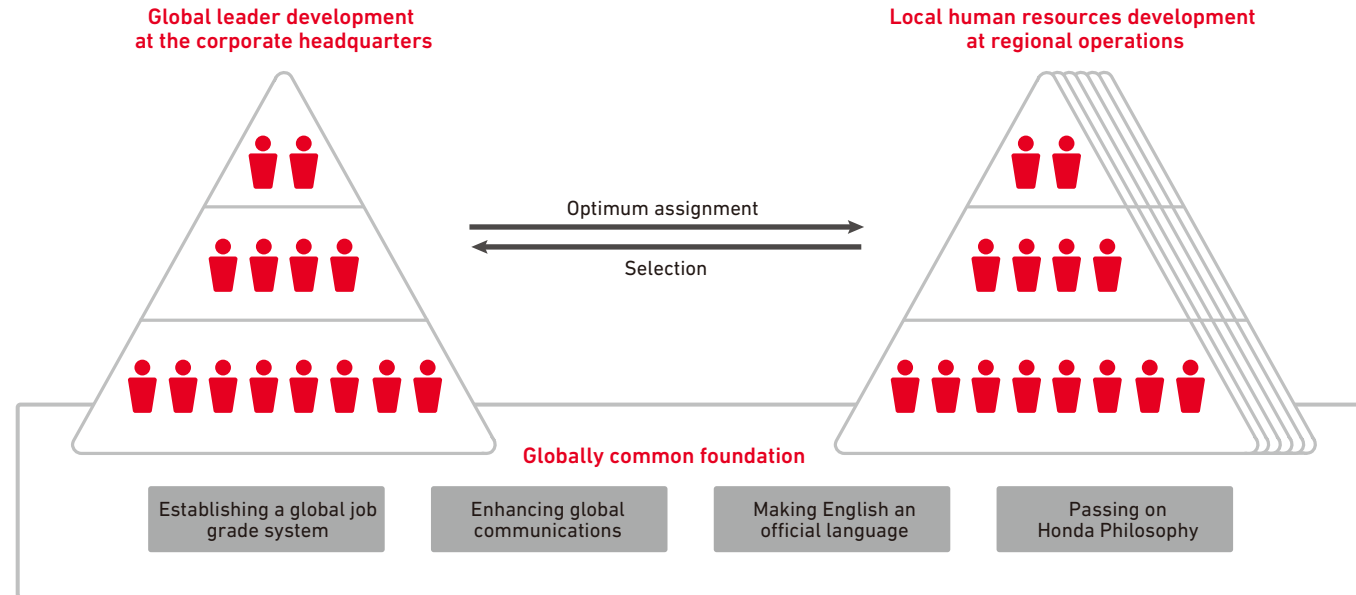
## Human Resources Vision and Strategies

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

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

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

Global human resources management approaches



# human resources

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## 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. 83) 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.

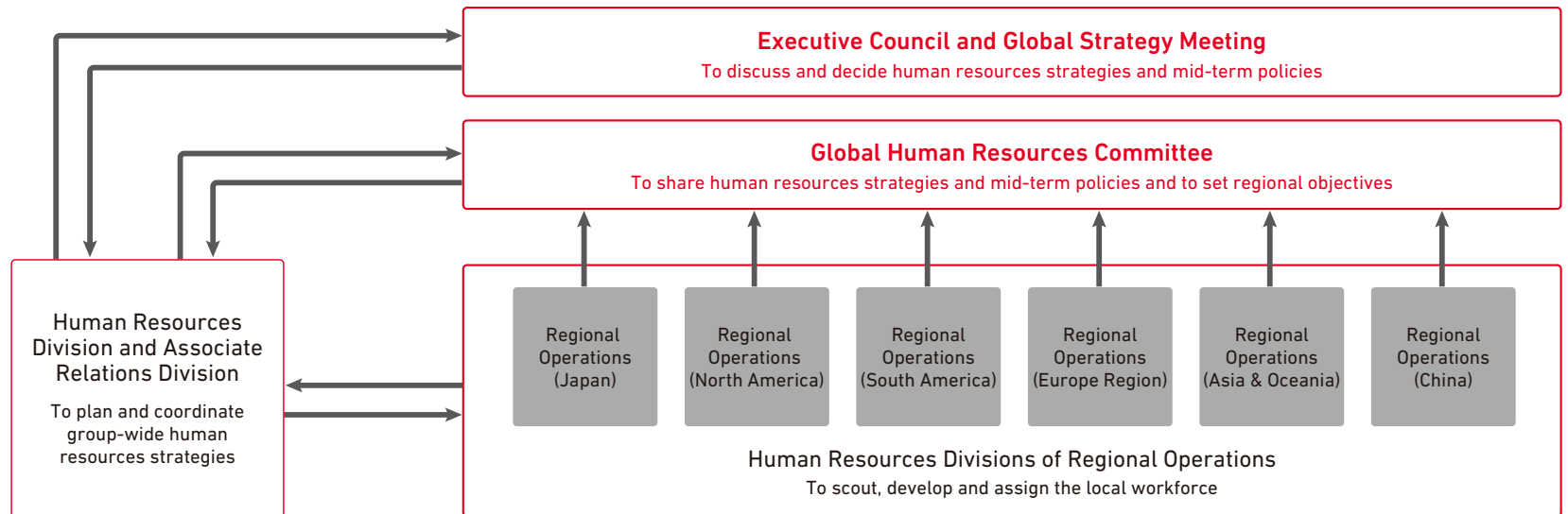
## Human Resources Management Structure

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

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



Global human resources management



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## 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)

**DATA** Training hours and cost per associate

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## 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.



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## 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 the 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

**Creating an Environment to Enable Associates to Concentrate on Their Work with a Sense of Security**

A decline in Japan's total population and the aging of society has been pushing down its working-age population (ages 15 to 64). Japan has already entered an era of a super-aging society as people aged 65 years or over reached one-fourth of its population in 2015. At Honda, the number of experienced associates aged 50 or over is expanding rapidly, and there is a growing need to continue working after the age of 60.

Against this backdrop, Honda fully revamped its conditions of employment in 2017 to accommodate changes of the times and in associates' needs.

As part of this effort and to provide an environment for associates aged 60 or over to continue working with enthusiasm and a sense of security, Honda introduced a flexible retirement system that allows associates to choose when to retire according to individual lifestyles and changes thereof. The conditions of employment, including pay level, were also raised as compared to those offered under the existing re-employment system.

By providing such an environment unique to Honda to enable associates to work with enthusiasm and a challenging spirit, Honda intends to maximize "the joy of working" for associates and realize a "human competitive edge" in business.



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## 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 1,451 associates newly hired in FY2018 in Japan have gone through this training.

## 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/Action Plan 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 7.4% within the past 13 years.

Honda carries out business operations globally, but the percentage of women in management positions in Japan still remains low at 0.8%. As part of the Company's efforts to expand women's roles, it has selected the number of women holding management positions as one management indicator and plans to triple the number by 2020 and realize at least nine times the number by 2025, both compared with FY2015.

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

## Honda's Action Plan

## 1. Period of plan

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

## 2. Issues at Honda

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

## 3. Targets

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

## 4. Details of initiatives and period of implementation

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

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

<Initiative 2> Nurture female associates and accelerate their utilization

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

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

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

<Initiative 4> Continue to strengthen the employment of women

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

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**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."

As an effort to "Build awareness and foster an appropriate work climate," Honda has been holding various lectures and seminars for management-level associates and female associates. In addition to lectures for members of company management and general, office and factory managers, Honda has held a seminar for associates in management positions 39 times with 3,600 participants over the past three years since 2015. Another seminar has also been provided to all female associates. To deal with work climate and work style issues identified in its ongoing efforts and to clarify the significance of work climate and work style reforms, Honda started holding in FY2017 a work climate and work style lecture (total of 19 times with about 800 participants) and a management support workshop (total of seven times with approximately 100 participants) for members of company management and general, office and factory managers. These activities have enabled these management-level associates to better recognize and understand the issues related to an appropriate work climate and various work styles.

Additionally, to provide greater motivation to female associates and form a network among them, Honda held a Diversity Forum, in which members of company management have also participated. The Forum was held for female associates holding management positions in 2016 and was extended to include chief supervisors in 2017 (total participation of about 500 associates). Through these efforts, Honda is making steady progress in building awareness to foster more active roles of women in Japan.

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 three years since 2015, such interviews were held with a total of 1,700 female associates. For female associates who have not received support by way of a career plan or consultation, Honda provided a total of 17 training sessions, including training to select a career theme to middle- and higher-level associates and another training to build a career base targeting young associates. By providing an opportunity for all female associates to take more active roles, Honda is encouraging their growth. Moreover, Honda introduced a career support program in child-rearing years in July 2016 to foster career development and started holding a seminar for female associates and their spouses on the know-how of balancing work with child care in August 2017.

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 its systems of short working hours and temporary nursery services. As another effort, Honda opened a company nursery in the Tochigi district in April 2017 and in the Wako district in April 2018. For associates who are forced to leave their job following a transfer of their spouses, Honda started providing a system of transfer and a system of leave to accompany their spouses in April 2018 in addition to its existing career reinstatement program, thereby enhancing its initiatives to support continued employment and career development.

Honda also supports 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.

**Direction of Future Initiatives**

Honda will maintain its ongoing initiatives to expand the participation of women, and at the same time, will extend their scope to all associates to further advance and expand diversity in the true sense of the word.

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

To this end, Honda defines diversity management as the establishment of a framework that makes effective use of diverse members and will strive to realize this.

In the future, Honda will take steps from the perspective of encouraging active roles for people of all ages and will first expand the roles of experienced associates. By encouraging personal growth, Honda seeks to foster human resources who exert their utmost efforts for society regardless of their age.

Honda will also speed up work style reform initiatives so that all members can experience the joy of working by feeling comfortable in the work environment and motivated in what they do.

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

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DATA Percentage of women in the Honda workplace: FY 2018

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

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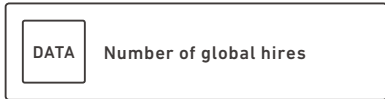
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**Global Employment**

As a part of efforts to diversify 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.

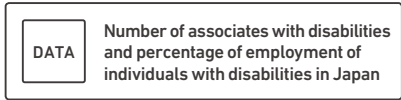


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**Employment of People with Disabilities**

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 FY2018 stands at 2.31%, or 1,041 individuals, which is above the legally mandated level of 2.0%.



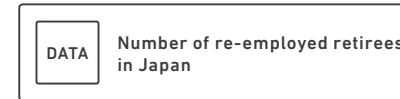
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**Employment of Retirees Aged 60 Years and Over**

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 April 2017, Honda 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. In FY2018, 84.5% of associates who have reached the age of 60 chose to continue working.

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



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**Building Healthy Working Environments**

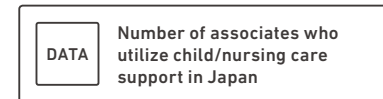
**Helping Associates Balance the Demands of Work, Parenting and Nursing Care**

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. 85) and enable both varied lifestyles and careers desired by individual associates.



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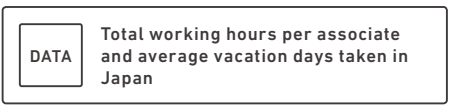
**Optimizing Work Hours**

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

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

As a result, total working hours averaged 1,932 per associate in FY2018, and associates averaged 18.7 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.



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**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

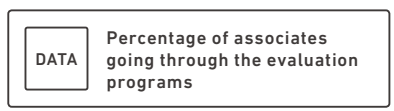
Hotlines	Description
Counseling hotlines dedicated to balancing work, parenting and family life responsibilities	Honda created a counseling hotline at each worksite's human resources and general affairs department to accommodate counseling requests from associates striving to balance work and family 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.

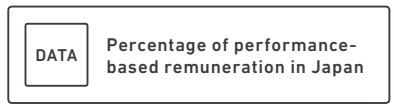


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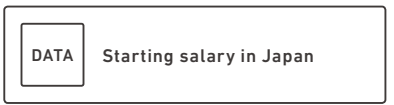
**Compensation and Incentives**

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.



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\*A policy to encourage all associates to use their allotted vacation time in full: An initiative to prevent vacation days from being lost when the number of annual paid vacation days that can be carried over to the next year is exceeded

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## 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.

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

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## Occupational Safety and Health

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, 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, and at ensuring the health of associates.

Honda and its associates act in accordance with the Honda Code of Conduct (⇒ p. 30), which outlines the behavior to be practiced by associates around the world. In the field of safety and health, Honda strives to create a safety and health workplace, while each associate works to maintain such a workplace and to prevent accidents from occurring or spreading.

Excerpt from the Relations with Colleagues / Working Environment  
(Safety and Health section), Honda Code of Conduct

**Honda's policy**

Honda will provide a safe and healthy workplace to maintain a pleasant and safe work environment.

**Required conduct**

As a member of Honda, I will comply with laws, regulations and company policies related to safety and health, and strive to maintain a safe and healthy workplace, as well as to prevent and minimize accidents.



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**Collaboration with Overseas Group Companies**

With Honda's global mid-term occupational health and safety policy of realizing a comfortable work environment through the reinforcement of its health and safety management structure, head offices in each region are taking the lead in implementing global controls for safety.

For production activities, in particular, Honda strongly focuses 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, with the aim of increasing the effectiveness of safety management in each country and region. Honda also 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 to develop human resources for safety control in each country and region.



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**Health and Safety Governance Structure**

As a health and safety governance structure of operation facilities, Honda has established a Health and Safety Committee, led by the Health and Safety Division, to enforce safety and health governance as well as to share and discuss issues and go through the plan-do-check-act (PDCA) cycle to prevent industrial accidents.

Additionally, Honda conducts occupational health and safety audits to check on the operation of an Occupational Safety and Health Management System (OSHMS) and progress in implementing compliance-related matters. These audits follow an OSHMS approach and are conducted by the Company-wide Safety and Health Audit Committee chaired by the officer of Honda in charge of health and safety.

**Occupational Safety and Health Management System (OSHMS)**

Honda has implemented an Occupational Safety and Health Management System (OSHMS) in order to ensure continuous and voluntary health and safety management and increase the level of health and safety at its facilities.

**Activities based on an OSHMS approach**

In FY1998, Honda set up a Health and Safety Audit Committee that performs health and safety audits throughout the Company based on the Occupational Health and Safety Assessment Series (OHSAS)\*. Starting from FY2014, these audits have been conducted by using an OSHMS approach.

Safety and health audits check on how OSHMS is operated in operation facilities; safety and accident recurrence prevention measures incorporated into routine safety and health activities; and a system and its operation to ensure continuous horizontal deployment of these measures among facilities.

By performing health and safety audits to verify its health and safety activities, Honda works to improve and maintain a high level of safety and health throughout the entire Group.

**Creating working environment criteria**

Honda stipulates criteria for the "air environment" (in indoor and office working environments), "visual environment" (illumination criteria) and "sound environment" (machinery and equipment) in its Comfortable Workplace Guidelines, and conducts environment measurements at each facility.



\*A standard for occupational health and safety formulated by an international consortium.

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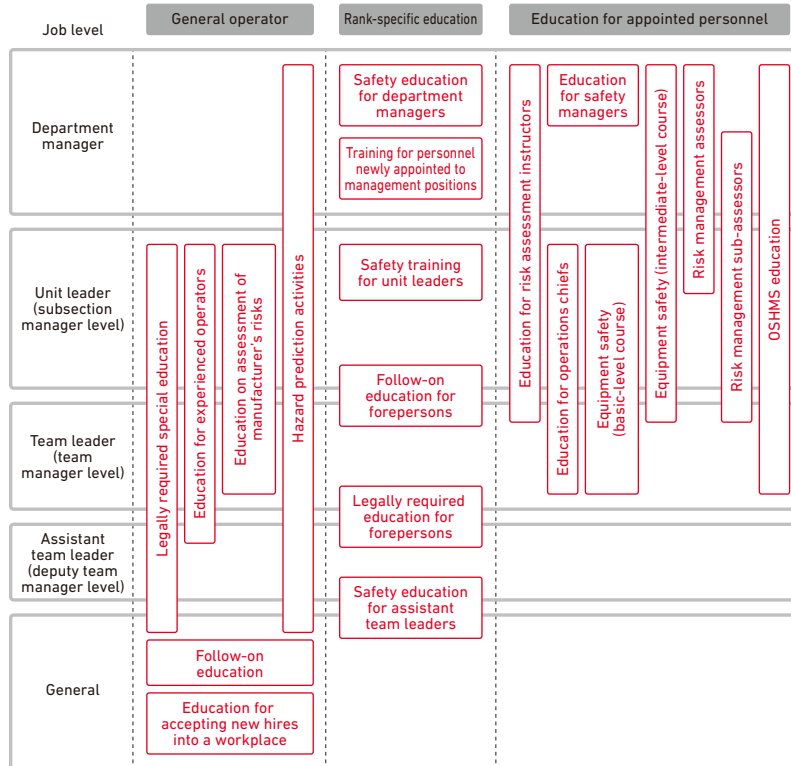
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**Health and Safety Education and Training**

The corporate headquarters, responsible for supervising health and safety activities, provides training to develop health and safety experts both in Honda and in its Group companies. This includes training to nurture company-wide safety and health auditors and health managers.

Each facility also provides various training programs for its associates.

Schematic diagram of Honda's health and safety training scheme (production activities)



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

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

To ensure the health of associates over the long term, Honda, its company clinic, company cafeteria, the Honda Health Insurance Association and Honda Motor Workers' Union work together and examine and promote ideas for activities aimed at enabling the joy of being healthy into the future in the areas of "maintaining physical and mental well-being," "preventing adult-onset diseases" and "encouraging exercise."

**Enhancing a Selection-Based Welfare Program**

Under Honda's Selection-based Welfare Program, associates use points (allotted as welfare-related expenses) to freely choose from a diverse menu of services the ones that match their preferences. The purpose of the program is to provide an environment that gives associates a sense of security in their lives and allows them to concentrate on their work. Honda's program offers an enhanced menu of services for health promotion, primarily aimed at "maintaining physical and mental well-being" and "encouraging exercise," to enable associates to enjoy a healthy life well into the future. Services for "maintaining physical and mental well-being" include receiving health checkups, counseling and guidance, as well as vaccinations, using company-owned recreation facilities and enrolling in yoga class. For "encouraging exercise," the menu offers such services as using fitness and sports facilities and participating in sporting events.



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**Measures to Promote Mental Health**

In 2009, Honda announced a Mental Health Policy and has since been working on both creating vitality in associates and in the workplace and providing problem-solving support in an organized, systematic, and ongoing manner.

**Honda-Wide Mental Health Policy**

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**Basic approach**

Based on its fundamental belief of Respect for the Individual, Honda embraces individual diversity and values communication, and by doing so, will make its utmost efforts to maintain well-being so that all associates dedicate themselves to their jobs with enthusiasm while drawing energy from and taking pride in their work.

**Activity structure**

To implement mental health activities, Honda has established a company-wide mental health promotion team specialized in activity planning and management. Each of Honda's facilities has also established its own facility mental health promotion team.

Honda's major mental health initiatives to promote the mental well-being of its associates include "preventative education," "improving working environments," "checking stress levels," "enhancing counseling programs" and "support for those returning to the workplace after taking time off." The Company also distributes leaflets and pamphlets to associates aimed at facilitating an understanding of mental health care.

**Measures for Prevention of Adult On-Set Diseases**

As a company-wide effort to improve lifestyles and prevent adult on-set diseases, Honda has been providing a variety of programs and undertaking various initiatives matched to the needs and conditions of each facility.

**Measures against smoking**

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 facilities in order to minimize the effects of secondhand smoke. Honda's activities include prohibiting smoking inside buildings, setting 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.

**Dietary support**

At the company cafeteria, associates can choose their meals in a conscious manner according to calories, the amount of vegetables and amount of salt of each meal shown on the menu. The cafeteria also offers nutritionally well-balanced "healthy" meals with fewer calories using less salt.

**Introducing the Healthy Point Program**

The Honda Health Insurance Association works under the idea of "realizing a healthy and spiritually-rich life." In April 2014, the Association introduced a Healthy Point Program as a new incentive scheme to support associates who are making efforts to prevent diseases and improve their lifestyle habits.

**Setting up a portal site for individuals for health promotion**

A portal site for individuals, called "Health UP WEB," went online in January 2018. The aim is to centrally manage and provide individual health information, including information related to the Healthy Point Program, foster self-awareness for one's own health and encourage voluntary health promotion efforts.

This portal site is accessible from personal computers and smartphones, and associates can view their health checkup results of up to the past five years and keep track of their individual health promotion efforts, including pedometer records, meals and blood pressure.

**Medical Checkups**

With the aim of maintaining the health of its associates, Honda conducts legally required periodic health checkups of associates on a continuous basis after they join the Company. Honda also conducts stomach and bowl cancer examinations for associates aged 35 or over and provides an opportunity to receive a complete medical checkup, which includes detailed brain and lung examinations as desired, to associates aged 50 and 55. Through these early detection and early response efforts, Honda strives to ensure the health of its associates.

Honda is also enhancing specific health guidance activities in collaboration with the Honda Health Insurance Association.



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## Consolidated number of associates

	FY2016	FY2017	FY2018
Japan	64,975	64,696	64,755
North America	50,624	53,243	54,044
South America	16,297	14,716	14,271
Europe	8,111	8,211	8,591
Asia & Oceania	52,364	54,380	55,845
China	16,028	16,669	18,132
Total	208,399	211,915	215,638

## Number of associates by gender

	FY2016	FY2017	FY2018	
Japan	Male	46,715	46,929	48,512
	Female	43,674	43,509	44,712
	Male	3,041	3,420	3,800
	Female			

\*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

	FY2016	FY2017	FY2018	
Japan	Male	762	1,009	1,372
	Female	660	875	1,165
North America	Male	102	134	207
	Female	4,051	4,789	5,037
South America	Male	3,008	3,410	3,537
	Female	1,043	1,379	1,500
Europe	Male	767	412	578
	Female	679	335	480
Asia & Oceania	Male	88	77	98
	Female	340	357	819
China	Male	258	268	677
	Female	82	89	142
	Male	3,174	5,415	2,776
	Female	2,795	4,867	2,143
China	Male	379	548	633
	Female	1,721	3,485	5,545
	Male	1,541	3,199	5,208
	Female	180	286	337

## Number of associates by employment contract and type

	FY2016	FY2017	FY2018	
Japan	By contract			
	Permanent	41,622	41,001	41,741
	Non-permanent	5,093	5,928	6,667
	By type			
	Full-time	46,608	46,834	48,304
Part-time	107	95	104	

## Attrition rate (%) (including compulsory retirees)

	FY2016	FY2017	FY2018	
Japan	Male	1.9	2.0	1.5
	Female	1.9	1.9	1.4
North America	Male	2.1	3.0	2.5
	Female	7.8	9.6	10.5
South America	12.0	15.8	5.9	
Europe	8.2	7.2	4.7	
Asia & Oceania	4.0	3.9	3.9	
China	4.4	5.1	6.9	

## 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	46
Europe	49
Asia & Oceania	39
China	1

## Training hours and cost per associate

	Annual training time (hours)	Annual training cost (yen)
Japan	36.3	81,300
North America	14.0	24,400
South America	9.4	16,200
Asia & Oceania	12.9	11,300
China	19.8	27,600

\*Information on Europe is to be confirmed.

\*Amounts are approximate estimates.





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## Human Resources Data

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

	FY2015 (base year)	FY2016	FY2017	FY2018
Compared with FY2015 (times)	1.00	1.20	1.17	1.40

## Percentage of women in the Honda workplace: FY2018

	Ratio of women in the entire workforce	Ratio of women in management positions
Japan	7.4	0.8
North America	23.9	15.5
South America	11.6	8.3
Europe	16.9	16.9
Asia & Oceania	12.4	15.5
China	12.5	13.9
Total	13.8	8.2

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

	Base salary (Female : Male)	Total compensation (Female : Male)
Management positions	1 : 1.03	1 : 1.04
General associates	1 : 1.17	1 : 1.40

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

## Number of global hires

	FY2017	FY2018	FY2019 (Forecast)
Number of people hired	15	20	15

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of associates*	1,084	1,089	1,094	1,073	1,041
Percentage of employment*	2.27	2.28	2.30	2.32	2.31

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

## Number of persons over 60 employed by Honda in Japan\*

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of persons*	567	622	711	729	1,097

\*Includes persons who turned 60 and continued employment in FY2018

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

		FY2014	FY2015	FY2016	FY2017	FY2018
Short working hours to facilitate child care		153	172	182	219	269
	Male	2	0	5	6	14
	Female	151	172	177	213	255
Administrative leave to facilitate child care		305	392	397	452	454
	Male	11	17	21	32	50
	Female	294	375	376	420	404
Nursing care leave for children		894	971	1,116	1,356	1,797
	Male	554	593	718	892	1,245
	Female	340	378	398	464	552
Work at home during child raising		-	-	-	145	249
	Male	-	-	-	38	76
	Female	-	-	-	107	173
Childcare cost subsidy		-	-	-	74	150
	Male	-	-	-	1	5
	Female	-	-	-	73	145
Short working hours to facilitate nursing care		1	3	3	8	5
	Male	0	2	1	5	3
	Female	1	1	2	3	2
Administrative leave to facilitate nursing care		15	9	11	22	22
	Male	13	9	8	14	13
	Female	2	0	3	8	9
Nursing care leave		22	13	22	11	37
	Male	19	11	17	10	31
	Female	3	2	5	1	6
Work at home during nursing care		-	-	-	22	29
	Male	-	-	-	12	17
	Female	-	-	-	10	12

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

		FY2014	FY2015	FY2016	FY2017	FY2018
Reinstatement rate		99.7	99.2	98.3	96.1	96.5
	Male	-	-	-	100.0	100.0
	Female	-	-	-	95.5	95.7



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

	FY2014	FY2015	FY2016	FY2017	FY2018
Total working hours per associate	1,900	1,890	1,964	1,954	1,932
Average paid vacation days taken	19.2	19.4	18.4	19.0	18.7

Percentage of associates going through the evaluation programs

Region	Percentage of associates to be targeted for the evaluation programs
North America	100.0
South America	98.3
Europe	100.0
Asia & Oceania	99.3
China	98.6

Percentage of performance-based remuneration in Japan

Level	Proportion of performance-based remuneration in entire compensation
Director, Operating Officer positions	28.0*
Management positions	36.7

\*A certain level of stock options is included in remuneration for Director and Operating Officer positions.

Starting salary in Japan

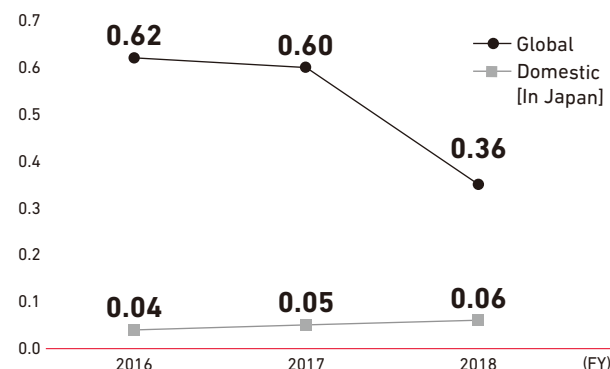
	Monthly salary (yen)	Compared to minimum wage (%)
High school	173,500	112
Technical college and junior college	194,300	125
Undergraduate	217,400	140
Graduate school (Master's degree)	243,600	157

\*Minimum wage is calculated using 20.3 eight hour days as one month based on the minimum wage for the Tokyo metropolitan area (958yen/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, 2018.

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

	FY2014	FY2017
All associates	80.0	74.5
Male	80.2	74.7
Female	77.9	72.7
Percentage of respondents for all associates	94.3	94.8

Frequency rate of lost workday injuries



\*Global (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at Honda's seven production bases in Japan and 62 overseas production bases

\*Domestic [In Japan] (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at companies to which Honda's labor agreement applies

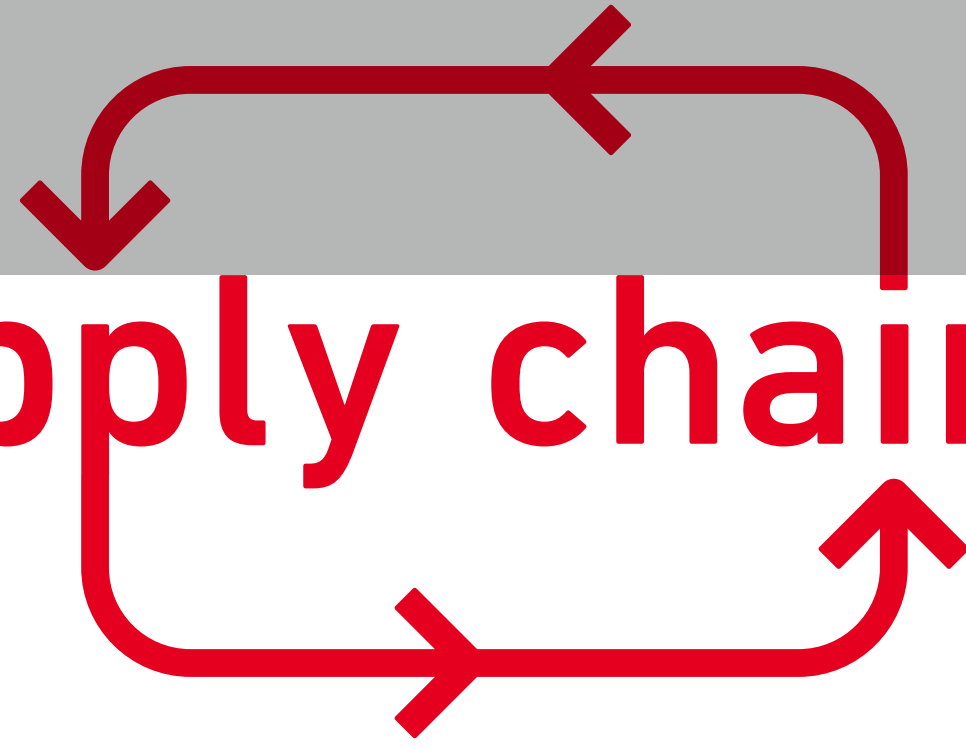


# Supply Chain

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

# supply chain



## Material Issues

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

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## Strengthening Supply Chain Sustainability

In order to provide customers with a timely, stable supply of better products and services, it is necessary to put significant effort into developing and optimizing supply chains with suppliers around the world while also taking into account environmental and human rights issues.

Companies within the automobile industry, which is a broad-based industry supported by many suppliers, must pursue the reduction of not only their own environmental impacts but also those of suppliers throughout their entire supply chain.

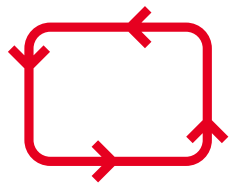
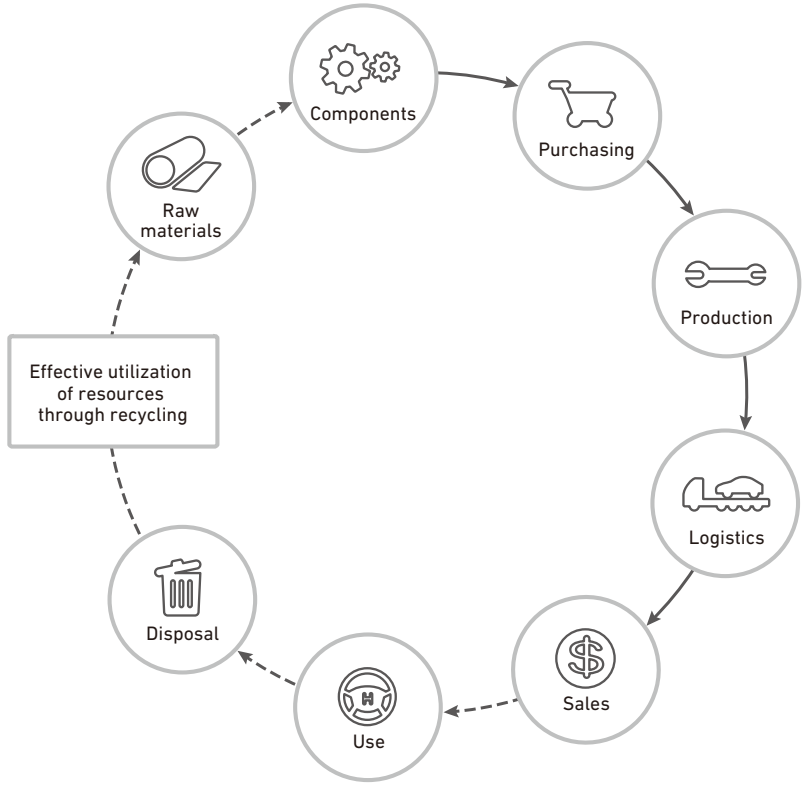
In addition, as awareness of compliance and human rights issues grows worldwide, companies are being asked to verify working conditions and legal compliance not only for themselves but also for their suppliers, as well as to make efforts to take corrective action if required.

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

In this way, 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 mainly in the areas of purchasing and logistics.

Overview of supply chain



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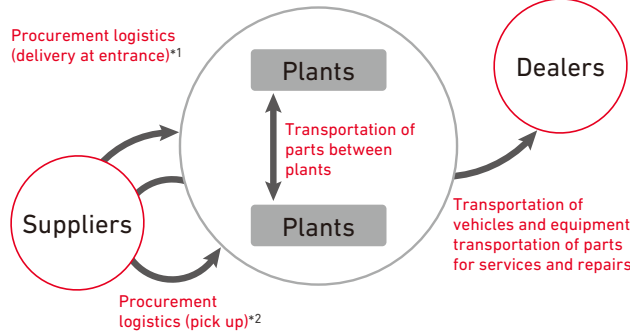
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**Basic Approach to Logistics**

**Management of Logistics from ESG Perspective**

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

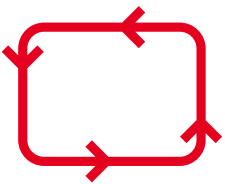
Overview of Honda logistics



\*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.

\*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

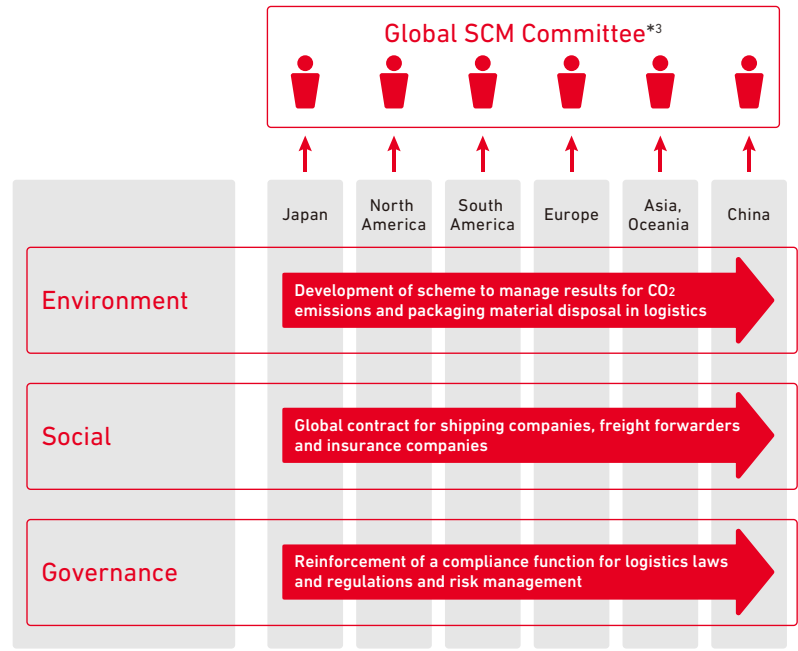


**Global Management of Logistics**

**Integrated Management Framework Transcending Divisions and Regions**

Honda newly established a 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



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**Logistics Initiatives**

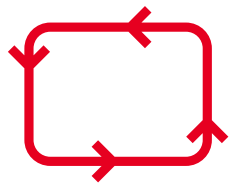
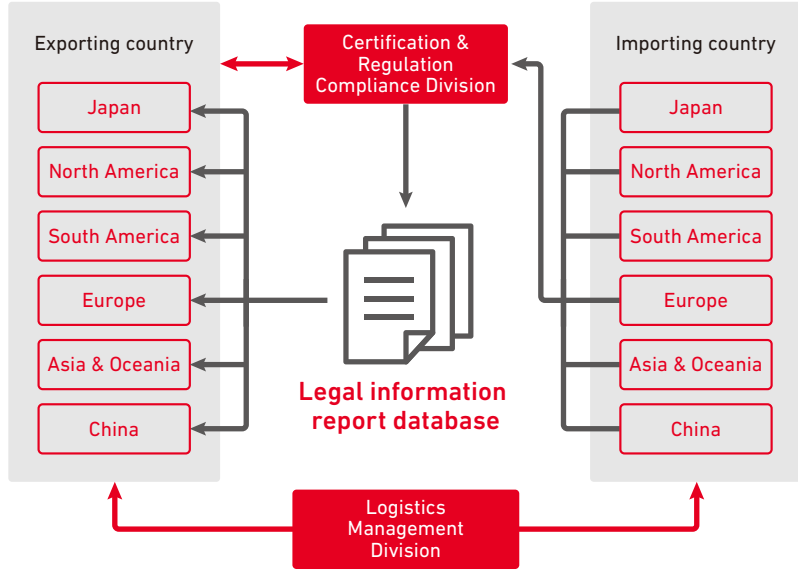
## Integrated Management of Legal Information Concerning Logistics

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.

In response to the strengthening and increasing complexity of laws and regulations, Honda reinforced its global six-region compliance foundation in FY2017 and made preparations for transport regulations in line with the introduction of new technologies such as electrified technology in FY2018.

Honda will continue deepening relations with each region and working to ensure legal compliance.

Integrated management framework for legal information



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**Logistics Initiatives**

## Reducing CO<sub>2</sub> Emissions

### Identifying Global CO<sub>2</sub> 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 CO<sub>2</sub> emissions in the transportation of automobile production parts, which make up the majority of international marine transport.

Honda continues striving to grasp CO<sub>2</sub> emissions for all products around the world by steadily expanding the scope to other product domains since FY2018.

### Expanding Modal Shifts

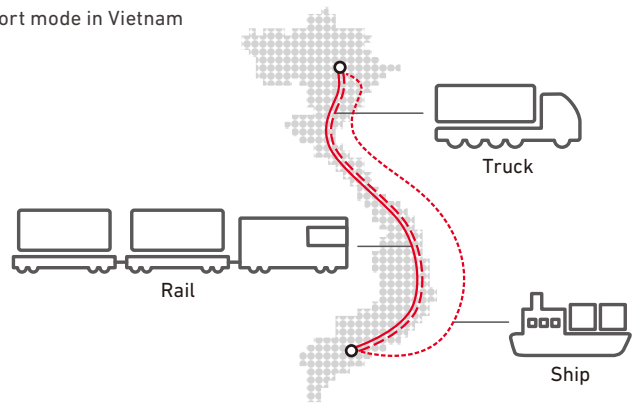
Honda will make efforts toward expanding its modal shift that involves switching means of transportation from trucks to ship and rail transportation, with a focus mainly on transportation to distant regions.

In Vietnam, the distance between Honda's production facility on the outskirts of Hanoi in the north and the major market of Ho Chi Minh City in the south is over 1,700km. For this reason, Honda is replacing conventional trucks with ship and rail transport for long-distance shipments between north and south.

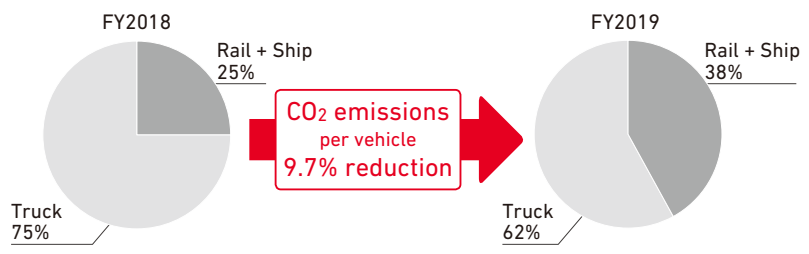
As a result, we will achieve reductions in CO<sub>2</sub> of 27% with rail transport and 65% with ship transport compared with conventional truck transport.

In addition, Honda is working to increase efficiency in each transport mode and in rail transport is introducing freight cars specially designed for shipping automobiles with high load efficiency.

Transport mode in Vietnam



Expansion of rail and ship transport in Vietnam



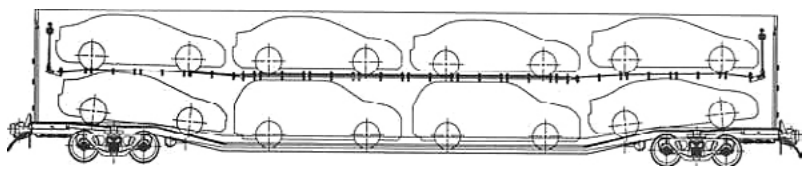
Rail transport in Vietnam



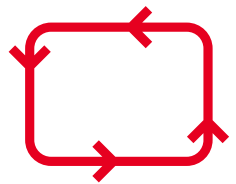
Special freight cars for transporting automobiles



Bright car carrier



Up to eight vehicles can be loaded onto each railcar.





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**Logistics Initiatives**

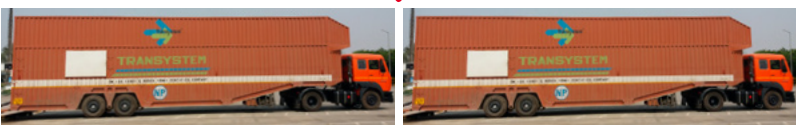
**Achieved CO<sub>2</sub> Reduction by Increasing the Ratio of Longer Carriers**

In India, Honda achieved around a 6,226t reduction in CO<sub>2</sub> emissions for the year by improving transport efficiency of completed vehicles from its factory to dealers.

Honda India has implemented this initiative in collaboration with logistics service providers and dealers in which longer carriers transport two or more dealers' clubbed orders on the same route, if one dealer order is less than six cars. Previously Honda India has used small carriers with four car capacity for small quantity dealer orders.



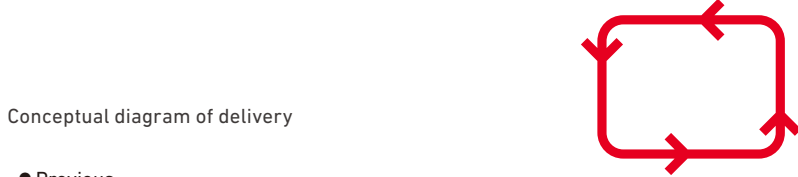
A small truck with capacity of four vehicles



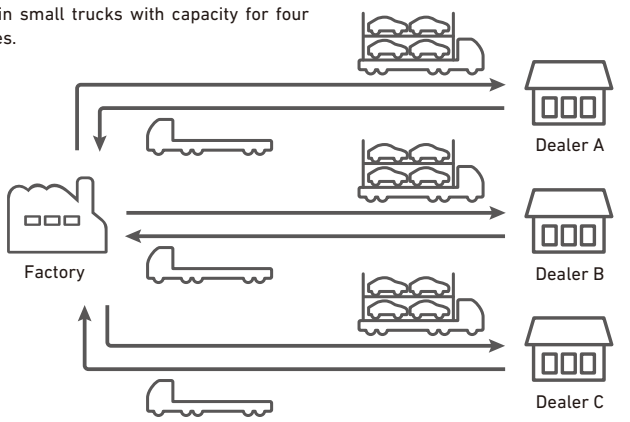
A longer truck with capacity for six vehicles



Loading the vehicles

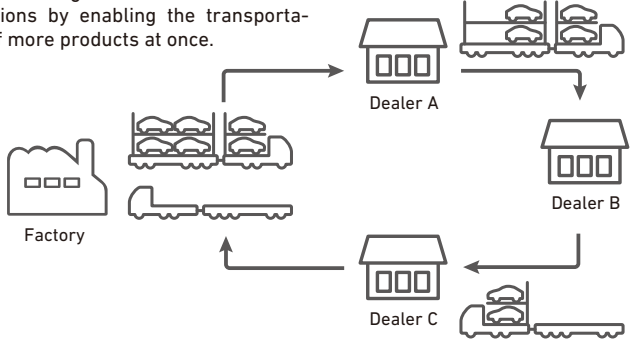


● Previous  
CO<sub>2</sub> is emitted during round trips from each dealer since shipments are made for each order in small trucks with capacity for four vehicles.



Reduced CO<sub>2</sub> emissions by around 6,226t a year

● Since FY2018  
The use of large trucks has reduced CO<sub>2</sub> emissions by enabling the transportation of more products at once.



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**Logistics Initiatives**

## Reducing Waste from Packaging Materials

### Updating of Packaging Specifications

Like CO<sub>2</sub> 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\*

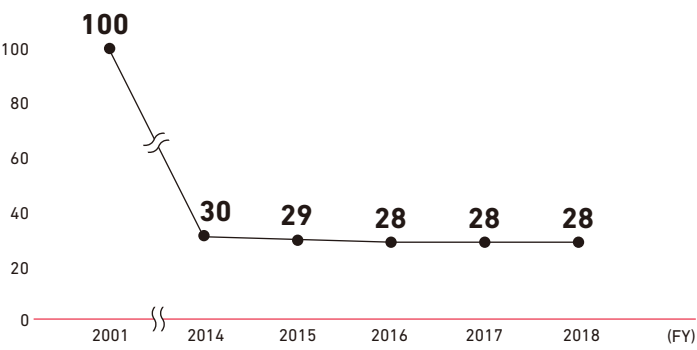
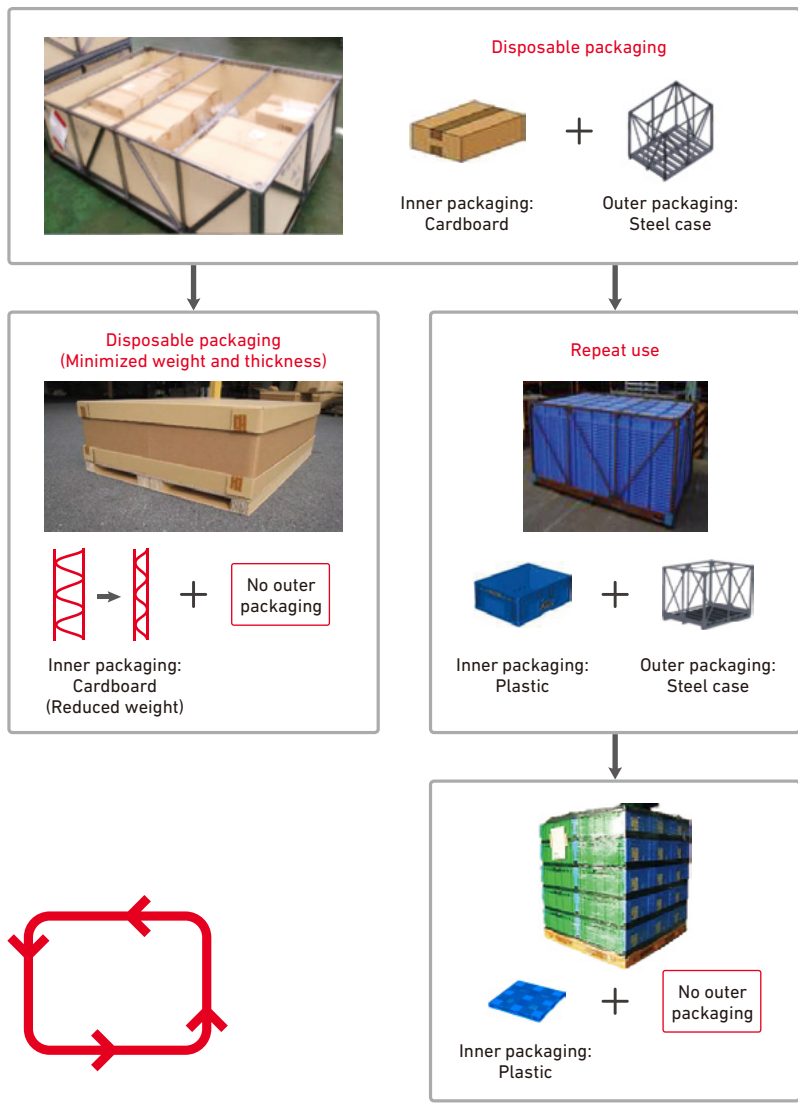


Image of updating of packaging specifications



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

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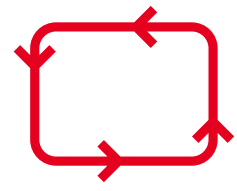
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## Purchasing Belief, Three Purchasing Principles and Purchasing Code of Conduct

Honda's goal is to achieve a sustainable society across the supply chain. The Company implements initiatives with consideration for the environment, safety, human rights, compliance and social responsibility, among others, in partnership with its suppliers worldwide. Based on the Honda Philosophy, the Company established the Purchasing Belief and Three Purchasing Principles and engages in business that is fair and equitable with transparency.

Honda defined points of concern that it should follow, in particular, as the Purchasing Code of Conduct, and by following this Code, the Company enhances trust with related divisions and business partners as well as builds sound relationships with suppliers.

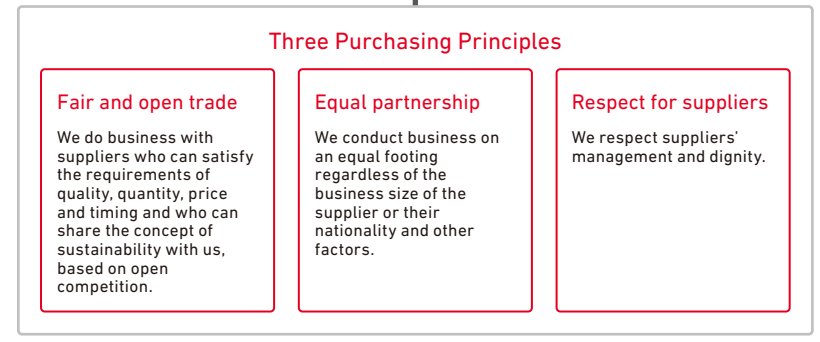


### Purchasing Belief and Three Purchasing Principles

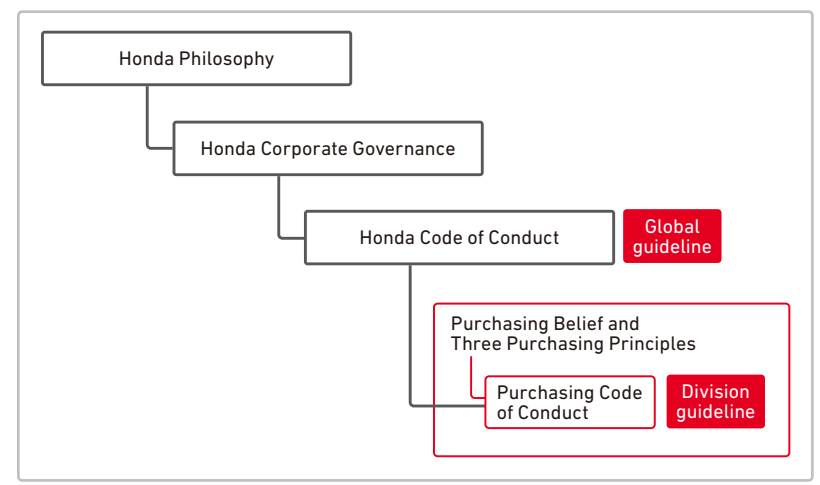
We do fair and equitable business with transparency based on the "Purchasing Belief" and the "Three Purchasing Principles."

#### Purchasing Belief

We sustain the procurement of good products at reasonable prices and in a timely manner.



### Positioning of Purchasing Code of Conduct



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**Establishment of Guidelines**

The Company published the Honda Supplier CSR Guidelines and Honda Green Purchasing Guidelines to share its approach to sustainability with suppliers worldwide and to promote Honda initiatives. (Please refer to the links below.)

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance along with reducing environmental impact.

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

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

In addition, via the Business Ethics Improvement Proposal Line (⇒ [p. 31](#)), Honda

accepts reports and requests for consultation from all suppliers from a fair and neutral standpoint.

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

When selecting suppliers for components and raw materials based on these sustainability policies, Honda confirms their initiatives on Quality, Cost, Delivery, Development and Environment (QCDD), human rights, labor, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

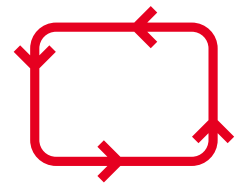
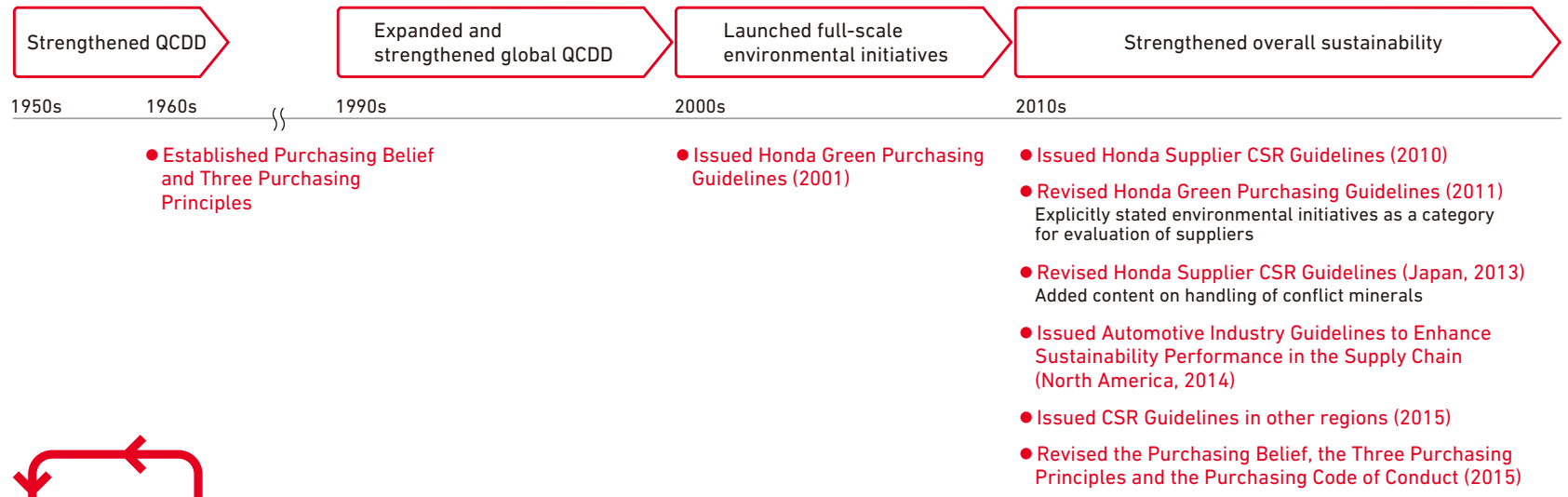
PDF "Honda Supplier CSR Guidelines"

PDF "Honda Green Purchasing Guidelines"

▶ <http://world.honda.com/sustainability/supply-chain/pdf/csr-guideline.pdf>

▶ <http://world.honda.com/sustainability/supply-chain/pdf/green-guideline.pdf>

Changes in purchasing practices



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**Global Management of Purchasing**

## Purchasing System

Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda's corporate philosophy of "building products close to the customer," each region is encouraged to source locally. The rate of local procurement in the United States, Honda's largest production base, reaches 80% for major global models.

Purchasing Operations, which supervises the global function overall, is located in Japan, providing cross-regional and cross-business coordination and planning sustainability policies and goals. In 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.



Six Region Sustainability Purchasing Meeting

### 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 FY2018, 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 CO<sub>2</sub> 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.

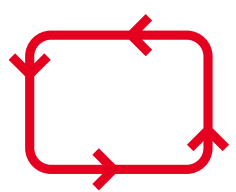
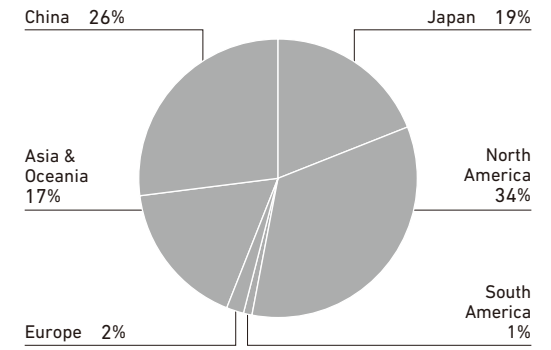
Honda's global purchasing network



Global meeting structure

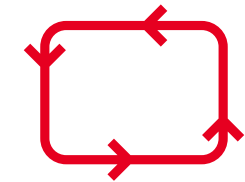


Regional distribution of purchasing volume



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**Purchasing Initiatives**

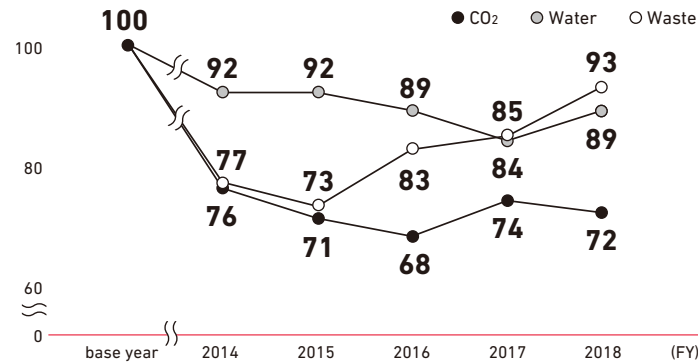
## Reducing Environmental Impact at Suppliers' Sites

In the Honda Global Environmental Purchasing Vision, the Company has adopted the concept of coexisting in shared prosperity with local communities by reducing environmental impact together with Honda's suppliers worldwide in its component procurement operations.

Based on this vision, the Company formulated the Honda Green Purchasing Guidelines, which forms the policy, and the Environmental Purchasing Grand Design, which shows the steps toward the Company's priority of attaining a low-carbon society.

Honda shares the guidelines and the grand design with suppliers in each region and works to realize a low-carbon supply chain.

Performance of reducing environmental impact index of CO<sub>2</sub> emissions/water use/waste generation per unit of production



\*CO<sub>2</sub>: FY2001, Water/Waste: FY2009  
\*Scope of data: all consolidated tier 1 suppliers in Japan

### Operating a Management System for CO<sub>2</sub> 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 CO<sub>2</sub> emissions at suppliers since FY2012, which commenced full-scale operation in FY2015.

Honda is using this system to share reduction targets (reduce CO<sub>2</sub> emissions intensity by 1% per year) and progress status and to implement the PDCA cycle with suppliers worldwide.

As of 2017, 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 CO<sub>2</sub> at suppliers.

### Initiatives to Reduce Environmental Impact in the Supply Chain

Honda promotes initiatives to reduce environmental impact in each region together with suppliers, notably efforts to reduce CO<sub>2</sub> and ensure the efficient use of resources.

To reduce CO<sub>2</sub>, Honda has been undertaking the Energy Conservation Caravan, which started in Japan in 2009, in various regions. This activity proposes energy conservation measures and supports the establishment of a structure for these initiatives by visiting supplier production sites. Honda also makes efforts to analyze CO<sub>2</sub> data from suppliers and provide each with individualized feedback, noting areas of weaknesses and progress in achieving reductions. This program started in Japan and will be expanded to other regions going forward.

To ensure efficient use of resources, Honda will consecutively start an initiative in FY2019 concerning the management of water and waste targets (maintain or reduce consumption/emission intensities compared with FY2018 levels) for the Group company's suppliers.



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**Purchasing Initiatives**

## Chemical Substance Management

The Company issued the Honda Chemical Substance Management Standard, which aims to ensure that all the components that make up Honda products comply with laws and regulations and to reduce their impact on the global environment and ecosystem. Honda requests suppliers around the world to establish a structure for managing chemical substances that meets the standard and to submit a conformity declaration to assure the supply of components 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.

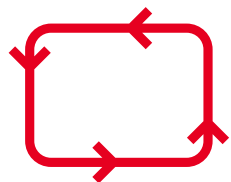
Honda began operating a procurement risk management system with suppliers in Japan in December 2014. Through the operation of this system, the Company established structures to assess damage and identify the impact on production at suppliers in a short time after the occurrence of a major disaster.

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.

## 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.



# supply chain



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### Third-Party Audit for Suppliers

Honda distributed a checklist to suppliers requesting independent inspection in order to confirm the status of initiatives relative to guidelines.

Honda introduced a third-party audit in Japan in 2016 for suppliers with large business volume and significant influences on the Company in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain. Going forward, Honda will expand the initiative to high-risk suppliers where there is higher potential for issues or the impact on the Company may be great in case a problem did arise, based on the flow diagram indicated on the right.

The audit comprises two phases, a written investigation and an on-site investigation. For the written investigation, Honda conducts the following three measures for targeted suppliers.

- Distributes an audit check sheet based on international standards
- Confirms the status of sustainability activities
- Provides feedback on the results of analysis

The audit check sheet sets broad categories for evaluation that include the environment, compliance and information disclosure in addition to human rights and labor matters, such as child labor and forced labor, in an effort to verify supplier activities.

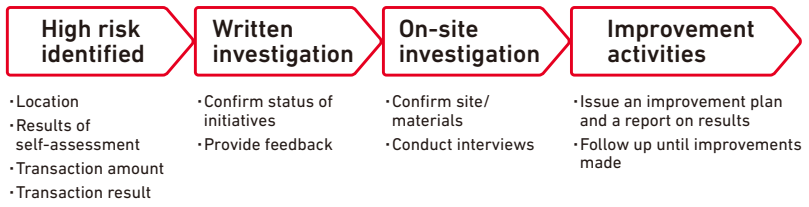
Next, in the on-site investigation, persons in charge from Honda and an auditing company visit a supplier's office to conduct interviews and prepare reports in light of the findings of the written investigation. The status of sustainability initiatives is also examined together with the supplier after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

For items requiring improvement, an improvement plan and a report on results are issued. A follow-up investigation is employed if needed to confirm that the PDCA cycle for the improvement plan is up and running and that it is linked to ongoing improvement activities.

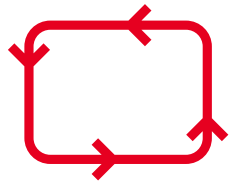
Going forward, Honda will expand application of third-party audits in cooperation with overseas purchasing sites.

There were no instances of issues bearing significant risk in FY2018.

Flow diagram of third-party audit



Confirming the status of wastewater treatment at a supplier site



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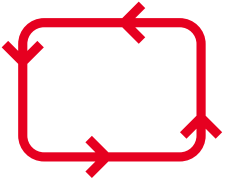
**Purchasing Initiatives**

## Instruction and Training for Associates

To ensure that every associate involved in Honda's purchasing operations promotes honest and fair initiatives, Honda has prepared manuals and personnel development programs in each region.

For example, in North America Honda takes up various topics through seminars, e-learning and on-the-job training (OJT). In its Basic Training Course, the Company shares its approach in such areas as the selection of suppliers and initiatives to strengthen 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.



Presentation of Sustainability Award to Sumitomo Rubber Industries, Ltd. in Japan



Presentation of Sustainability Award to Axalta Coating Systems Ltd. in North America

## Collaboration with Industry Groups and Suppliers

Honda is striving to strengthen sustainability across the entire supply chain through this kind of collaborative capacity building between the automotive industry and its suppliers.

### Collaboration with Industry Groups

Honda North America Inc., Honda's U.S. subsidiary, participates in four of the work groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain: 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 FY2018, meetings were held in 30 locations around the world. At regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDD.

In Japan, Honda has held annual Suppliers Conferences since 1974. Senior management from 328 suppliers attended the conference held in January 2018. At the conference, Honda explained both company-wide policies and purchasing policies for the motorcycle, automobile and power products businesses. In FY2018, Honda started presenting the Sustainability Awards to those suppliers making outstanding efforts in all areas concerning environmental, social and governance (ESG) aspects. The award is an extension of the former Environment Awards that focused on greenhouse gases (GHG) by also including social and governance aspects.

In the North American region, Honda presents the Sustainability 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.

# 8 Assurance / GRI Content Index / Financial Data

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## Assurance

To disclose environmental data in a more transparent and reliable manner to our diverse stakeholders, Honda obtained the independent practitioner's assurance of the environmental data indicated with  for the year ended March 31, 2018 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, 2018 from Honda Motor Co., Ltd. and 441 consolidated and affiliated companies in Japan and overseas (as at December 31, 2017) (⇒ p. 50–53).

Environmental data assured:

Direct emissions from business activities (Scope 1), Indirect emissions from energy use (Scope 2) and Emissions from customer use of sold products (Scope 3, category 11) out of Honda's total GHG emissions. GHG emissions (direct emissions (Scope 1), Indirect emissions (Scope 2), Total emissions (Scope 1 and 2)), Energy consumption (Direct energy consumption, Indirect energy consumption and Total energy consumption), Water use/ Wastewater volume, Atmospheric pollutants (SOx emissions, NOx emissions), Waste generated.

## Deloitte.

デロイト トーマツ

(TRANSLATION)

## Independent Practitioner's Assurance Report

June 15, 2018

Mr. Takahiro Hachigo,  
President 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, 2018 (the "Environmental Data") included in the "Honda SUSTAINABILITY REPORT 2018" (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 P. 50-53). 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

## GRI Content Index



GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
GRI 102: General Disclosures 2016					
	Organizational profile				
	102-1	Name of the organization	9		
	102-2	Activities, brands, products, and services	6,7,9		
	102-3	Location of headquarters	2,9		
	102-4	Location of operations	9,10		
	102-5	Ownership and legal form	9		
	102-6	Markets served	9,10		
	102-7	Scale of the organization	9,11 2018 Form 20-F 1,2,8,9,10,11,12,29,30,31,F-6,F-37,F-38		
	102-8	Information on employees and other workers	93		
	102-9	Supply chain	97,105		
	102-10	Significant changes to the organization and its supply chain	2		
	102-11	Precautionary Principle or approach	2		
	102-12	External initiatives	19		
	102-13	Membership of associations	19,32,86		
	Strategy				
	102-14	Statement from senior decision-maker	3		
	102-15	Key impacts, risks, and opportunities	13,14,15,16,20,21,22,33,34,39,40,41, 42,57,66,80,97		
	Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior	4,13,14,15,16,30		
	102-17	Mechanisms for advice and concerns about ethics	31		
	Governance				
	102-18	Governance structure	17,24,25,26,27,28,29		
	102-19	Delegating authority	17		
	102-20	Executive-level responsibility for economic, environmental, and social topics	17		
	102-21	Consulting stakeholders on economic, environmental, and social topics	17		
	102-22	Composition of the highest governance body and its committees	24,25,26,27,28,29		
	102-23	Chair of the highest governance body	24,25,26,27,28,29		

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
	<b>102-24</b> Nominating and selecting the highest governance body	24,25,26,27,28,29 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			
	<b>102-25</b> Conflicts of interest	24,25,26,27,28,29 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			
	<b>102-26</b> Role of highest governance body in setting purpose, values, and strategy	17			
	<b>102-27</b> Collective knowledge of highest governance body	17			
	<b>102-28</b> Evaluating the highest governance body's performance	17			
	<b>102-29</b> Identifying and managing economic, environmental, and social impacts	17			
	<b>102-30</b> Effectiveness of risk management processes	17			
	<b>102-31</b> Review of economic, environmental, and social topics	17			
	<b>102-32</b> Highest governance body's role in sustainability reporting	17			
	<b>102-33</b> Communicating critical concerns	17,24			
	<b>102-34</b> Nature and total number of critical concerns	-	Nature and total number of critical concerns	This information is subject to specific confidentiality constraints.	This information is confidential.
	<b>102-35</b> Remuneration policies	27 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			
	<b>102-36</b> Process for determining remuneration	27 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			
	<b>102-37</b> Stakeholders involvement in remuneration	27 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			
	<b>102-38</b> Annual total compensation ratio	27 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			
	<b>102-39</b> Percentage increase in annual total compensation ratio	27 Honda Corporate Governance Basic Policies <a href="http://world.honda.com/investors/policy/governance.html">http://world.honda.com/investors/policy/governance.html</a>			

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
	Stakeholder engagement				
	<b>102-40</b> List of stakeholder groups	18			
	<b>102-41</b> Collective bargaining agreements	2018 Form 20-F 81,82			
	<b>102-42</b> Identifying and selecting stakeholders	18			
	<b>102-43</b> Approach to stakeholder engagement	18			
	<b>102-44</b> Key topics and concerns raised	18			
	Reporting practice				
	<b>102-45</b> Entities included in the consolidated financial statements	13,14,15,16,17			
	<b>102-46</b> Defining report content and topic Boundaries	13,14,15,16,17			
	<b>102-47</b> List of material topics	2,9,13,14,15,16,17			
	<b>102-48</b> Restatements of information	13,14,15,16,17			
	<b>102-49</b> Changes in reporting	13,14,15,16,17			
	<b>102-50</b> Reporting period	2			
	<b>102-51</b> Date of most recent report	2			
	<b>102-52</b> Reporting cycle	2			
	<b>102-53</b> Contact point for questions regarding the report	2			
	<b>102-54</b> Claims of reporting in accordance with the GRI Standards	2			
	<b>102-55</b> GRI content index	112,113,114,115,116,117,118,119,120,121,122,123			
	<b>102-56</b> External assurance	111			



## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>Material Topics</b>					
<b>GRI 200 Economic Standard Series</b>					
<b>Economic Performance</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	16		
	103-2	The management approach and its components	16		
	103-3	Evaluation of the management approach	16		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	11		
	201-2	Financial implications and other risks and opportunities due to climate change	40,43		
	201-3	Defined benefit plan obligations and other retirement plans	2018 Form 20-F F-43,F-44,F-45,F-46,F-47,F-48		
	201-4	Financial assistance received from government	-	Financial assistance received from government	This information is currently unavailable.
<b>Market Presence</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	16		
	103-2	The management approach and its components	16		
	103-3	Evaluation of the management approach	16		
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	95		
	202-2	Proportion of senior management hired from the local community	93		
<b>Indirect Economic Impacts</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	16		
	103-2	The management approach and its components	16		
	103-3	Evaluation of the management approach	16		
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	41		
	203-2	Significant indirect economic impacts	9,105		
<b>Procurement Practices</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	16		
	103-2	The management approach and its components	16		
	103-3	Evaluation of the management approach	16		
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	105		

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>Anti-corruption</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	16,30		
	<b>103-2</b>	The management approach and its components	16,30		
	<b>103-3</b>	Evaluation of the management approach	16,30		
GRI 205: Anti-corruption 2016	<b>205-1</b>	Operations assessed for risks related to corruption	31		
	<b>205-2</b>	Communication and training about anti-corruption policies and procedures	31		
	<b>205-3</b>	Confirmed incidents of corruption and actions taken	31		
<b>Anti-competitive Behavior</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	16,30		
	<b>103-2</b>	The management approach and its components	16,30		
	<b>103-3</b>	Evaluation of the management approach	16,30		
GRI 206: Anti-competitive Behavior 2016	<b>206-1</b>	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	32		
<b>GRI 300 Environmental Standards Series</b>					
<b>Materials</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	16,37,38,39,40,42		
	<b>103-2</b>	The management approach and its components	16,37,38,39,40,42		
	<b>103-3</b>	Evaluation of the management approach	16,37,38,39,40,42		
GRI 301: Materials 2016	<b>301-1</b>	Materials used by weight or volume	-	Materials used by weight or volume	This information is currently unavailable. We will consider improving our information disclosure using GRI Standards with a view to completing this by the time we publish our 2020 Sustainability Report.
	<b>301-2</b>	Recycled input materials used	-	Recycled input materials used	This information is currently unavailable. We will consider improving our information disclosure using GRI Standards with a view to completing this by the time we publish our 2020 Sustainability Report.
	<b>301-3</b>	Reclaimed products and their packaging materials	46		
<b>Energy</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	16,37,38,39,40,42		
	<b>103-2</b>	The management approach and its components	16,37,38,39,40,42		
	<b>103-3</b>	Evaluation of the management approach	16,37,38,39,40,42		

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
GRI 302: Energy 2016	<b>302-1</b> Energy consumption within the organization	51			
	<b>302-2</b> Energy consumption outside of the organization	51			
	<b>302-3</b> Energy intensity	-	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.
	<b>302-4</b> Reduction of energy consumption	51			
	<b>302-5</b> Reductions in energy requirements of products and services	43,44,49,50,54,55			
<b>Water</b>					
GRI 103: Management Approach 2016	<b>103-1</b> Explanation of the material topic and its Boundary	16,37,38,39,40,42			
	<b>103-2</b> The management approach and its components	16,37,38,39,40,42			
	<b>103-3</b> Evaluation of the management approach	16,37,38,39,40,42			
GRI 303: Water 2016	<b>303-1</b> Water withdrawal by source	52			
	<b>303-2</b> Water sources significantly affected by withdrawal of water	42,47			
	<b>303-3</b> Water recycled and reused	42,47			
<b>Biodiversity</b>					
GRI 103: Management Approach 2016	<b>103-1</b> Explanation of the material topic and its Boundary	16,37,38,39,40,48			
	<b>103-2</b> The management approach and its components	16,37,38,39,40,48			
	<b>103-3</b> Evaluation of the management approach	16,37,38,39,40,48			
GRI 304: Biodiversity 2016	<b>304-1</b> Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	48			
	<b>304-2</b> Significant impacts of activities, products, and services on biodiversity	48			
	<b>304-3</b> Habitats protected or restored	-	Habitats protected or restored	This information is currently unavailable.	We will consider improving our information disclosure using GRI Standards with a view to completing this by the time we publish our 2020 Sustainability Report.
	<b>304-4</b> IUCN Red List species and national conservation list species with habitats in areas affected by operations	48			
<b>Emissions</b>					
GRI 103: Management Approach 2016	<b>103-1</b> Explanation of the material topic and its Boundary	16,37,38,39,40,42,43,44,46,47			
	<b>103-2</b> The management approach and its components	16,37,38,39,40,42,43,44,46,47			
	<b>103-3</b> Evaluation of the management approach	16,37,38,39,40,42,43,44,46,47			

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
GRI 305: Emissions 2016	<b>305-1</b> Direct (Scope 1) GHG emissions	49,50			
	<b>305-2</b> Energy indirect (Scope 2) GHG emissions	49,50			
	<b>305-3</b> Other indirect (Scope 3) GHG emissions	49,50			
	<b>305-4</b> GHG emissions intensity	45			
	<b>305-5</b> Reduction of GHG emissions	49,50,51			
	<b>305-6</b> Emissions of ozone-depleting substances (ODS)	46			
	<b>305-7</b> Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	53			
<b>Effluents and Waste</b>					
GRI 103: Management Approach 2016	<b>103-1</b> Explanation of the material topic and its Boundary	37,38,39,40,42,46,47			
	<b>103-2</b> The management approach and its components	37,38,39,40,42,46,47			
	<b>103-3</b> Evaluation of the management approach	37,38,39,40,42,46,47			
GRI 306: Effluents and Waste 2016	<b>306-1</b> Water discharge by quality and destination	53			
	<b>306-2</b> Waste by type and disposal method	53			
	<b>306-3</b> Significant spills	38			
	<b>306-4</b> Transport of hazardous waste	47			
	<b>306-5</b> Water bodies affected by water discharges and/or runoff	47,48			
<b>Environmental Compliance</b>					
GRI 103: Management Approach 2016	<b>103-1</b> Explanation of the material topic and its Boundary	37,38,39,40,42			
	<b>103-2</b> The management approach and its components	37,38,39,40,42			
	<b>103-3</b> Evaluation of the management approach	37,38,39,40,42			
GRI 307: Environmental Compliance 2016	<b>307-1</b> Non-compliance with environmental laws and regulations	38			
<b>Supplier Environmental Assessment</b>					
GRI 103: Management Approach 2016	<b>103-1</b> Explanation of the material topic and its Boundary	97,103			
	<b>103-2</b> The management approach and its components	97,103			
	<b>103-3</b> Evaluation of the management approach	97,103			
GRI 308: Supplier Environmental Assessment 2016	<b>308-1</b> New suppliers that were screened using environmental criteria	104			
	<b>308-2</b> Negative environmental impacts in the supply chain and actions taken	103,106,107,108			

**GRI Content Index**

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>GRI 400 Social Standards Series</b>					
<b>Employment</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,81,82		
	<b>103-2</b>	The management approach and its components	80,81,82		
	<b>103-3</b>	Evaluation of the management approach	80,81,82		
GRI 401: Employment 2016	<b>401-1</b>	New employee hires and employee turnover	93		
	<b>401-2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	88		
	<b>401-3</b>	Parental leave	87,94		
<b>Labor/Management Relations</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,81,82		
	<b>103-2</b>	The management approach and its components	80,81,82		
	<b>103-3</b>	Evaluation of the management approach	80,81,82		
GRI 402: Labor/Management Relations 2016	<b>402-1</b>	Minimum notice periods regarding operational changes	89		
<b>Occupational Health and Safety</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,81,82		
	<b>103-2</b>	The management approach and its components	80,81,82		
	<b>103-3</b>	Evaluation of the management approach	80,81,82		
GRI 403: Occupational Health and Safety 2016	<b>403-1</b>	Workers representation in formal joint management-worker health and safety committees	2018 Form 20-F 81,82		
	<b>403-2</b>	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	89,95		
	<b>403-3</b>	Workers with high incidence or high risk of diseases related to their occupation	89,95		
	<b>403-4</b>	Health and safety topics covered in formal agreements with trade unions	91,92		
<b>Training and Education</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,81,82		
	<b>103-2</b>	The management approach and its components	80,81,82		
	<b>103-3</b>	Evaluation of the management approach	80,81,82		
GRI 404: Training and Education 2016	<b>404-1</b>	Average hours of training per year per employee	83,93		
	<b>404-2</b>	Programs for upgrading employee skills and transition assistance programs	81,82,83,84,86,87		
	<b>404-3</b>	Percentage of employees receiving regular performance and career development reviews	88,95		

**GRI Content Index**

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>Diversity and Equal Opportunity</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,81,82,86		
	<b>103-2</b>	The management approach and its components	80,81,82,86		
	<b>103-3</b>	Evaluation of the management approach	80,81,82,86		
GRI 405: Diversity and Equal Opportunity 2016	<b>405-1</b>	Diversity of governance bodies and employees	24,35,86,87,93		
	<b>405-2</b>	Ratio of basic salary and remuneration of women to men	88,95		
<b>Non-discrimination</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	30,31,32,80		
	<b>103-2</b>	The management approach and its components	30,31,32,80		
	<b>103-3</b>	Evaluation of the management approach	30,31,32,80		
GRI 406: Non-discrimination 2016	<b>406-1</b>	Incidents of discrimination and corrective actions taken	31,32		
<b>Freedom of Association and Collective Bargaining</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,97,103		
	<b>103-2</b>	The management approach and its components	80,97,103		
	<b>103-3</b>	Evaluation of the management approach	80,97,103		
GRI 407: Freedom of Association and Collective Bargaining 2016	<b>407-1</b>	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	89,104,106,107,108,109		
<b>Child Labor</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,97,103		
	<b>103-2</b>	The management approach and its components	80,97,103		
	<b>103-3</b>	Evaluation of the management approach	80,97,103		
GRI 408: Child Labor 2016	<b>408-1</b>	Operations and suppliers at significant risk for incidents of child labor	104		
<b>Forced or Compulsory Labor</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,97,103		
	<b>103-2</b>	The management approach and its components	80,97,103		
	<b>103-3</b>	Evaluation of the management approach	80,97,103		
GRI 409: Forced or Compulsory Labor 2016	<b>409-1</b>	Operations and suppliers at significant risk for incidents of forced or compulsory labor	104		
<b>Security Practices</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80		
	<b>103-2</b>	The management approach and its components	80		
	<b>103-3</b>	Evaluation of the management approach	80		
GRI 410: Security Practices 2016	<b>410-1</b>	Security personnel trained in human rights policies or procedures	85,93		

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>Rights of Indigenous Peoples</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80		
	<b>103-2</b>	The management approach and its components	80		
	<b>103-3</b>	Evaluation of the management approach	80		
GRI 411: Rights of Indigenous Peoples 2016	<b>411-1</b>	Incidents of violations involving rights of indigenous peoples	-	Incidents of violations involving rights of indigenous peoples	This indicator is not applicable. This aspect is not reported because priority is given to other human rights issues.
<b>Human Rights Assessment</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	80,81,82,103,104		
	<b>103-2</b>	The management approach and its components	80,81,82,103,104		
	<b>103-3</b>	Evaluation of the management approach	80,81,82,103,104		
GRI 412: Human Rights Assessment 2016	<b>412-1</b>	Operations that have been subject to human rights reviews or impact assessments	85,93		
	<b>412-2</b>	Employee training on human rights policies or procedures	104		
	<b>412-3</b>	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	85		
<b>Local Communities</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	18,37 <a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>		
	<b>103-2</b>	The management approach and its components	18,37 <a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>		
	<b>103-3</b>	Evaluation of the management approach	18,37 <a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>		
GRI 413: Local Communities 2016	<b>413-1</b>	Operations with local community engagement, impact assessments, and development programs	18 <a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>		
	<b>413-2</b>	Operations with significant actual and potential negative impacts on local communities	37 <a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>		



## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>Supplier Social Assessment</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	97,103		
	<b>103-2</b>	The management approach and its components	97,103		
	<b>103-3</b>	Evaluation of the management approach	97,103		
GRI 414: Supplier Social Assessment 2016	<b>414-1</b>	New suppliers that were screened using social criteria	104		
	<b>414-2</b>	Negative social impacts in the supply chain and actions taken	104,106,107,108,109		
<b>Public Policy</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	18,19		
	<b>103-2</b>	The management approach and its components	18,19		
	<b>103-3</b>	Evaluation of the management approach	18,19		
GRI 415: Public Policy 2016	<b>415-1</b>	Political contributions	19		
<b>Customer Health and Safety</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	57,58,59,61,62,63,64,66		
	<b>103-2</b>	The management approach and its components	57,58,59,61,62,63,64,66		
	<b>103-3</b>	Evaluation of the management approach	57,58,59,61,62,63,64,66		
GRI 416: Customer Health and Safety 2016	<b>416-1</b>	Assessment of the health and safety impacts of product and service categories	64		
	<b>416-2</b>	Incidents of non-compliance concerning the health and safety impacts of products and services	77		
<b>Marketing and Labeling</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	30,37,38,39,40,42		
	<b>103-2</b>	The management approach and its components	30,37,38,39,40,42		
	<b>103-3</b>	Evaluation of the management approach	30,37,38,39,40,42		
GRI 417: Marketing and Labeling 2016	<b>417-1</b>	Requirements for product and service information and labeling	44		
	<b>417-2</b>	Incidents of non-compliance concerning product and service information and labeling	44		
	<b>417-3</b>	Incidents of non-compliance concerning marketing communications	30,31,32		

**GRI Content Index**

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
<b>Customer Privacy</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	33,34		
	<b>103-2</b>	The management approach and its components	33,34		
	<b>103-3</b>	Evaluation of the management approach	33,34		
GRI 418: Customer Privacy 2016	<b>418-1</b>	Substantiated complaints concerning breaches of customer privacy and losses of customer data	34		
<b>Socioeconomic Compliance</b>					
GRI 103: Management Approach 2016	<b>103-1</b>	Explanation of the material topic and its Boundary	30,31,32		
	<b>103-2</b>	The management approach and its components	30,31,32		
	<b>103-3</b>	Evaluation of the management approach	30,31,32		
GRI 419: Socioeconomic Compliance 2016	<b>419-1</b>	Non-compliance with laws and regulations in the social and economic area	31		

**Financial Data**

## Operating and Financial Review

### Sales Revenue

Honda's consolidated sales revenue for the fiscal year ended March 31, 2018, increased by ¥1,361.9 billion, or 9.7%, to ¥15,361.1 billion from the fiscal year ended March 31, 2017, due mainly to increased sales revenue in all business operations as well as positive foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥963.1 billion, or 6.9%, compared to the increase as reported of ¥1,361.9 billion, which includes positive foreign currency translation effects.

### Operating Costs and Expenses

Operating costs and expenses increased by ¥1,369.0 billion, or 10.4%, to ¥14,527.5 billion from the previous fiscal year. Cost of sales increased by ¥1,134.7 billion, or 10.4%, to ¥12,000.5 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased consolidated sales revenue in all business operations, one-time gain from pension plan amendments recognized in the previous fiscal year as well as negative foreign currency effects. Selling, general and administrative expenses increased by ¥173.9 billion, or 10.9%, to ¥1,775.1 billion from the previous fiscal year, due mainly to the loss related to the settlement of multidistrict class action litigation as well as one-time gain from pension plan amendments recognized in the previous fiscal year. Research and development expenses increased by ¥60.4 billion, or 8.7%, to ¥751.8 billion from the previous fiscal year, due mainly to one-time gain from pension plan amendments recognized in the previous fiscal year.

### Operating Profit

Operating profit decreased by ¥7.1 billion, or 0.9%, to ¥833.5 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses, the loss related to the settlement of multidistrict class action litigation as well as one-time gain from pension plan amendments recognized in the previous fiscal year, which was partially offset by an increase in profit attributable to increased sales revenue and model mix as well as continuing cost reduction. Honda estimates that by excluding positive foreign currency effects of approximately ¥21.9 billion, operating profit would have decreased by approximately ¥29.0 billion.

With respect to the discussion above of the changes, management identified factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. "Foreign currency effects" consist of "translation adjustments", which come from the translation of the currency of foreign subsidiaries' financial statements into Japanese yen, and "foreign currency adjustments", which result from foreign-currency-denominated transaction. With respect to "foreign currency adjustments", management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Japanese yen and others at the level of the Company and its material consolidated subsidiaries. The estimates excluding the foreign currency effects are not on the same base as Honda's consolidated financial statements, and do not conform to IFRS. Furthermore, Honda does not believe that these measures are substitute for the disclosure required by IFRS. However, Honda believes that such estimates excluding the foreign currency effects provide financial statements users with additional useful information for understanding Honda's results.

### Profit before Income Taxes

Profit before income taxes increased by ¥107.9 billion, or 10.7%, to ¥1,114.9 billion, due mainly to increased share of profit of investments accounted for using the equity method. The main factors behind this increase, except factors relating to operating profit, are as follows:  
Share of profit of investments accounted for using the equity method had a positive impact of ¥82.8 billion, due mainly to an increase in profit attributable to increased sales revenue at affiliates and joint ventures in Asia. Finance income and finance costs had a positive impact of ¥32.2 billion, due mainly to effect from gains or losses on derivatives.

### Income Tax Expense

Income tax expense decreased by ¥341.2 billion to a credit of ¥13.6 billion from the previous fiscal year, due mainly to the impacts of the enactment of the Tax Cuts and Jobs Act in the United States. The average effective tax rate decreased 33.7 percentage points to -1.2% from the previous fiscal year.

### Profit for the Year

Profit for the year increased by ¥449.2 billion, or 66.1%, to ¥1,128.6 billion from the previous fiscal year, due mainly to the impacts of the enactment of the Tax Cuts and Jobs Act in the United States.

### Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent increased by ¥442.7 billion, or 71.8%, to ¥1,059.3 billion from the previous fiscal year.

### Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests increased by ¥6.4 billion, or 10.3%, to ¥69.3 billion from the previous fiscal year.

Operating segments and geographic segments in financial data

Segment	Principal products and services	Functions
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs), side-by-sides (SxS) and relevant parts	Research and development, Manufacturing, Sales and related services
Automobile Business	Automobiles and relevant parts	Research and development, Manufacturing, Sales and related services
Financial Services Business	Financial services	Retail loan and lease related to Honda products, Others
Power Product and Other Businesses	Power products and relevant parts, and others	Research and development, Manufacturing, Sales and related services, Others

\*Operating segments are defined as the components of Honda for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The accounting policies used for these reportable segments are consistent with the accounting policies used in the Company's consolidated financial statements.

Area	Major countries or regions
North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, Belgium, Turkey, Italy
Asia	Thailand, Indonesia, China, India, Vietnam
Other Regions	Brazil, Australia

\*Segmentation by country and region is based on geographical proximity.

## Financial Data

### Motorcycle Business

**Honda Group Unit Sales\*** (thousands)

	FY17	FY18	Change	%
<b>Total</b>	17,661	19,554	1,893	10.7
Japan	156	167	11	7.1
North America	294	313	19	6.5
Europe	217	234	17	7.8
Asia	15,937	17,720	1,783	11.2
Other Regions	1,057	1,120	63	6.0

**Consolidated Unit Sales\*** (thousands)

	FY17	FY18	Change	%
<b>Total</b>	11,237	12,954	1,717	15.3
Japan	156	167	11	7.1
North America	294	313	19	6.5
Europe	217	234	17	7.8
Asia	9,513	11,120	1,607	16.9
Other Regions	1,057	1,120	63	6.0

\*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

Total demand for motorcycles in Asia\*<sup>1</sup> increased around 6% from the previous year to approximately 42,300 thousand units in calendar year 2017. Looking at market conditions by country, in calendar year 2017, demand in India increased about 8% from the previous year to approximately 19,170 thousand units. Demand in China decreased around 1% from the previous year to approximately 7,930 thousand units. Demand in Indonesia increased around 2% from the previous year to approximately 6,310 thousand units. Vietnam saw demand increase around 5% from the previous year to approximately 3,260 thousand units. Demand in Pakistan increased around 18% from the previous year to approximately 1,960 thousand units. Demand in Thailand increased around 4% from the previous year to approximately 1,810 thousand units. Honda's consolidated unit sales in Asia increased 16.9% from the previous fiscal year to 11,120 thousand units in fiscal year 2018. This was due to brisk sales of scooter models such as the Activa in India and the Vision in Vietnam, among other factors. Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is accounted for using the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2018 increased around 0.4% from the previous fiscal year to approximately 4,380 thousand units due mainly to an increase in sales of the Scoopy model, despite decreases in sales of the Vario series and other models.

Total demand for motorcycles in Brazil\*<sup>2</sup>, the principal market within Other Regions, decreased about 5% from the previous year to approximately 810 thousand units in calendar year 2017. In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales increased 6.0% from the previous fiscal year to 1,120 thousand units in fiscal year 2018 due mainly to an increase in Argentina, despite a decrease in Brazil.

\*<sup>1</sup> Based on Honda research. Only includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

\*<sup>2</sup> Source: ABRACICLO (the Brazilian Association of Motorcycle, Moped, and Bicycle Manufacturers)

## Financial Data

### Automobile Business

**Honda Group Unit Sales\*** (thousands)

	FY17	FY18	Change	%
<b>Total</b>	5,028	5,199	171	3.4
Japan	668	696	28	4.2
North America	1,970	1,902	(68)	(3.5)
Europe	184	183	(1)	(0.5)
Asia	1,964	2,166	202	10.3
Other Regions	242	252	10	4.1

**Consolidated Unit Sales\*** (thousands)

	FY17	FY18	Change	%
<b>Total</b>	3,683	3,689	6	0.2
Japan	603	627	24	4.0
North America	1,970	1,902	(68)	(3.5)
Europe	184	183	(1)	(0.5)
Asia	684	725	41	6.0
Other Regions	242	252	10	4.1

\*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to the external customers in our Automobile business. Accordingly, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our Automobile business.

Total demand for automobiles in Japan\*<sup>1</sup> increased around 2% from the previous fiscal year to approximately 5,190 thousand units in fiscal year 2018. Honda's consolidated unit sales in Japan increased 4.0% from the previous fiscal year to 627 thousand units\*<sup>2</sup> in fiscal year 2018. This was mainly due to the effect of a full model change of the N-BOX model. Honda's unit production of automobiles in Japan increased 2.3% from the previous fiscal year to 829 thousand units in fiscal year 2018. This was mainly due to an increase in domestic sales volume, despite a decrease in export volume.

Total industry demand for automobiles in the United States\*<sup>3</sup>, the principal market within North America, decreased around 2% from the previous year to approximately 17,230 thousand units in calendar year 2017. This result reflected decreased demand for passenger cars, which offset a continued increase for light trucks due to the introduction of new models. Under these conditions, Honda's consolidated unit sales in North America decreased 3.5% from the previous fiscal year to 1,902 thousand units in fiscal year 2018. This decrease was mainly attributable to a decline in sales volume of passenger cars, which offset an increase for the Pilot model. Honda manufactured 1,864 thousand units in fiscal year 2018, a decrease of 3.7% from the previous fiscal year. This decrease mainly reflected production adjustments following a decrease in demand for passenger cars, which offset an increase for light trucks.

Total demand for automobiles in Asia increased around 7% from the previous year to approximately 7,950 thousand units\*<sup>4</sup> in calendar year 2017. This was mainly due to increases in demand in India and Thailand. Total demand for automobiles in China increased about 3% from the previous calendar year to approximately 28,870 thousand units\*<sup>5</sup>. Honda's consolidated unit sales in Asia increased 6.0% from the previous fiscal year to 725 thousand units in fiscal year 2018. This increase was mainly attributable to the effect of a full model change of the CR-V model in Thailand and the new BR-V model in Pakistan, despite a decline in sales in Indonesia. Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China increased 12.7% from the previous fiscal year to 1,443 thousand units in fiscal year 2018. The increase was mainly attributable to the effect of launching the new UR-V model and brisk sales of the Avancier and Civic models. Honda's unit production by consolidated subsidiaries in Asia increased 6.1% from the previous

fiscal year to 798 thousand units\*<sup>6</sup> in fiscal year 2018. Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. increased 15.2% from the previous fiscal year to 1,451 thousand units in fiscal year 2018.

\*1 Source: JAMA (Japan Automobile Manufacturers Association), as measured by the number of regular vehicle registrations (661cc or higher) and mini vehicles (660cc or lower)

\*2 Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to external customers in the Automobile business. Accordingly, they are not included in consolidated unit sales.

\*3 Source: Autodata

\*4 The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

\*5 Source: CAAM (China Association of Automobile Manufacturers)

\*6 The total includes the following nine countries: China, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

**Financial Data**

## Power Product and Other Businesses

**Honda Group Unit Sales/Consolidated Unit Sales\*** (thousands)

	FY17	FY18	Change	%
<b>Total</b>	6,121	6,262	141	2.3
Japan	301	300	(1)	(0.3)
North America	2,977	3,012	35	1.2
Europe	1,035	1,022	(13)	(1.3)
Asia	1,430	1,512	82	5.7
Other Regions	378	416	38	10.1

\*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed power products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed power products of Honda and its consolidated subsidiaries. In Power Product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales since no affiliate and joint venture accounted for using the equity method was involved in the sale of Honda power products.

Honda's consolidated unit sales in North America increased 1.2% from the previous fiscal year to 3,012 thousand units in fiscal year 2018 mainly attributable to an increase in sales of generators.

Honda's consolidated unit sales in Europe decreased 1.3% from the previous fiscal year to 1,022 thousand units in fiscal year 2018 mainly due to decreases in sales of lawnmowers and trimmers, despite an increase in sales of OEM engines\* and other factors.

Honda's consolidated unit sales in Asia increased 5.7% from the previous fiscal year to 1,512 thousand units in fiscal year 2018. This was mainly due to increases in sales of OEM engines and pumps.

\*OEM (Original Equipment Manufacturer) engines: refers to engines installed on products sold under a third-party brand.

## Financial Data

### Consolidated Statements of Financial Position

March 31, 2017 and 2018

Assets	Yen (millions)	
	2017	2018
<b>Current assets:</b>		
Cash and cash equivalents	¥2,105,976	¥2,256,488
Trade receivables	764,026	800,463
Receivables from financial services	1,878,938	1,840,699
Other financial assets	149,427	213,177
Inventories	1,364,130	1,523,455
Other current assets	292,970	291,006
<b>Total current assets</b>	<b>6,555,467</b>	<b>6,925,288</b>
<b>Non-current assets:</b>		
Investments accounted for using the equity method	597,262	679,517
Receivables from financial services	3,070,615	3,117,364
Other financial assets	364,612	436,555
Equipment on operating leases	4,104,663	4,088,133
Property, plant and equipment	3,200,378	3,062,433
Intangible assets	778,192	741,514
Deferred tax assets	121,509	129,338
Other non-current assets	165,425	169,022
<b>Total non-current assets</b>	<b>12,402,656</b>	<b>12,423,876</b>
<b>Total assets</b>	<b>¥18,958,123</b>	<b>¥19,349,164</b>

Liabilities and Equity	Yen (millions)	
	2017	2018
<b>Current liabilities:</b>		
Trade payables	¥1,183,344	¥1,224,627
Financing liabilities	2,786,928	2,917,261
Accrued expenses	417,736	404,719
Other financial liabilities	119,784	115,405
Income taxes payable	45,507	53,595
Provisions	348,095	305,994
Other current liabilities	527,448	602,498
<b>Total current liabilities</b>	<b>5,428,842</b>	<b>5,624,099</b>
<b>Non-current liabilities:</b>		
Financing liabilities	4,022,190	3,881,749
Other financial liabilities	47,241	60,005
Retirement benefit liabilities	494,131	404,401
Provisions	248,935	220,625
Deferred tax liabilities	900,450	629,722
Other non-current liabilities	246,708	294,468
<b>Total non-current liabilities</b>	<b>5,959,655</b>	<b>5,490,970</b>
<b>Total liabilities</b>	<b>11,388,497</b>	<b>11,115,069</b>
<b>Equity:</b>		
Common stock	86,067	86,067
Capital surplus	171,118	171,118
Treasury stock	(26,189)	(113,271)
Retained earnings	6,712,894	7,611,332
Other components of equity	351,406	178,292
Equity attributable to owners of the parent	7,295,296	7,933,538
Non-controlling interests	274,330	300,557
<b>Total equity</b>	<b>7,569,626</b>	<b>8,234,095</b>
<b>Total liabilities and equity</b>	<b>¥18,958,123</b>	<b>¥19,349,164</b>



## Financial Data

### Consolidated Statements of Income

Years ended March 31, 2017 and 2018

Yen (millions)

	2017	2018
<b>Sales revenue</b>	¥13,999,200	¥15,361,146
<b>Operating costs and expenses:</b>		
Cost of sales	(10,865,848)	(12,000,581)
Selling, general and administrative	(1,601,212)	(1,775,151)
Research and development	(691,429)	(751,856)
Total operating costs and expenses	(13,158,489)	(14,527,588)
<b>Operating profit</b>	840,711	833,558
<b>Share of profit of investments accounted for using the equity method</b>	164,793	247,643
<b>Finance income and finance costs:</b>		
Interest income	32,389	41,191
Interest expense	(12,471)	(12,970)
Other, net	(18,436)	5,551
Total finance income and finance costs	1,482	33,772
<b>Profit before income taxes</b>	1,006,986	1,114,973
<b>Income tax expense</b>	(327,592)	13,666
<b>Profit for the year</b>	¥679,394	¥1,128,639
<b>Profit for the year attributable to:</b>		
Owners of the parent	¥616,569	¥1,059,337
Non-controlling interests	62,825	69,302
<b>Earnings per share attributable to owners of the parent</b>		
Basic and diluted	342.10	590.79

### Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2018

Yen (millions)

	2017	2018
<b>Cash flows from operating activities:</b>		
Profit before income taxes	¥1,006,986	¥1,114,973
Depreciation, amortization and impairment losses excluding equipment on operating leases	674,329	713,093
Share of profit of investments accounted for using the equity method	(164,793)	(247,643)
Finance income and finance costs, net	(55,911)	13,218
Interest income and interest costs from financial services, net	(119,953)	(127,529)
Changes in assets and liabilities		
Trade receivables	49,217	(41,778)
Inventories	(72,144)	(202,916)
Trade payables	12,999	69,429
Accrued expenses	50,339	(2,700)
Provisions and retirement benefit liabilities	(252,837)	(28,945)
Receivables from financial services	40,525	(174,438)
Equipment on operating leases	(435,503)	(158,337)
Other assets and liabilities	71,940	11,602
Other, net	998	9,314
Dividends received	121,770	161,106
Interest received	220,947	245,095
Interest paid	(99,607)	(115,317)
Income taxes paid, net of refund	(164,229)	(250,556)
<b>Net cash provided by operating activities</b>	885,073	987,671

	2017	2018
<b>Cash flows from investing activities:</b>		
Payments for additions to property, plant and equipment	¥ (494,132)	¥ (415,563)
Payments for additions to and internally developed intangible assets	(143,320)	(156,927)
Proceeds from sales of property, plant and equipment and intangible assets	18,710	15,042
Payments for acquisitions of subsidiaries, net of cash and cash equivalents acquired	(2,835)	—
Payments for acquisitions of investments accounted for using the equity method	(547)	(2,450)
Proceeds from sales of investments accounted for using the equity method	16,208	—
Payments for acquisitions of other financial assets	(222,464)	(280,236)
Proceeds from sales and redemptions of other financial assets	177,762	224,302
Other, net	—	719
<b>Net cash used in investing activities</b>	(650,618)	(615,113)
<b>Cash flows from financing activities:</b>		
Proceeds from short-term financing liabilities	8,207,530	8,106,505
Repayments of short-term financing liabilities	(8,129,295)	(8,004,620)
Proceeds from long-term financing liabilities	1,902,448	1,689,596
Repayments of long-term financing liabilities	(1,622,603)	(1,609,554)
Dividends paid to owners of the parent	(162,205)	(174,221)
Dividends paid to non-controlling interests	(35,059)	(48,332)
Purchases and sales of treasury stock, net	(11)	(87,082)
Other, net	(45,382)	(46,626)
<b>Net cash provided by (used in) financing activities</b>	115,423	(174,334)
Effect of exchange rate changes on cash and cash equivalents	(1,358)	(47,712)
<b>Net change in cash and cash equivalents</b>	348,520	150,512
Cash and cash equivalents at beginning of year	1,757,456	2,105,976
Cash and cash equivalents at end of year	¥2,105,976	¥2,256,488

## Financial Data

### Segment Information

Segment information as of and for the years ended March 31, 2017 and 2018 is as follows:

As of and for the year ended March 31, 2017

As of and for the year ended March 31, 2018

Yen (millions)

	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥1,716,165	¥10,086,816	¥1,878,094	¥318,125	¥13,999,200	¥—	¥13,999,200
Intersegment	—	169,850	13,188	31,567	214,605	(214,605)	—
Total	1,716,165	10,256,666	1,891,282	349,692	14,213,805	(214,605)	13,999,200
Segment profit (loss)	170,740	501,181	178,449	(9,659)	840,711	—	840,711
Segment assets	1,505,637	7,543,388	9,437,044	312,303	18,798,372	159,751	18,958,123
Depreciation and amortization	79,398	576,546	664,940	14,544	1,335,428	—	1,335,428
Capital expenditures	66,241	607,629	1,886,607	12,272	2,572,749	—	2,572,749

Yen (millions)

	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥2,038,712	¥10,852,171	¥2,123,194	¥347,069	¥15,361,146	¥—	¥15,361,146
Intersegment	—	193,038	14,071	24,097	231,206	(231,206)	—
Total	2,038,712	11,045,209	2,137,265	371,166	15,592,352	(231,206)	15,361,146
Segment profit (loss)	267,015	373,840	196,067	(3,364)	833,558	—	833,558
Segment assets	1,533,367	7,879,769	9,409,243	314,838	19,137,217	211,947	19,349,164
Depreciation and amortization	74,128	616,321	748,503	15,164	1,454,116	—	1,454,116
Capital expenditures	63,927	514,910	1,801,554	14,243	2,394,634	—	2,394,634

Explanatory notes:

1. Intersegment sales revenues are generally made at values that approximate arm's-length prices.

2. Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets included in reconciling items as of March 31, 2017 and 2018 amounted to ¥530,809 million and ¥519,780 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

#### Motorcycle Business

Sales revenue from external customers increased by ¥322.5 billion, or 18.8%, to ¥2,038.7 billion from the previous fiscal year, due mainly to increased consolidated unit sales. Operating profit increased by ¥96.2 billion, or 56.4%, to ¥267.0 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales volume and model mix, which was partially offset by one-time gain from pension plan amendments recognized in the previous fiscal year.

#### Automobile Business

Sales revenue from external customers increased by ¥765.3 billion, or 7.6%, to ¥10,852.1 billion from the previous fiscal year, due mainly to increased consolidated unit sales as well as positive foreign currency translation effects. Operating profit decreased by ¥127.3 billion, or 25.4%, to ¥373.8 billion from the previous fiscal year, due mainly to

increased selling, general and administrative expenses, the loss related to the settlement of multidistrict class action litigation as well as one-time gain from pension plan amendments recognized in the previous fiscal year, which was partially offset by continuing cost reduction as well as an increase in profit attributable to increased sales volume and model mix.

#### Financial Services Business

Sales revenue from external customers increased by ¥245.1 billion, or 13.1%, to ¥2,123.1 billion from the previous fiscal year, due mainly to increased revenues on disposition of lease vehicles and operating lease revenues. Operating profit increased by ¥17.6 billion, or 9.9%, to ¥196.0 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue.

#### Power Product and Other Businesses

Sales revenue from external customers increased by ¥28.9 billion, or 9.1%, to ¥347.0 billion from the previous fiscal year, due mainly to increased consolidated unit sales in power products as well as positive foreign currency translation effects. Operating loss was ¥3.3 billion, an improvement of ¥6.2 billion from the previous fiscal year, due mainly to a decrease in operating costs in Other businesses, which was partially offset by one-time gain from pension plan amendments recognized in the previous fiscal year. In addition, operating loss of aircraft and aircraft engines included in the Power Product and Other Businesses segment was ¥41.8 billion, an improvement of ¥1.9 billion from the previous fiscal year.

## Financial Data

# Financial Summary

Fiscal years ended March 31

	U.S. GAAP Yen (millions)								IFRS Yen (millions)				
	2008	2009	2010	2011	2012	2013	2014	2015	2014	2015	2016	2017	2018
<b>Sales, income and dividends</b>													
Net sales and other operating revenue	¥12,002,834	¥10,011,241	¥8,579,174	¥8,936,867	¥7,948,095	¥9,877,947	¥11,842,451	¥12,646,747	¥12,506,091	¥13,328,099	¥14,601,151	¥13,999,200	¥15,361,146
Operating income	953,109	189,643	363,775	569,775	231,364	544,810	750,281	606,878	823,864	670,603	503,376	840,711	833,558
Operating margin	7.9%	1.9%	4.2%	6.4%	2.9%	5.5%	6.3%	4.8%	6.6%	5.0%	3.4%	6.0%	5.4%
Income before income taxes and equity in income of affiliates	895,841	161,734	336,198	630,548	257,403	488,891	728,940	644,809	130,916	96,097	126,001	164,793	247,643
Income taxes	387,436	109,835	146,869	206,827	135,735	178,976	252,662	235,204	933,903	806,237	635,450	1,006,986	1,114,973
Equity in income of affiliates	118,942	99,034	93,282	139,756	100,406	82,723	132,471	126,570	267,992	245,139	229,092	327,592	(13,666)
Net income attributable to non-controlling interests	(27,308)	(13,928)	(14,211)	(29,389)	(10,592)	(25,489)	(34,642)	(43,168)	665,911	561,098	406,358	679,394	1,128,639
Net income attributable to Honda Motor Co., Ltd.	600,039	137,005	268,400	534,088	211,482	367,149	574,107	493,007	624,703	509,435	344,531	616,569	1,059,337
Cash dividends paid during the period	152,590	139,724	61,696	92,170	108,138	129,765	142,381	158,601	142,381	158,601	158,601	162,205	174,221
Research and development	587,959	563,197	463,354	487,591	519,818	560,270	634,130	662,610	625,698	670,331	719,810	659,918	730,734
Interest expense	16,623	22,543	12,552	8,474	10,378	12,157	12,703	16,598	12,803	18,194	18,146	12,471	12,970
<b>Assets, long-term debt and shareholders' equity</b>													
Total assets	¥12,615,543	¥11,818,917	¥11,629,115	¥11,577,714	¥11,787,599	¥13,635,357	¥15,622,031	¥18,088,839	¥16,048,438	¥18,425,837	¥18,229,294	¥18,958,123	¥19,349,164
Long-term debt	1,836,652	1,932,637	2,313,035	2,043,240	2,235,001	2,710,845	3,234,066	3,933,860	3,224,512	3,926,276	3,736,628	4,022,190	3,881,749
Total Honda Motor Co., Ltd. shareholders' equity	4,550,479	4,007,288	4,328,640	4,439,587	4,398,249	5,043,500	5,918,979	6,696,693	6,335,534	7,108,627	6,761,433	7,295,296	7,933,538
<b>Capital expenditures</b> (excluding purchase of operating lease assets)	654,030	633,913	348,981	326,620	424,413	630,408	782,027	714,502	803,231	703,920	687,306	588,360	484,778
<b>Depreciation</b> (excluding property on operating leases)	417,393	441,868	401,743	377,272	345,105	335,536	442,318	490,375	419,022	451,052	486,410	484,133	513,455
<b>Sales, income and dividends</b>													
Sales revenue									¥12,506,091	¥13,328,099	¥14,601,151	¥13,999,200	¥15,361,146
Operating profit									823,864	670,603	503,376	840,711	833,558
Operating margin									6.6%	5.0%	3.4%	6.0%	5.4%
Share of profit of investments accounted for using the equity method									130,916	96,097	126,001	164,793	247,643
Profit before income taxes									933,903	806,237	635,450	1,006,986	1,114,973
Income tax expense									267,992	245,139	229,092	327,592	(13,666)
Profit for the year									665,911	561,098	406,358	679,394	1,128,639
Profit for the year attributable to owners of the parent									624,703	509,435	344,531	616,569	1,059,337
Dividends paid to owners of the parent									142,381	158,601	158,601	162,205	174,221
R&D expenditures									625,698	670,331	719,810	659,918	730,734
Interest expense									12,803	18,194	18,146	12,471	12,970
<b>Assets, liabilities and equity</b>													
Total assets									¥16,048,438	¥18,425,837	¥18,229,294	¥18,958,123	¥19,349,164
Financing liabilities (Non-current liabilities)									3,224,512	3,926,276	3,736,628	4,022,190	3,881,749
Equity attributable to owners of the parent									6,335,534	7,108,627	6,761,433	7,295,296	7,933,538
<b>Additions to property, plant and equipment</b>									803,231	703,920	687,306	588,360	484,778
<b>Depreciation</b>									419,022	451,052	486,410	484,133	513,455

## Financial Data

# Financial Summary (continued)

Fiscal years ended March 31

	2008	2009	2010	2011	2012	2013	2014	2015	U.S. GAAP Yen		2014	2015	2016	2017	2018	IFRS Yen
<b>Per common share</b>										<b>Per share</b>						
Net income attributable to Honda Motor Co., Ltd.:										Profit for the year attributable to owners of the parent						
Basic	¥330.54	¥75.50	¥147.91	¥295.67	¥117.34	¥203.71	¥318.54	¥273.54		Basic	¥346.62	¥282.66	¥191.16	¥342.10	¥590.79	
Diluted	330.54	75.50	147.91	295.67	117.34	203.71	318.54	273.54		Diluted	346.62	282.66	191.16	342.10	590.79	
Dividends	86	63	38	54	60	76	82	88		Dividends	82	88	88	92	100	
Honda Motor Co., Ltd. shareholders' equity	2,507.79	2,208.35	2,385.45	2,463.29	2,440.35	2,798.37	3,284.14	3,715.66		Equity attributable to owners of the parent	3,515.27	3,944.23	3,751.59	4,047.81	4,461.36	
									Yen (millions)							Yen (millions)
<b>Sales</b>									<b>Sales</b>							
Sales amounts:*1									Sales revenue:*1							
Japan	¥1,585,777	¥1,446,541	¥1,577,318	¥1,503,842	¥1,517,927	¥1,652,995	¥1,912,504	¥1,810,283		Japan	¥1,920,114	¥1,800,439	¥1,754,167	¥1,799,772	¥1,919,130	
	13%	14%	18%	17%	19%	17%	16%	14%			15%	14%	12%	13%	12%	
Overseas	10,417,057	8,564,700	7,001,856	7,433,025	6,430,168	8,224,952	9,929,947	10,836,464		Overseas	10,585,977	11,527,660	12,846,984	12,199,428	13,442,016	
	87%	86%	82%	83%	81%	83%	84%	86%			85%	86%	88%	87%	88%	
Total	¥12,002,834	¥10,011,241	¥8,579,174	¥8,936,867	¥7,948,095	¥9,877,947	¥11,842,451	¥12,646,747		Total	¥12,506,091	¥13,328,099	¥14,601,151	¥13,999,200	¥15,361,146	
	100%	100%	100%	100%	100%	100%	100%	100%			100%	100%	100%	100%	100%	
									Thousands							Thousands
Unit sales:*2									Unit sales:*2							
Motorcycles	9,320	10,114	9,639	18,331	15,061	15,494	17,021	17,765		Motorcycles	17,008	17,592	17,055	17,661	19,554	
Automobiles	3,925	3,517	3,392	3,529	3,108	4,014	4,323	4,364		Automobiles	4,340	4,367	4,743	5,028	5,199	
Power Products	6,057	5,187	4,744	5,509	5,819	6,071	6,036	6,001		Power Products	6,018	5,983	5,965	6,121	6,262	
<b>Number of employees</b>	178,960	181,876	176,815	179,060	187,094	190,338	198,561	203,902		<b>Number of employees</b>	199,368	204,730	208,399	211,915	215,638	
<b>Exchange rate</b> (yen amounts per U.S. dollar)									<b>Exchange rate</b> (yen amounts per U.S. dollar)							
Rates for the period-end	¥100	¥98	¥93	¥83	¥82	¥94	¥103	¥120		Rates for the period-end	¥103	¥120	¥113	¥112	¥106	
Average rates for the period	114	101	93	86	79	83	100	110		Average rates for the period	100	110	120	108	111	

\*1 The geographic breakdown of sales amounts is based on the location of customers.

\*2 Honda changed its counting method for unit sales as follows:

- 2008–2010: the total of unit sales of completed products of Honda and its consolidated subsidiaries, and sales of parts for local production at Honda's affiliates accounted for using the equity method
- 2011–2018: the total of unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for using the equity method (Honda Group Unit Sales)



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