

Corporate Governance

Basic stance regarding corporate governance

Based on its fundamental corporate philosophy, the Company is working to enhance corporate governance as one of its most important management issues. Our aim is to have our customers and society, as well as our shareholders and investors, place even greater trust in us and to ensure that Honda is a company that society wants to exist.

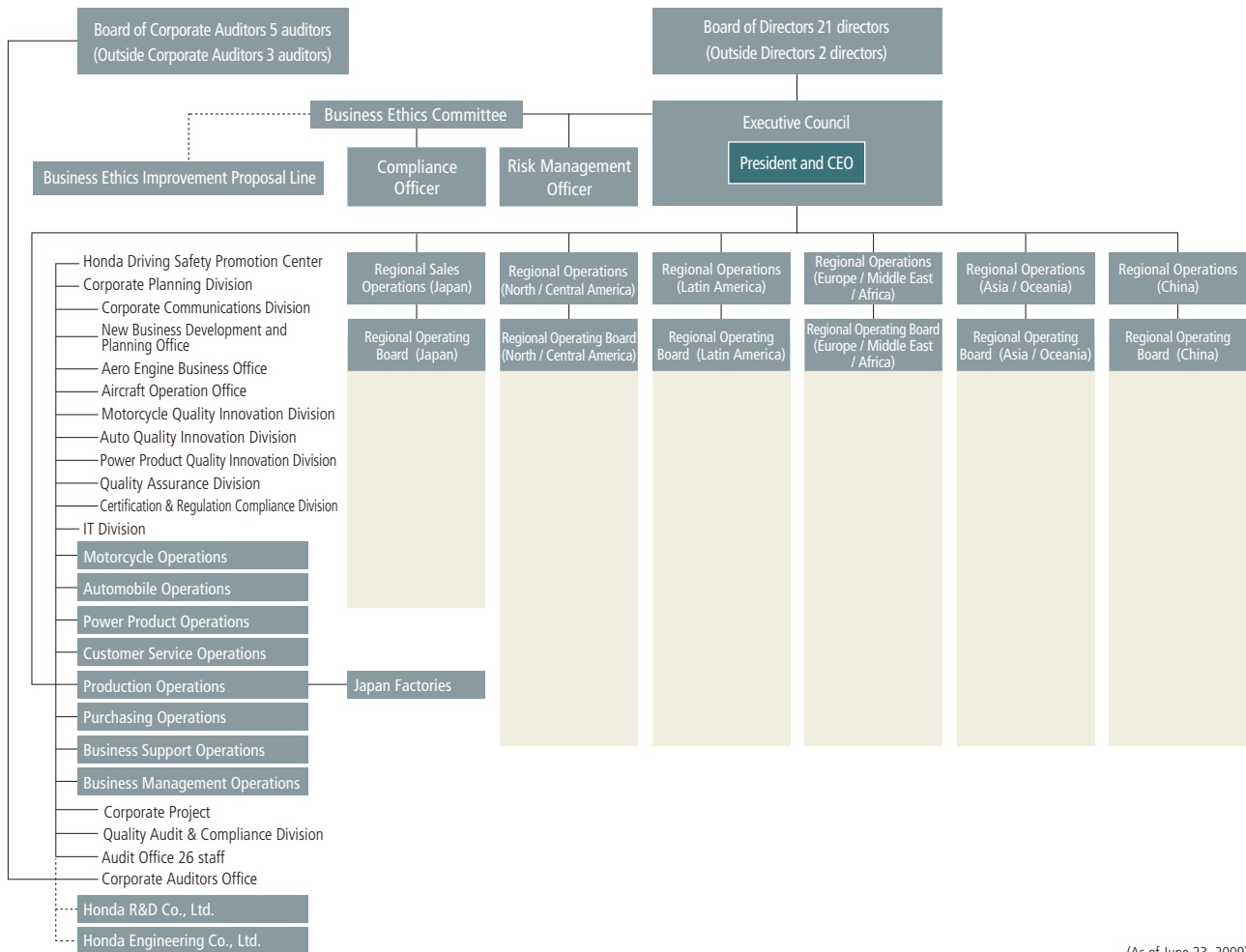
To ensure objective control of the Company's management, outside directors and outside corporate auditors are appointed to the Board of Directors and the Board of Corporate Auditors, which are responsible for the supervision and auditing of the Company. Honda has also introduced an operating officer system, aimed at strengthening both the execution of business operations at the regional and local levels and making management decisions quickly and appropriately. The term of office of each director is limited to one year, and the amount of remuneration payable to them is determined according to a standard that reflects their performance in the Company. Our goal in doing this is to maximize the flexibility with which our directors respond to changes in the operating environment.

With respect to business execution, Honda has established a system for operating its organizational units that reflects its fundamental corporate philosophy. For example, separate headquarters have been set up for each region, business, and function, and a member of the Board of Directors or an operating officer has been assigned to each headquarters and main division. In addition, by having the Executive Council and regional operating boards deliberate important matters concerning management, the Company implements a system that enables swift and appropriate decision making.

With respect to internal controls, compliance systems and risk management systems have been designed and implemented appropriately following the basic policies for the design of internal controls decided by the Board of Directors.

To enhance even further the trust and understanding of shareholders and investors, Honda's basic policy emphasizes the appropriate disclosure of Company information, such as by disclosing financial results on a quarterly basis and timely and accurately giving public notice of and disclosing its management strategies. Honda will continue raising its level of transparency in the future.

Corporate Governance: Organization



(As of June 23, 2009)

Corporate governance: policy

Board of Directors

The Board of Directors consists of 21 directors, including two outside directors. The Board deliberates important matters related to business execution and other items designated by law based on its established deliberation standards, assesses business risk, and then makes decisions on such matters after due consideration. The Board also controls and supervises the execution of management. The Board met 10 times in FY2009.

Board of Corporate Auditors

The Board of Corporate Auditors consists of five corporate auditors, including three outside corporate auditors. In accordance with the Company's auditing standards, auditing policies, apportionment of responsibilities, and other such matters as determined by the Board of Corporate Auditors, each corporate auditor audits the directors' execution of duties. Corporate auditors accomplish these audits through various means, including attending meetings of the Board of Directors and inspecting the state of the Company's assets and liabilities. In addition, a Corporate Auditors' Office was established to provide direct support to the Board of Corporate Auditors. In FY2009, the Board of Corporate Auditors met 13 times.

Decisions Regarding Director Candidates

Candidates for directors are decided by resolution of the Board of Directors. Candidates for corporate auditors are decided by resolution of the Board of Directors, subject to the agreement of the Board of Corporate Auditors.

Director remuneration

The total amount of remuneration and bonuses of directors and corporate auditors is determined according to criteria that reflect their performance in the Company.

Remuneration for directors and corporate auditors is paid based on criteria approved by the Board of Directors, and it is paid within the extent of the maximum amount resolved by the Ordinary General Meeting of Shareholders.

Bonuses for directors and corporate auditors are paid based on a decision of the Ordinary General Meeting of Shareholders, taking into consideration the Company's profits during the fiscal year, past bonuses paid, and various other factors.

Accounting Audits

KPMG AZSA & Co. provided auditing services for Honda under the Company Law, Japan's Financial Instruments and Exchange Law, and the U.S. Securities Exchange Act.

Organization

As for the execution of business, the Company has six regional operations around the world to develop business based on its fundamental corporate philosophy. These operations adopt long-term perspectives and maintain close ties with local communities.

The Company's three business operations—motorcycles, automobiles, and power products—formulate the medium- and long-term plans for their business development, and each operation aims to maximize its business performance on a global basis. Each functional operation—such as Customer Service Operations, Production Operations, Purchasing Operations, Business Support Operations, and Business Management Operations—supports the other functional operations, with the aim of increasing Honda's effectiveness and efficiencies.

Research and development activities are conducted principally at the independent subsidiaries of the Company.

Honda R&D Co., Ltd., is responsible for research and development on products, while Honda Engineering Co., Ltd., handles research and development in the area of production technology. The Company actively carries out research and development in advanced technologies with the aim of creating products that are distinctive and internationally competitive.

Business Execution Officer System

The Company has assigned a general manager from the Board of Directors or an operating officer to each regional, business, and functional division, as well as to each research and development subsidiary. By ensuring swift, optimal decision making in each region and workplace, the Company is building a highly effective and efficient business execution system.

Executive Council

The Company has established the Executive Council, consisting of the President, Vice President, and the Senior Managing Directors. Along with discussing in advance the items to be resolved at meetings of the Board of Directors, the Executive Council discusses important management issues within the scope of authority conferred upon it by the Board of Directors.

Regional Operating Boards

To enhance the independence of each regional operation and ensure swift decision making, regional operating boards have been established at each regional operation to discuss important management issues in the region within the scope of authority conferred upon it by the Executive Council.

Internal controls system: fundamental approach and current status

The Company is designing and implementing internal controls systems in accordance with the following basic policies.

1. Systems for ensuring that the execution of duties by the directors and employees is in compliance with the law and the Company's Articles of Incorporation

To secure compliance of Company management and employees with guidelines for conduct in conformity with applicable laws and internal rules and regulations, the Company has prepared The Honda Conduct Guidelines and implements measures to ensure that all management and employees are made aware of and follow these guidelines.

The Company has appointed a Compliance Officer, who is a director in charge of compliance-related initiatives. Other key elements of our compliance system include the Business Ethics Committee and the Business Ethics Improvement Proposal Line.



Honda Conduct Guideline is available at

<http://world.honda.com/conductguideline/>

From the Honda Conduct Guideline

Compliance

Representing Honda, a company which abides by the law scrupulously, we will demonstrate sincere respect for the law in all our actions.

I) Respect for the Law

- **Proper understanding of the law**

We will understand and abide by the letter as well as the spirit of applicable laws, stay informed of any revisions to the law and take the necessary courses of action.

- **What to do in case of unclear interpretation**

Whenever there is a doubt or unclear interpretation of the law, we will consult with the legal department, government bodies and/or outside experts.

- **What to do if the law has been violated**

Whenever a violation of the law or the risk of such an occurrence is noticed, we will immediately report to or consult with the supervisor or the legal department, or make a proposal to the Business Ethics Proposal Line.

- **Report/notification to government agencies**

We will properly make reports/notifications to government agencies as required by law.

II) Respect for Company Rules

- **Proper understanding of company rules**

We will understand and abide by the letter as well as the spirit of company rules, stay informed of any revisions and take the necessary courses of action.

- **What to do in case of unclear interpretation**

Whenever there is a doubt or unclear interpretation of a company rule, we will consult with the department that created the rule to confirm proper understanding.

- **What to do if rules have been violated**

Whenever a violation of a company rule or the risk of such an occurrence is noticed, we will report to or consult with the supervisor or make a proposal to the Business Ethics Proposal Line.

- **Report/notification**

We will properly make reports/notifications as required by company rules.

III) Respect for Social Norms

As members of society, we will behave ethically and in accordance with the common sense of the community in which we operate.

2. Retention and management of information on execution of business by directors

Minutes of the meetings of the Board of Directors and other important meetings as well as information related to the execution of business by the directors will be retained and stored appropriately following the policy for the retention and management of documents.

3. Regulations and other systems for management of the contingencies of losses

Important items related to management are proposed to the Board of Directors, the Executive Council, and/or Regional Operating boards, risks are assessed and then decisions are made after due consideration according to established deliberation standards.

Regarding risks that are to be dealt with on a departmental basis, each department will work to prevent the emergence of such risk and develop policies for dealing with them. For large-scale disasters requiring Company-level crisis management, the Honda Crisis Response Rules will be applied, and the member of the Board of Directors in charge will be appointed as the Risk Management Officer, who will be responsible for designing and implementing related systems.

4. Systems for ensuring that the execution of business by the directors is being conducted efficiently

In line with its fundamental corporate philosophy, Honda has established organizational operating systems for each region, business and function, and a member of the Board of Directors or an operating officer has been assigned to each headquarters and main division. In addition, by having the Executive Council

and regional operating boards deliberate important matters concerning management, the Company implements a system that enables swift and appropriate decision making.

To conduct management efficiently and effectively, business plans are prepared on an annual basis and for the medium term, and measures are taken to share these plans.

5. Systems for ensuring that the corporate Group, comprising the Company and its subsidiaries, conducts business activities appropriately

The Company and its subsidiaries share The Honda Conduct Guideline and the basic policy regarding corporate governance. In addition, each subsidiary works to promote activities that are in compliance with the laws of countries where they operate and practices observed in their respective industries as they endeavor to enhance corporate governance.

Regarding the conduct of business by subsidiaries, rules relating to monetary settlements have been established, and, regarding important management items, internal rules have been prepared that require prior approval of the Company or the submission of reports. In addition, the business management department of the Company receives reports on business plans and other matters on a periodic basis from subsidiaries and confirms the appropriateness of the conduct of activities.

The Company's Audit Office, which is an independent unit reporting directly to the President, audits the status of conduct of business activities in each department and works to improve the Honda Group's internal auditing systems.

For companies accounted for under the equity method, the Company requests their understanding of and cooperation with Honda's basic corporate governance policies and endeavors to improve corporate governance on a Group-wide basis.

Crisis risk management system

