

Honda's Global Operation and Our Business in Canada

Honda Motor Co., Ltd
March 2016

1. Introduction

2. Principle of Global Operation

(1) Building Products Close to the Market

(2) Promote Local Procurement of Parts

3. Honda in Canada

(1) Sales and Production

(2) Opportunity by TPP Agreement

(3) R&D Activities

Honda Products

HONDA
The Power of Dreams



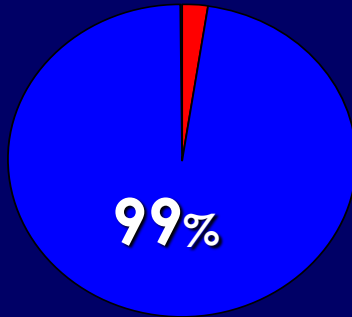
Mobility



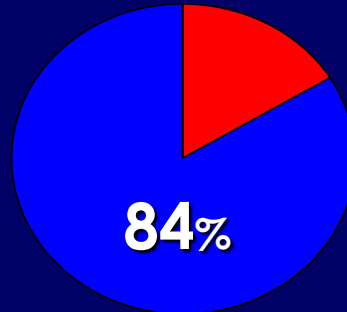
Honda's Overall Sales Volume

Annual worldwide sales units in 2015

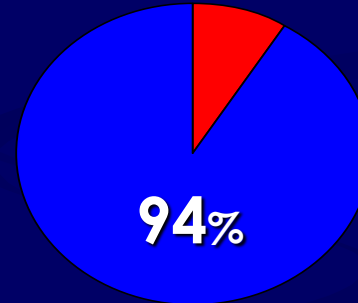
Motorcycle
17.1 mil



Automobile
4.7 mil



Power Products
6.0 mil

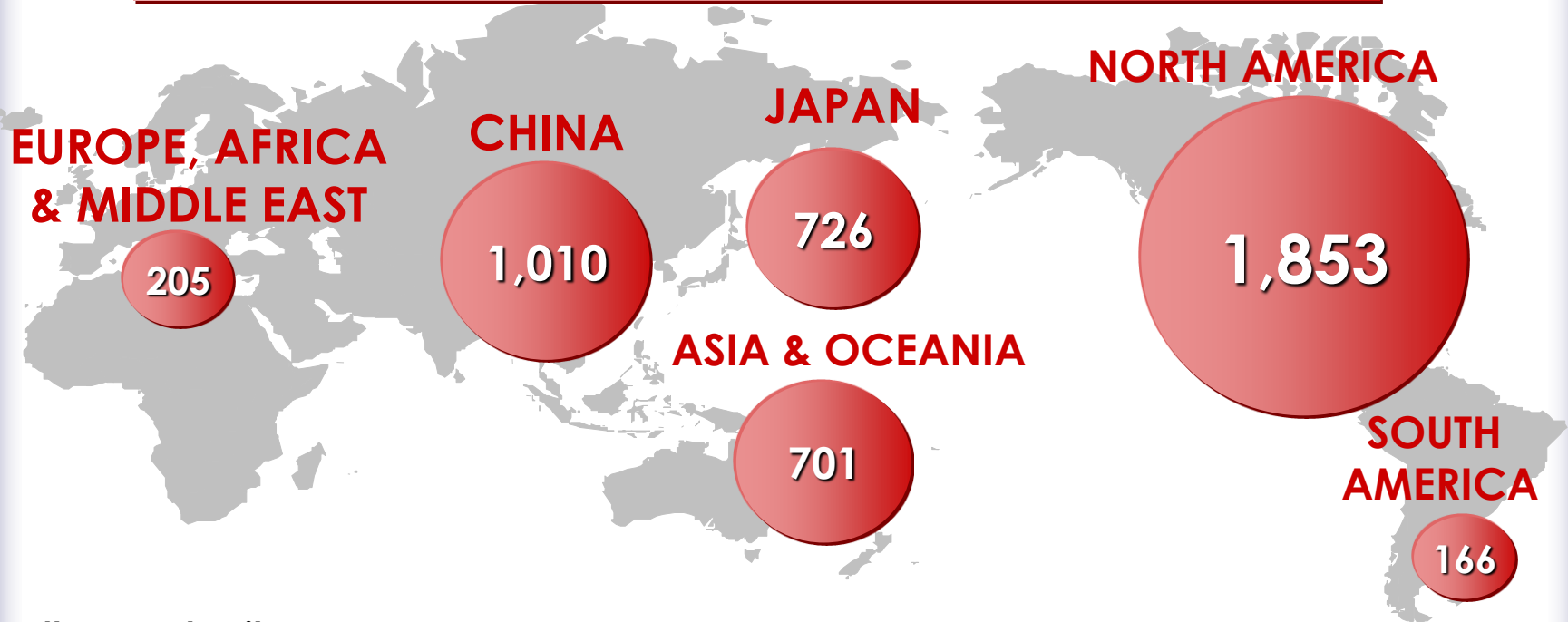


■ Domestic
■ Overseas

Honda encountered **approx. 28 mil. customers** in 2015

Automobile Sales by Region in CY2015

GRAND TOTAL: 4.6 million units



thousand units

Automobile Worldwide Production

(million)

5.0

4.5

4.0

3.5

3.0

2.5

2.0

1.5

1.0

0.5

0.0

Proportion of Overseas Production
(scale in right)



Overseas Production
(scale in left)

Domestic Production
(scale in left)

(%)

90

80

70

60

50

40

30

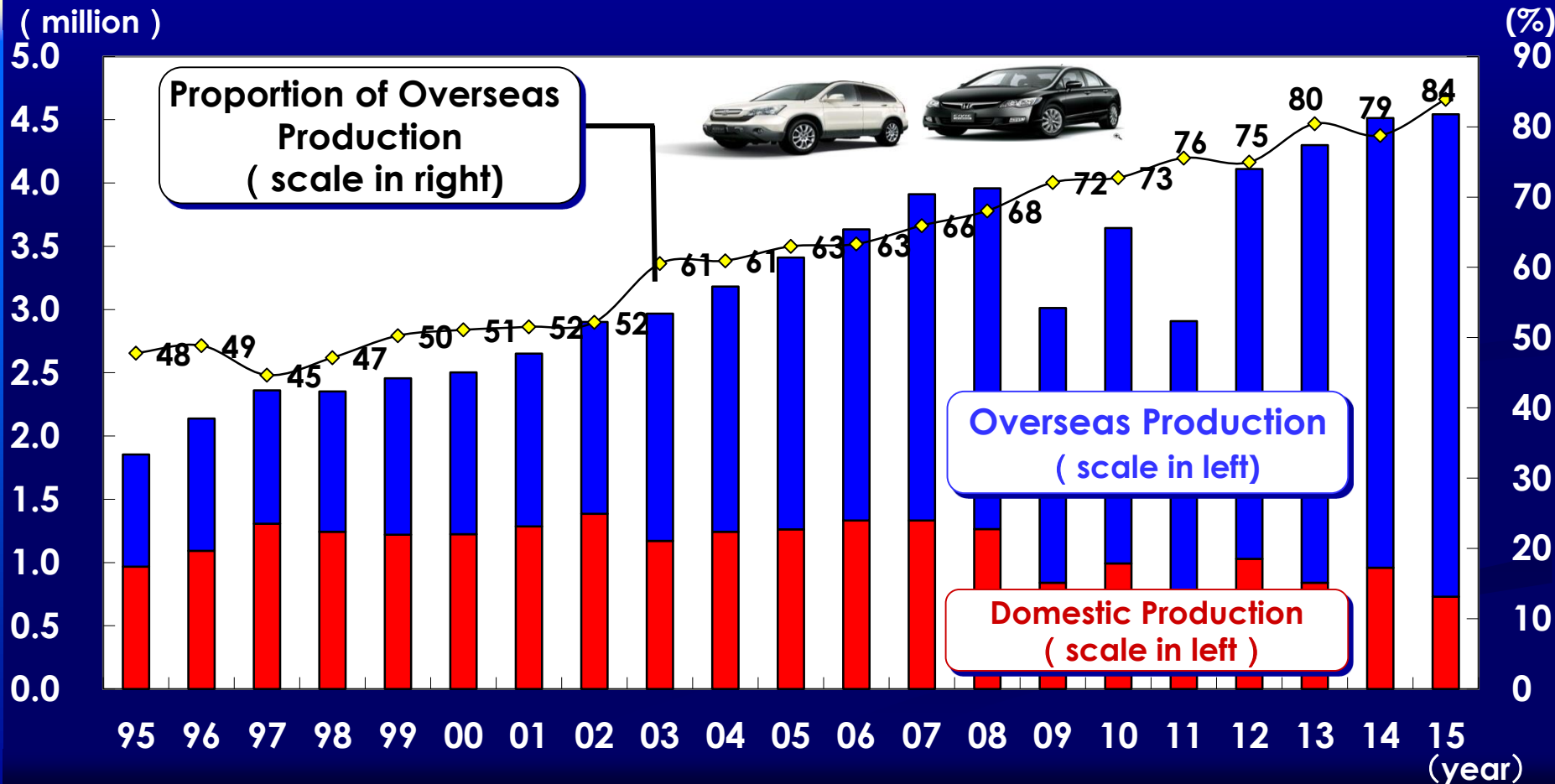
20

10

0

95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15

(year)



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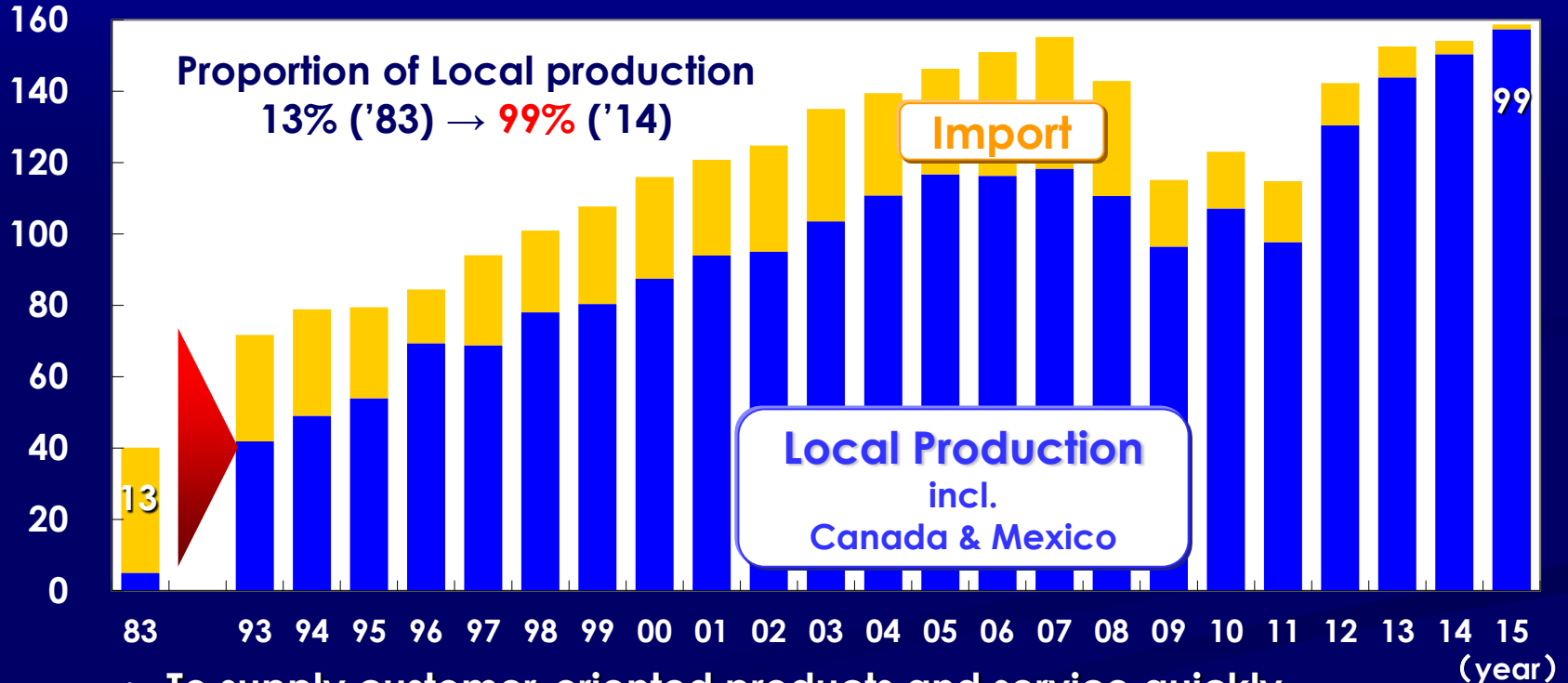
(2) Opportunity by TPP Agreement

(3) R&D Activities

(1) Building Products Close to the Customer

(ten thousand)

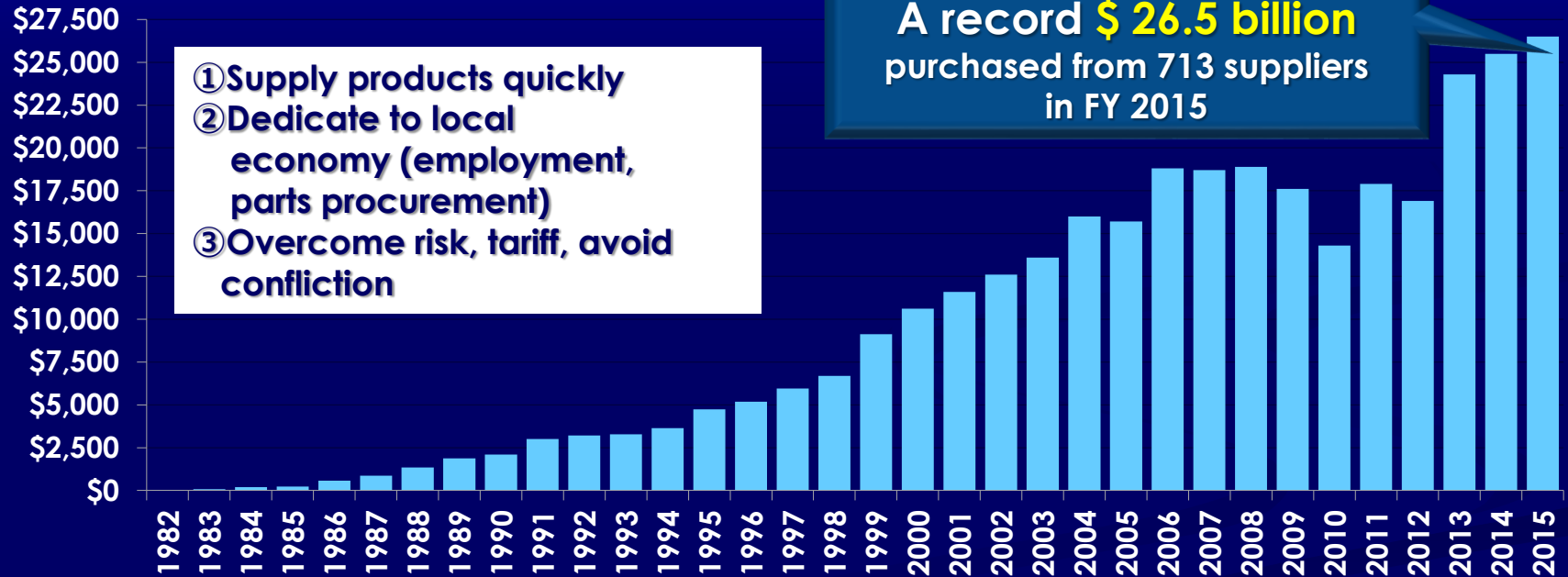
Automobile sales in the US



- To supply customer-oriented products and service quickly
- Cooperation with local society as a good corporate citizen
- Overcome tariff, currency exchange rate risks and trade friction

(2) Promote Local Procurement of Parts

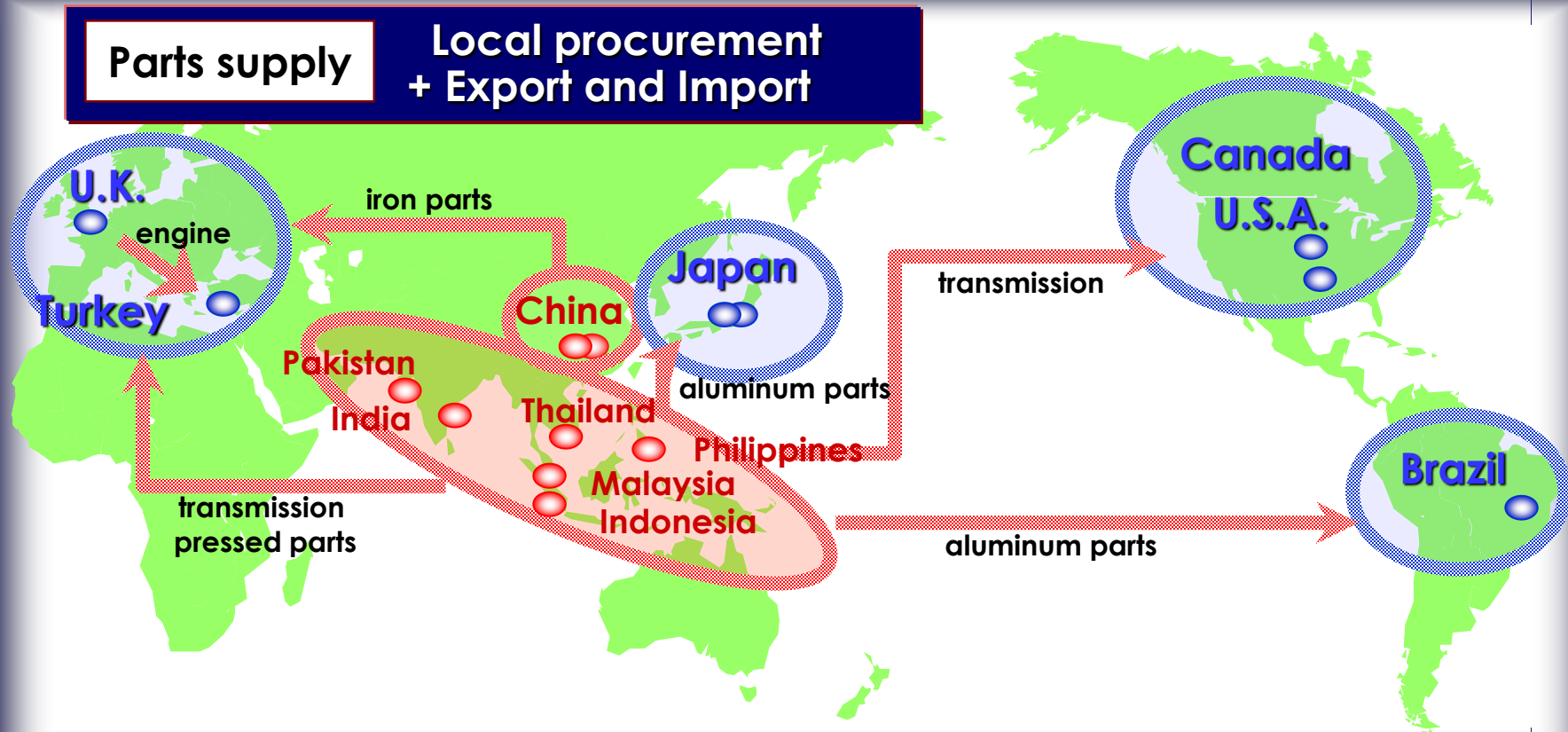
Parts purchases from local suppliers by Honda plants in N. America



Note: Figures are based on Honda's fiscal year calendar, which runs from April 1 through March 31

Present local procurement rate: 79% ~ 83%

Export / Import to Supplement Localization



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Honda Canada Manufacturing

4 Door Civic



HCM

Honda of Canada Mfg.



4 Door Civic



2 Door Civic



CRV



4 Cylinder Engines

◆ Capacity

400,000 units

◆ Number of Associates 4,200

Honda Recreation Center in HCM

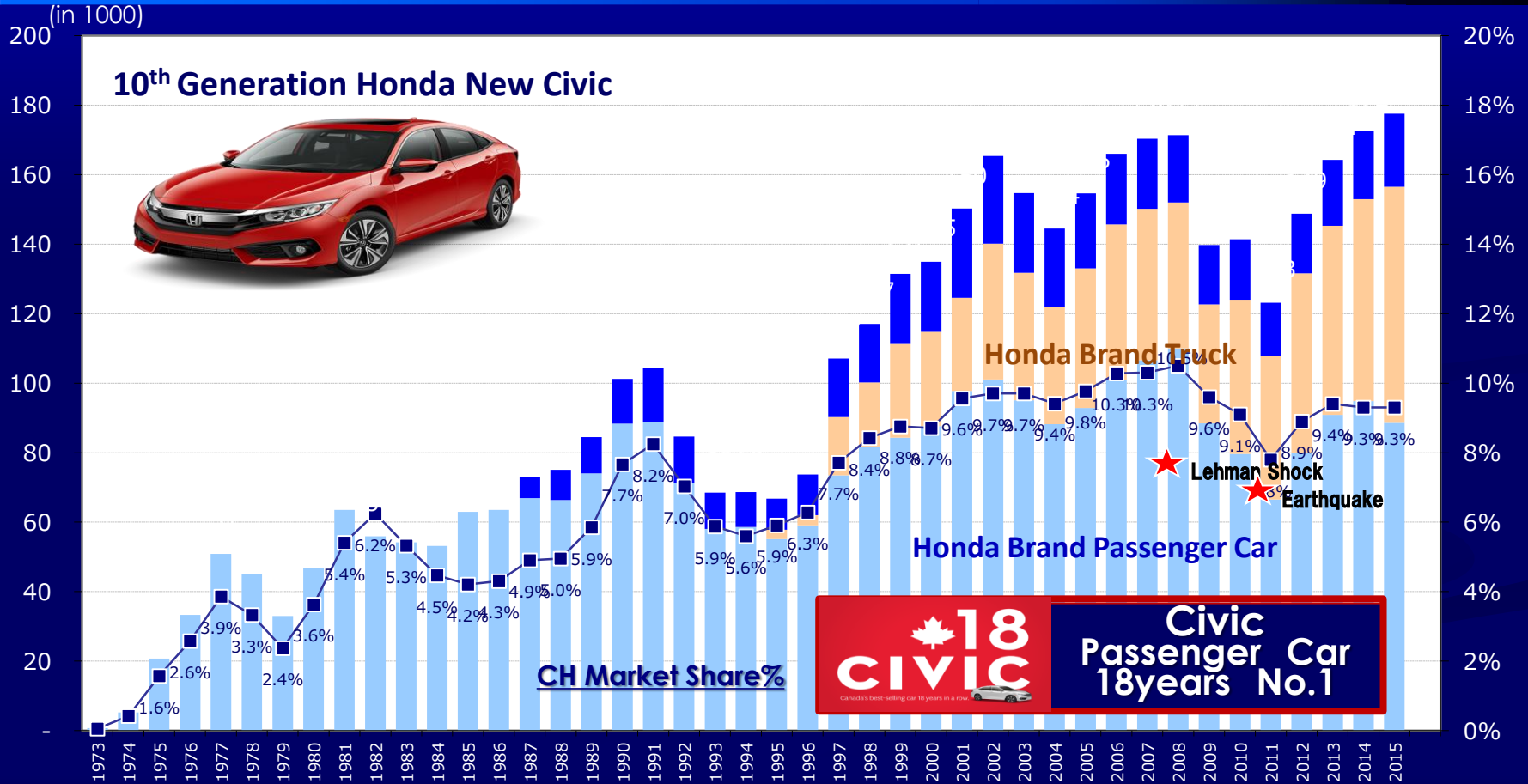
Ice Hockey Rink



Fitness Facility



Automobile Sales in Canada



16MY Civic Car of the Year

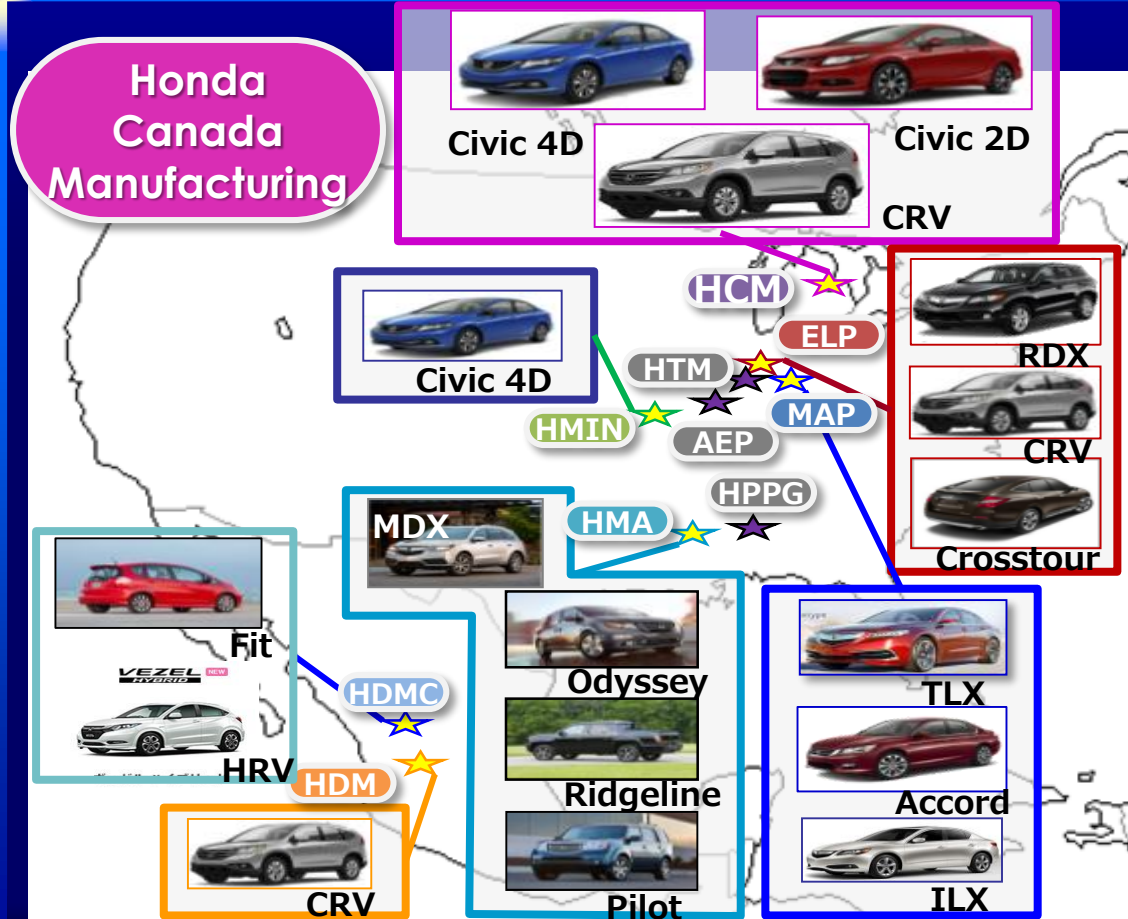


10th Generation Honda Civic



**All-new 2016 Honda Civic Named the Canadian Car of the Year
by Automobile Journalists Association**

Products in N.A. and Made in Canada



High ratio of 'Made in Canada'

- Sales in Canada(2015)
177,506
 - Made in Canada(2015)
96,932
- ↓
- The Ratio of Made in Canada
54.6%

Current Status of Local Contents (major models)

79%~83% of parts are locally procured

15YM NAFTA Results (qualification = 62.5%)



US

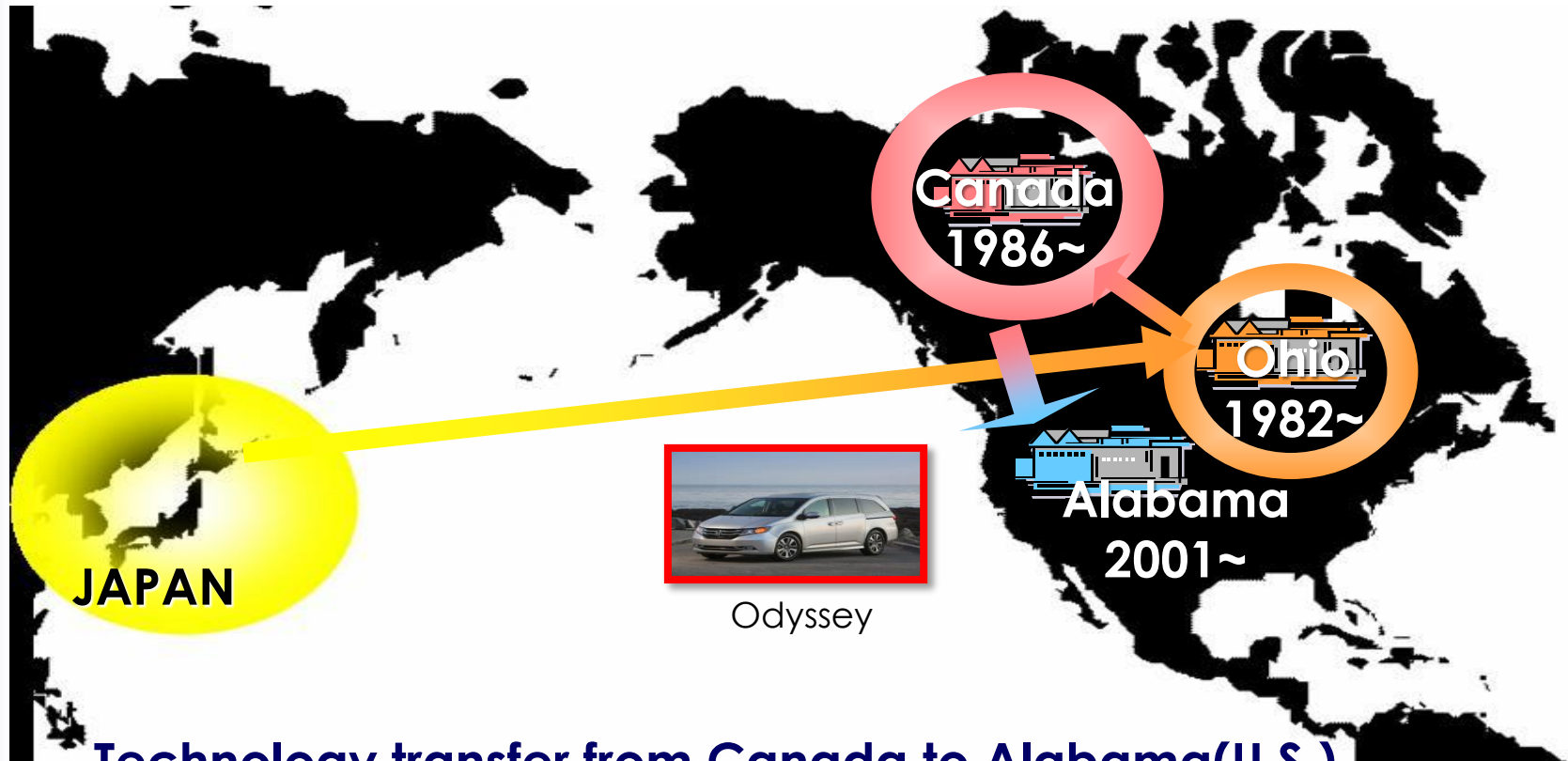
Canada

HAM	Accord	79%
HMA	Odyssey	84%
HMA	Pilot	80%
HMA	MDX	81%
HMIN	Civic	79%
HCM	CR-V	83%
HCM	Civic	79%



- HCM purchases parts from 242 suppliers in North America and 42 suppliers in Canada
- HCM also purchases smaller portion of parts, mainly from Asia

'Mother Factory' for Alabama Plant



Technology transfer from Canada to Alabama(U.S.)

HCM as Global Lead Factory of Civic Production

Canada



Share Information and Advice

United States



China



Turkey



Thailand



England



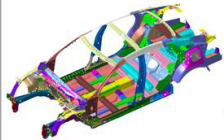
Brazil



Japan
Global Office

New Process Welding

Civic Manufacturing Change Points



New Body Structure



Side Sill Garnish



Thin Wall Bumper

Benefits:

- Performance
- Increased fuel efficiency

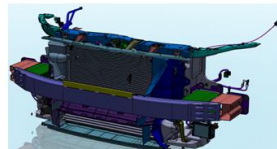
Soft / Seamless IP



Benefit:

- Luxurious look and feel

Front End Module



Benefit:

- Increased access to engine room for Associates (Ergo Red process reduced)



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Impact of TPP Agreement

Import to Canada

- Tariff reduction and elimination of passenger car
At present 6.1% → 1st Year 5.5% → 2nd Year 5.0% → 3rd Year 2.5% → 4th year 2.0%
→ **5th Year 0%**
- Tariff elimination of 87.5% of parts for production

Rule of Origin

- Unified rule introduced
 - Threshold of local content rate
- | | |
|---------------|---------|
| Completed Car | 55% |
| Parts | 50%~55% |

◆ Honda Canada can **smoothly** import car and parts **with lower cost**

Localization

Basic principle

- Build products close to the customer
- Promote local procurement of parts

+ Global Trade

Supplementary measure making use of TPP

- ◆ Honda can have more **flexible** supply of products or procurement of parts
- ◆ TPP will bring tougher competition

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R&D Center Worldwide

23 Locations

Honda R&D Europe



Honda R&D China



Honda R&D India



Honda R&D Asia Pacific



Honda R&D Africa



Honda R&D Japan



Honda R&D Americas



HRA-LA Silicon Valley Office



Honda R&D Brazil

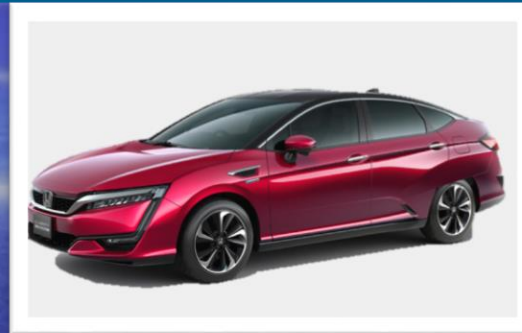


Our Challenges through R&D Activities

Fuel Cell Vehicle and Hydrogen Station



Newest Fuel Cell Vehicle



Hondajet



Humanoid Robot



Joint Research with Canadian University

Title and Focus

Multi-Material lightweight Vehicle Architecture

Disruptive light-weight material vehicle architectures and manufacturing methods **to meet the targets for fuel consumption and vehicle emissions while maintaining safety.**

Partners

- ◆ Lead Institution
- ◆ Collaborating Institutions
- ◆ Private Sector Partners

Supported by ORF

University of Waterloo



Western University

Honda R&D America



Magna / ArcelorMittal / Alcoa /
3M / Zelixir / Hexion / Zoltec

HONDA

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