HONDA
The Power of Dreams

Striving to be a company society wants to exist

CSR Report 2007

Publication Policy

Striving to be a company society wants to exist

Striving to be a company society wants to exist, Honda is engaged in various initiatives to meet the expectations of all its stakeholders and enhance the joy of the buyer, seller and creator, creating new value, expanding value through glocalization and realizing our commitment to the future.

With reference to the Sustainability Reporting Guidelines of the Global Reporting Initiative*, this report contains chapters on Honda initiatives with respect to quality and safety, the environment, our stakeholders and the community.

To highlight Honda's corporate social responsibility (CSR) initiatives in the context of its daily operations, we have also included a "Highlights FY2007—The Honda Challenge" section containing articles entitled "Innovation in Production: Strengthening the Fundamentals" and "Our Vision of Environmental Technology." This section focuses on the development of the company's operations, as well as concomitant issues of concern to Honda. It also includes comments by stakeholders inside and outside the company.

It is our hope that this report will lead to a greater appreciation of Honda's CSR initiatives among all stakeholders.

* The Global Reporting Initiative is a joint project of the Coalition for Environmentally Responsible Economies, a US NPO, and the United Nations Environment Programme. Initiated in 1997, it issues guidelines for reporting on economic, environmental and social performance by organizations.

Relation to other reports

In order to meet the informational needs of various stakeholders, Honda publishes a range of reports. For more information pertaining to business results, environmental conservation, driving safety promotion and philanthropic initiatives, readers are invited to refer to the reports below and the company website.

CSR

CSR Report 2007
An outline of Honda's CSR policy and initiatives, focusing on operations, environmental conservation, philanthropy, and quality and safety initiatives in FY2007
http://world.honda.com/CSR/

Safety

Driving Safety Promotion Report 2006
An outline of Honda's approach and major initiatives with respect to the promotion of driving safety in 2006
(Available only in Japanese.)

Philanthropy

Honda Philanthropy 2007
An outline of Honda's fundamental approach and major initiatives in the area of philanthropy in FY2007
http://world.honda.com/community/

Operations

Annual Report 2007
An outline of business results, management strategy and other aspects of Honda's operations in FY2007, plus a look at plans for future initiatives
http://world.honda.com/investors/annualreport/

Environmental

Honda Environmental Annual Report 2007
An outline of Honda's fundamental approach to environmental policy, including reports on targets and the results of major initiatives in FY2007
http://world.honda.com/environment/reports/

Striving to be a company society wants to exist

CSR Report 2007

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HONDA
7

Taking on the challenges facing society today to ensure that future generations can also enjoy mobility

Brought up on dreams

Honda's history began in 1948, the year the A-type auxiliary engine for bicycles was born. The Super Cub motorcycle series, released in 1958, is a customer favorite in 160 countries today. In 1972 Honda became the first automaker to comply with the stringent requirements of the US Clean Air Act by developing the low-emissions CVCC engine. In 2000 we introduced the world to a new humanoid robot, ASIMO. We've always been driven by our dreams to create the unexpected, astounding and delighting people around the globe.

Today we're moving into another dimension of mobility with the HondaJet. We're also pursuing the ultimate in environmentally responsible automobiles with the new FCX Concept fuel cell vehicle and developing a next-generation diesel engine with emissions on par with those of a gasoline engine. Our dreams keep turning into valuable new technologies and products.

The foundation: Honda philosophy

The basic principles of Honda philosophy were defined by our founder: respect for the individual, and the Three Joys of buying, selling and creating. These form the basis of all our dreams.

We believe in the dignity of each human being. We believe individuals must respect each other as independent human beings with distinct personalities. And we believe in building trust so that each person's full potential can be realized and we can all share true happiness. Everyone involved in Honda's operations seeks to share joy with all those who come in contact with us through our products and services. Our wish is to help create societies where people help each other be all they can be.

On the foundation of this philosophy, a corporate culture of independence and open-mindedness has emerged at Honda. It's what leads us to follow our dreams, constantly take on new challenges, create innovative new technologies and products, and engage in new initiatives.

Striving to be a company society wants to exist

As times change, societies evolve and people seek new kinds of value. A corporation's understanding of its social responsibilities must likewise evolve. Even if a company creates superior technologies and products, if it does not act fairly and in due consideration of the interests of all stakeholders, it cannot hope to earn society's trust. New social imperatives must be recognized and appropriate action taken.

In 1998 Honda defined its Vision 2010: striving to be a company society wants to exist. This means making all our stakeholders worldwide glad that Honda is there. To this end, we redefined the Three Joys as creating new value, expanding value through glocalization and realizing our commitment to the future. Honda is working to achieve these three objectives and meet the demands of all stakeholders.

Creating trust and affinity by getting the basics right

We must fulfill two basic responsibilities if we are to realize these objectives.

First, we must continue to provide products and services of the highest level of quality and safety, revisiting the fundamentals to ensure that we are

certain of the appropriateness of our actions in all aspects of our operations.

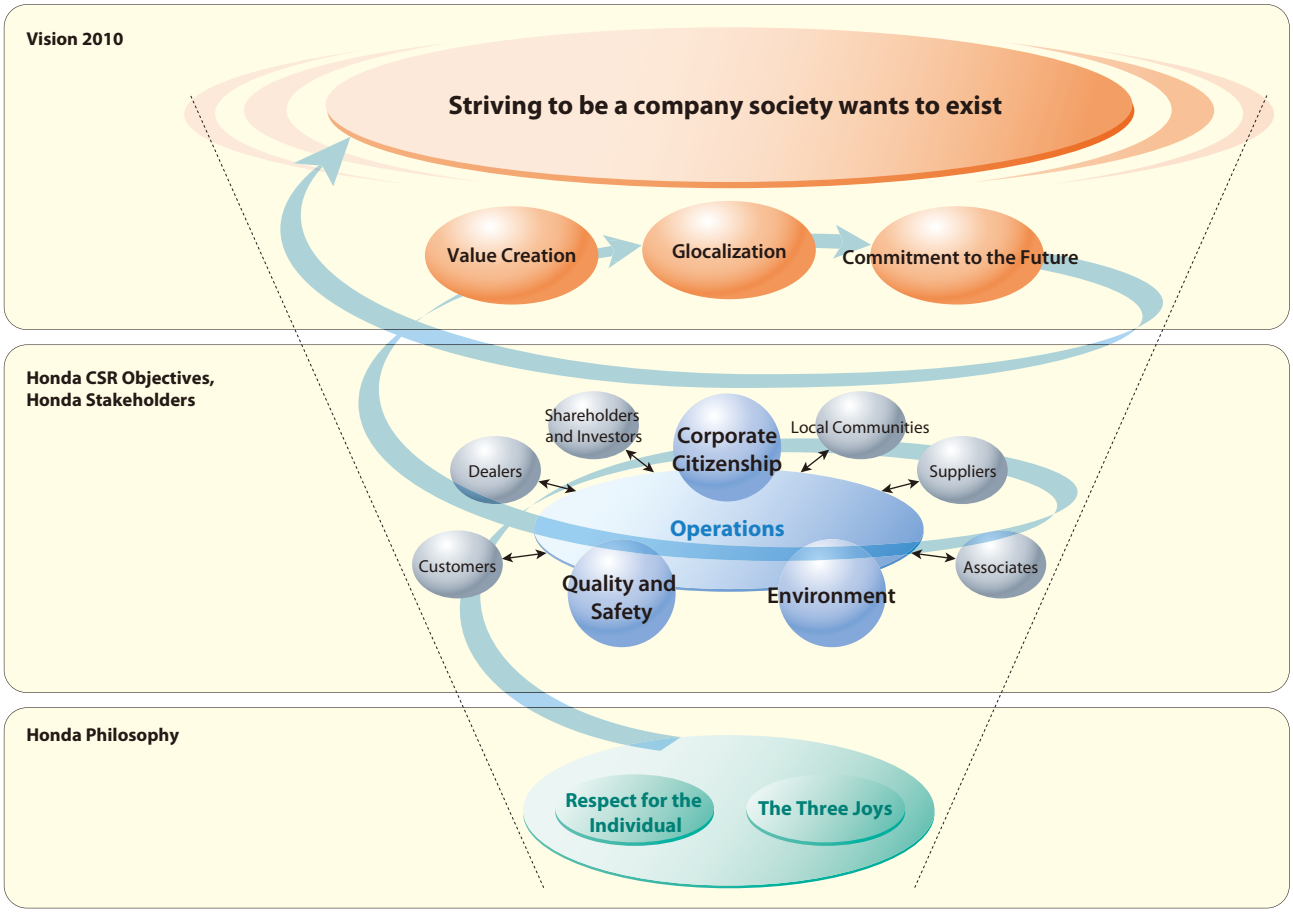
Second, as a corporation operating globally, we must make sure that each process through which we deliver products and services to our customers—every aspect of our corporate activities—is worthy of the trust of all our stakeholders. In addition to ensuring proper corporate governance and compliance with laws and regulations, we take responsibility for protecting the environment, ensuring diversity in employment, fostering our associates' development and ensuring fairness in our dealings with other firms.

With this mind, in FY2007 we focused on strengthening the fundamentals of production and our approach to protecting the global environment.

Strengthening production

For the last decade, Honda has been able to meet growing demand in world auto markets and achieve steady growth. And as our product lineup evolves and we take steps to meet accelerating demand worldwide, it is vital that we strengthen our advanced manufacturing systems in Japan, extending our global production capacity from this foundation.

Honda has announced it will build a new automobile plant in Yorii, Saitama Prefecture, and an automobile engine plant in neighboring Ogawa. We are also strengthening the automatic transmission production capacity of Hamamatsu Factory and concentrating motorcycle manufacturing at Kumamoto Factory, among



other measures to enhance efficiency. Naturally, we are implementing state-of-the-art production technology. We are also committed to making sure these facilities achieve the highest levels of product quality, environmental responsibility and people-friendliness. We'll work hard to ensure that our facilities are truly welcomed by their host communities. More than ever, Honda factories will feature not only advanced technology, but also a high level of social responsibility.

Leading environmental technology

Manufacturers of mobility products have an obligation to help conserve the global environment. Striving to lead the way in the application of environmental technology, in FY2007 Honda set specific targets in the area of environmental conservation. We're engaged in a broad range of initiatives to attain these targets.

For example, we've announced plans to introduce a new dedicated hybrid vehicle by 2009. Striving to further improve fuel efficiency, we're also pursuing development of a next-generation diesel engine and an even more advanced version of our VTEC engine. We became the first Japanese carmaker to introduce a vehicle in Brazil that runs on bioethanol. And in 2008 we're planning to introduce a new fuel cell vehicle based on the FCX Concept in Japan and the US.

In addition to creating new technologies, we're also taking on the challenge of developing new forms of energy. For instance, we're beginning commercial production of our own solar panels and researching the production of ethanol from non-edible plant material such as rice straw.

Commemorating the 100th anniversary of the birth of Soichiro Honda

In 2006 we celebrated the 100th anniversary of the birth of our founder, Soichiro Honda. We presented an exhibition of classic products from Honda's history at the Welcome Plaza showroom at our Tokyo headquarters. The event focused on our origins and the many sources of inspiration that we wish to pass on to the next generation.

Today, with corporate values so much in question and incidents of misconduct frequently being revealed, the spirit of our founder guides each of us in the worldwide Honda Group to make decisions and take actions truly worthy of Honda. This is particularly germane at a time of intense struggle for survival in an increasingly competitive global auto industry.

Sustainability

The Honda CSR Report 2007 is an overview of our corporate social responsibility initiatives over the last year. There is much work to be done and many issues to be faced.

Going forward, Honda will seek to engage customers, suppliers, associates, shareholders, investors, residents of the communities that host our operations and other stakeholders in ongoing communications that will help us enhance our activities and attain true sustainability.

We warmly welcome readers of this report to share their views with us.

President & CEO

Profile

Operating in accordance with the basic principles of respect for the individual and the Three Joys since its foundation in 1948 Honda has been meeting and anticipating the needs of societies and helping people realize their dreams, primarily through the production and sales of motorcycles, automobiles and power products.

In addition to its focus on innovatively creating value in the form of new products and technologies, Honda is engaged in a broad range of initiatives that support sustainable development in our mobile society, particularly through enhanced quality and safety, and better environmental conservation.

Today, Honda is the world's leading manufacturer of motorcycles and power products, and has grown to become a global leader in automobile manufacturing. Guided by The Power of Dreams, Honda creates a wide range of products and technologies, including compact engines, scooters, sport cars and humanoid robots, as well as compact business jets and new forms of energy.

Realizing dreams in a broad range of business activities, Honda will continue to strive to be a company society wants to exist, fulfilling its commitments to stakeholders and sharing joy with people worldwide.

Company Name:	Honda Motor Co., Ltd.
Head Office:	2-1-1 Minami Aoyama, Minato-ku, Tokyo 107-8556, Japan
Tel:	+81-(0)3-3423-1111
Established:	September 24, 1948
President & CEO:	Takeo Fukui
Capital:	JPY 86 billion (as of March 31, 2007)

Automobiles

- Passenger Vehicles
- Commercial Vehicles
- Special Needs Vehicles
- Utility Vehicles

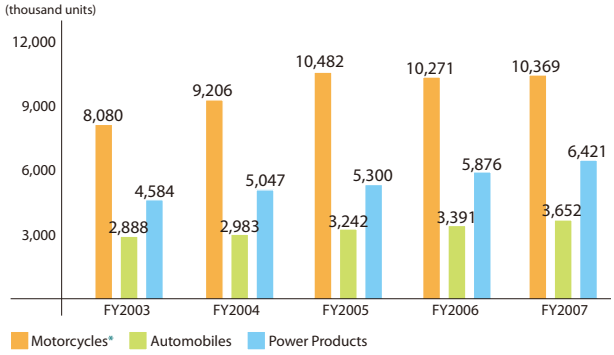
Motorcycles

- Scooters
- Sports Motorcycles
- Commuter Motorcycles
- ATVs
- Personal Watercraft

Power Products

- Power Product Engines
- Tillers
- Marine Outboards
- Generators
- Lawnmowers

Sales by product segment



* Does not include production/sales of Honda-brand motorcycles overseas by equity-method affiliates with respect to which no parts manufactured by Honda or its affiliates have been supplied.

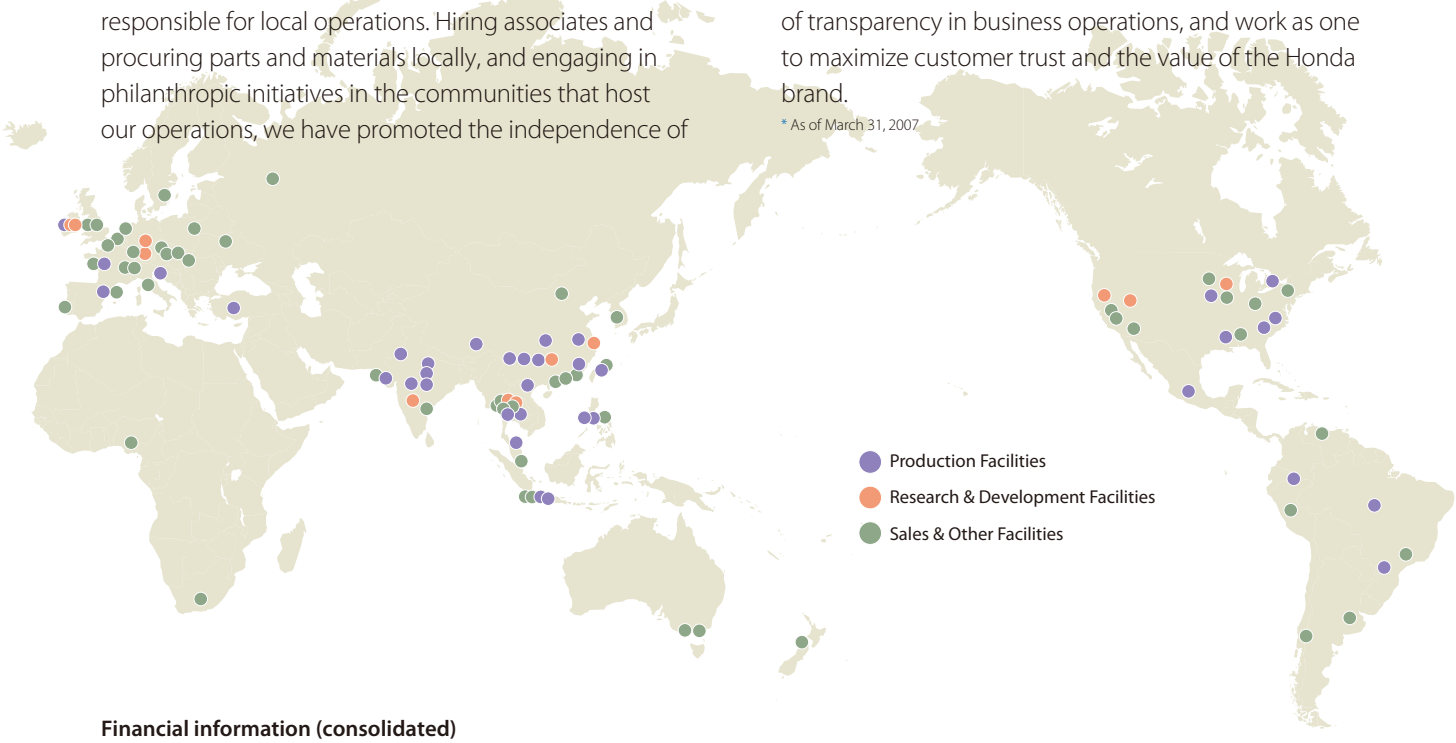
Global Operations

At 134 production facilities in 28 countries and at 31 research and development facilities in 15 countries, about 167,000 Honda associates help some 23 million customers each year. Our global operations have grown because Honda delivers genuine satisfaction and has a policy of manufacturing products close to the customer.

In accordance with this policy, Honda's global operations are divided into six administrative regions responsible for local operations. Hiring associates and procuring parts and materials locally, and engaging in philanthropic initiatives in the communities that host our operations, we have promoted the independence of our local management and sales operations. At the same time, to ensure optimal, integrated and forward-looking planning for each region, certain functions related to motorcycle, automobile and power product production, as well as customer service, purchasing, administration and other areas, are overseen worldwide.

The Honda Group, which comprises 507 companies worldwide*, operates in accordance with shared conduct guidelines. These help member companies and their associates appropriately evaluate and manage risk, comply with laws and regulations, maintain a high level of transparency in business operations, and work as one to maximize customer trust and the value of the Honda brand.

* As of March 31, 2007



Financial information (consolidated)

		March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Sales and income (millions of yen)	Net sales	7,971,499	8,162,600	8,650,105	9,907,996	11,087,140
	Income before taxes	609,755	641,927	656,805	814,617	792,868
	Net income	426,662	464,338	486,197	597,033	592,322
Research & development expenditure (millions of yen)		436,863	448,967	467,754	510,385	551,847
Capital expenditures (millions of yen)		316,991	287,741	373,980	457,841	597,958
Sales by region (millions of yen)	Japan	1,748,706	1,628,493	1,699,205	1,694,044	1,681,190
	Overseas	6,222,793	6,534,107	6,950,900	8,213,952	9,405,950
	Total	7,971,499	8,162,600	8,650,105	9,907,996	11,087,140
Number of employees		126,900	131,600	137,827	144,785	167,231

Corporate Governance: Basic Stance

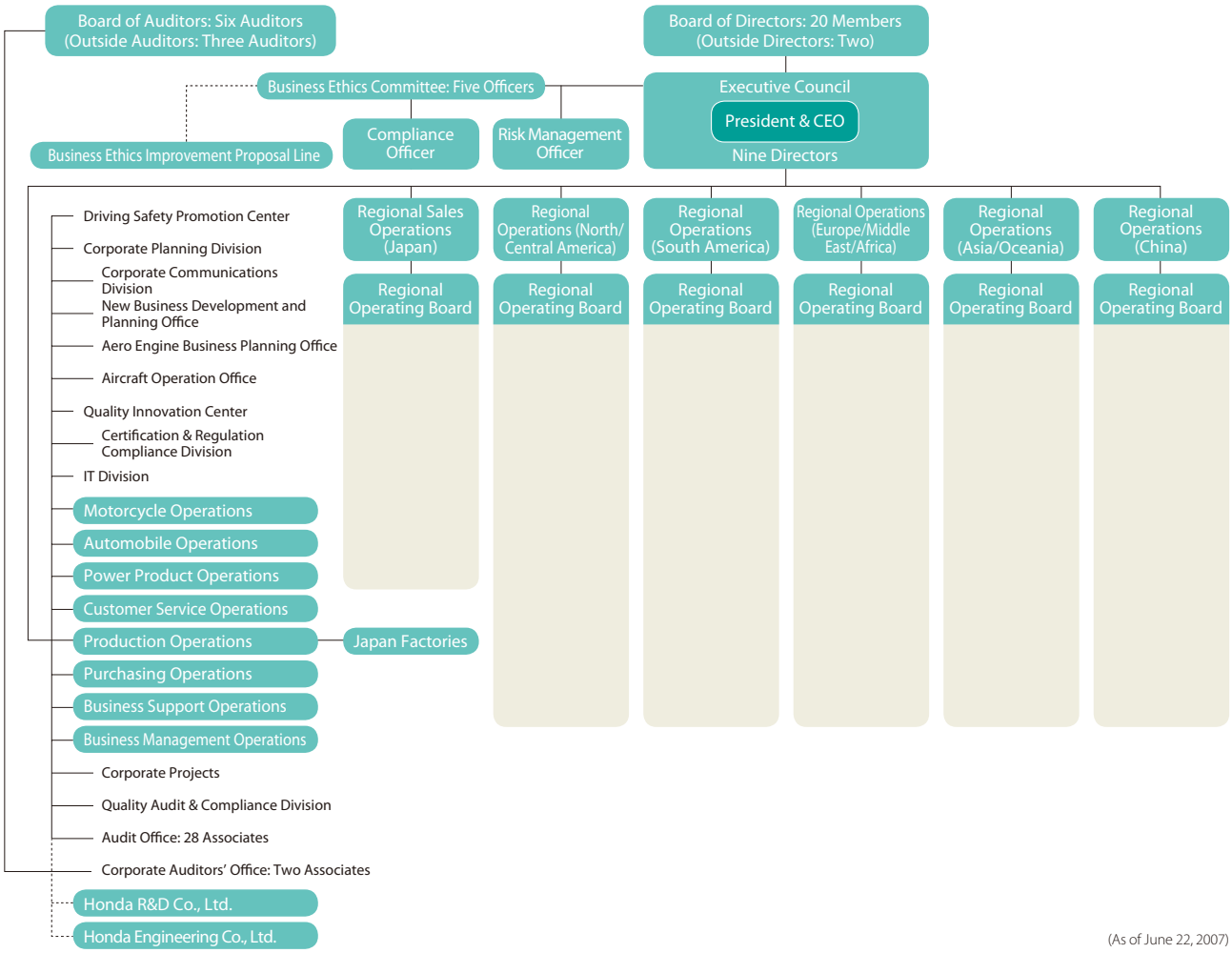
Honda considers corporate governance one of the most important management issues. We're strengthening it on the basis of our fundamental corporate philosophy, aiming to have the global community—including our customers, shareholders and investors—place even greater trust in us as we strive to be a company society wants to exist.

To ensure objective oversight of management, Honda appoints outside directors to its Board of Directors and outside auditors to its Board of Auditors. To strengthen its business execution system in each region and workplace, as well as enhance the supervisory function of the Board of Directors, Honda has introduced an Operating Officer System. To help its Board of Directors respond quickly to changing business environments, as well as to improve the flexibility of its decision-making process, Honda limits directors' assignments to one year and determines their compensation in accordance with business results.

Based on its fundamental corporate philosophy, Honda has refined its organizational structure. A general manager from the Board of Directors or an Operating Officer is now assigned to each administrative region, business and functional division. The Executive Council deals with important global issues, and regional operating councils deal with important regional management issues. Honda has developed a highly effective and efficient business execution system to respond to the needs of customers and societies with swift, optimal decision-making.

In the area of internal controls, each division is engaged

Corporate Governance: Organization



(As of June 22, 2007)

in strengthening compliance and risk management measures. Thorough audits are conducted by the Audit Office to monitor execution.

We issue quarterly reports on financial results and management policy to enhance the trust and respect we earn from shareholders and society. Through these and other measures, we will continue to maintain full disclosure and transparency.

Corporate Governance: Policy

Management Structure

• Board of Directors

The Board of Directors has 20 members, two of whom are external appointees. It supervises the execution of Honda's business affairs and makes decisions on matters of importance to the company, including legal issues. The board met eight times in FY2007.

• Board of Corporate Auditors

The Board of Corporate Auditors consists of six corporate auditors, three of whom are external appointees. Each corporate auditor audits the directors' execution of duties in accordance with Honda auditing standards, auditing policies, and apportionment of responsibilities and decisions of the Board of Corporate Auditors. Corporate auditors conduct these audits through various means, such as attending meetings of the Board of Directors and reviewing the status of the company's assets and liabilities. In addition, a Corporate Auditors' Office has been established to provide direct support to the Board of Corporate Auditors.

Honda has established standards to ensure timely and precise reporting to auditors. In accordance with these standards, reports are filed from time to time on the structure and implementation of internal controls at Honda and its subsidiaries, and in any situation where the company's actions may significantly impact society. Auditors are invited to attend meetings of the Executive Council and other important meetings. In FY2007 the Board of Corporate Auditors met 13 times.

The Board of Corporate Auditors has certified Shinichi Sakamoto, a Honda corporate auditor, as an audit committee financial expert, as defined in the rules of the Securities and Exchange Commission, pursuant to Section 407 of the US Sarbanes-Oxley Act of 2002. Mr. Sakamoto also qualifies under Section 121, Article 8 of Japan's Company Law as a person of advanced knowledge of finance and accounting.

In FY2007 meetings between Honda's corporate auditors and its independent auditor were held on five occasions. At those meetings, the independent auditor provided the corporate auditors with explanations and reports on accounting audit plans and results. A frank exchange of views took place.

With respect to audit policies and schedules, the corporate auditors closely coordinate their activities with the Audit Office, which is responsible for internal audits. In FY2007 corporate auditors and the Audit Office, either independently or in collaboration, conducted business audits of a total of 130 companies from among Honda's subsidiaries and affiliates in Japan and elsewhere.

• Decisions Regarding Director Candidates

Candidates for director are nominated and appointed by the Board of Directors. Candidates for corporate auditor are nominated and appointed by resolution of the Board of Directors, subject to 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 company performance. Remuneration for directors and corporate auditors is based on criteria approved by the Board of Directors, and is paid within the extent of the maximum amount set by resolution of the Ordinary General Meeting of Shareholders. Bonuses for directors and corporate auditors are based on decisions of the Ordinary General Meeting of Shareholders, taking into consideration company profits during the fiscal year, past bonuses and other factors.

• Accounting Audits

To ensure proper auditing of the company's accounts, the Board of Corporate Auditors and the Board of Directors receive auditing reports based on Japan's Company Law and Securities and Exchange Law, as well the US Securities Exchange Act. In addition, they supervise the election of independent auditors, their remuneration and non-audit services.

In FY2007 Honda appointed Azsa & Co. as its independent auditor for the purposes of Japan's Company Law and Securities and Exchange Law, as well as the US Securities Exchange Act.

Business Execution System

• Organization

Honda has six administrative regions around the world to execute and develop business based on its fundamental corporate philosophy. These regional administrations adopt long-term perspectives and maintain close ties with local communities.

Honda's four business divisions—motorcycles, automobiles, power products and components—formulate medium- and long-term business plans. Each division aims to maximize its performance on a global basis. Each functional operation, including Customer Service Operations, Production Operations, Purchasing Operations, Business Management Operations and Business Support Operations, supports the other functional operations, with the aim of increasing Honda's operational efficiency.

Research and development activities are conducted principally at Honda's independent subsidiaries. Honda R&D Co., Ltd. is responsible for product research and development, while Honda Engineering Co., Ltd. handles research and development in the area of production technology. The Honda Group proactively conducts research and development in advanced technologies with the aim of creating products that are distinctive and internationally competitive.

• Business Execution Officer System

Honda assigns a general manager from the Board of Directors or an Operating Officer to each regional administrative, business and functional division, as well as to each research and development subsidiary. By ensuring swift, optimal decision-making in each region and workplace, Honda maintains a highly efficient business execution system.

Founding Spirit Column

The Big Boardroom: Honda's corporate culture and decision-making

There is no president's office at Honda, and no separate offices for directors. There is simply a Directors' Room—a big room with desks for each of the representative directors, plus large tables around which directors gather to discuss management issues, sometimes inviting associates to join them. The Big Boardroom concept was introduced in 1964 by one of the men who created Honda: Vice President Takeo Fujisawa. Mr. Fujisawa believed that to create new value the company needed more than what individuals working in isolation could provide. Honda needed to create an environment in which its leaders could freely exchange ideas, synergistically forming a powerful leadership team. By working face to face every day, the directors formed stronger bonds of trust, sharing information and affirming opinions.

The Big Boardroom system also provides a form of internal management auditing, encouraging open, expeditious decision-making in everyday matters and emergencies alike. Introduced as a creative way to run a company, the Big Boardroom is also highly appropriate, given contemporary imperatives of corporate governance and risk management.

The open-mindedness and vitality of Honda's corporate culture have their origins in traditions like the Big Boardroom, and are reaffirmed every time associates bounce ideas off each other in Y-gaya (brainstorming) sessions. This spirit of egalitarianism keeps Honda strong, fueling innovation for the future.

The Directors' Room in the era of Honda's second President, Kiyoshi Kawashima

The Directors' Room today

• **Executive Council**

Honda has established an Executive Council, which consists of nine representative directors, including the president and vice presidents. Along with discussing in advance the agendas of 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. The Executive Council met 27 times in FY2007.

• **Regional Operating Councils**

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

Internal Controls Systems: Fundamental Approach and Current Status

To earn the trust of customers and society, Honda's divisions have implemented frameworks to ensure a systematic approach to compliance and risk management in accordance with policies determined by the Board of Directors regarding internal controls systems, and under the guidance of their respective directors-in-charge. These include the formulation of performance guidelines and procedures for self-assessment. Honda also has a system to support the initiatives of each division. Effective audits are carried out to monitor the execution status of each division.

• **Conduct Guidelines**

Honda Conduct Guidelines have been created to guide the actions of all associates. In addition, each division produces more detailed performance guidelines according to its specific attributes.

Web Honda Conduct Guidelines are available at
http://world.honda.com/conductguideline/

• **Self-Assessment Checklist**

Each division approaches compliance and risk management in a systematic way. For example, each division has a checklist that clarifies specific laws and risks to consider related to its particular business, and conducts regular self-assessments. The results of such assessments are reported to the director in charge of each division, and the overall status of compliance and risk management is evaluated regularly by the Executive Council.

• **Compliance System**

Honda has appointed a compliance officer to act as 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.

• **Business Ethics Committee**

Honda's Business Ethics Committee is chaired by the compliance officer and consists of directors and corporate officers. The committee deliberates on matters related to corporate ethics and compliance. The Business Ethics Committee met twice in FY2007.

• **Business Ethics Improvement Proposal Line**

Honda places high priority on open communications. It set up the Business Ethics Improvement Proposal Line to receive suggestions related to corporate ethics. By providing appropriate responses to suggestions, Honda is constantly working to enhance corporate ethics. The system is designed to ensure the protection of those providing information, allowing them to remain anonymous. The Business Ethics Committee supervises the operation of the Business Ethics Improvement Proposal Line and submits status reports to the Board of Corporate Auditors.

• **Risk Management System**

Each division works to address and mitigate its particular set of risks. In addition, Honda has Crisis Response Rules, which are designed to address company-wide crises such as natural disasters. Honda has appointed a risk management officer, who is a director in charge of risk management-related initiatives. It has also established the Company-Wide Response Headquarters to address crisis situations.

Striving to be a company society wants to exist

The Honda Challenge

FY2007 Highlights

The demand for mobility is growing—not only in North America and Europe, but in South America, Asia and the rest of the world as well. It appears certain that the transportation market will continue to expand. Meanwhile, automakers must deal decisively with global warming and other environmental problems. To achieve sustained growth, they must also continue to enhance the safety and quality of their products. Confronting these challenges, Honda is strengthening (1) its advanced manufacturing systems in Japan; (2) its foundation for long-term global growth; and (3) its initiatives to reduce the environmental impact of its operations. Strengthening our fundamentals, we're pursuing new innovations in production and environmentally responsible technologies.

Part I

Innovation in Production: Strengthening the Fundamentals

To meet the growing demand for mobility, we're pursuing innovations in production technology. We're meeting the needs of society and the expectations of our customers, and realizing the dreams of our stakeholders.

1. **Advances in automobile production**
   —the Yorii-Ogawa Project
2. **A new inspiration in automatic transmission production**
   —Hamamatsu Factory initiatives
3. **A new concept in motorcycle production**
   —Kumamoto Factory initiatives

Part II

Our Vision of Environmental Technology

Implementing a range of environmental technologies, we're delivering on our promise of genuine value in mobility—driving pleasure and environmental responsibility.

1. **Potential of the next-generation diesel engine**
   —combatting global warming and using energy resources efficiently
2. **Advanced motorcycle environmental technology**
   —implementing fuel injection technology throughout the product lineup
3. **Powered by Honda: energy conservation in the home**
   —the potential of a new cogeneration system

TOPICS

- **Cooperative research in making ethanol from cellulosic biomass**
- **A next-generation fuel cell vehicle in 2008 for Japan and the US**

Leveraging the advanced technologies of new manufacturing systems to strengthen the leadership function

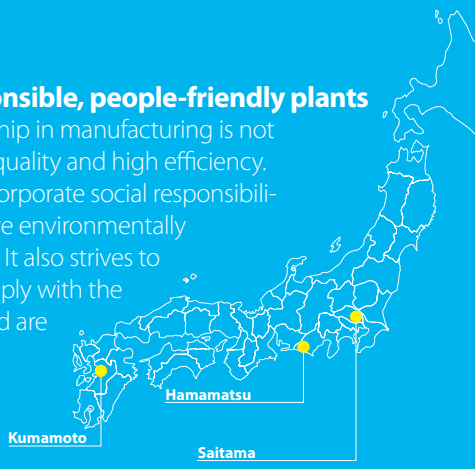
The leadership provided by Honda manufacturing facilities in Japan is key to the company's ongoing innovation in production technology. By internationalizing our operations and manufacturing products where the demand is, Honda has expanded its development and production operations throughout the world. Honda relies on the leadership of its Japan operations to transfer advanced production technologies throughout our global operations, thereby strengthening our production capacity throughout the world.

To meet accelerating regional demand and prepare for the future, we're strengthening and expanding our production capacity at a faster pace. We're planning a major increase in sales volume by 2010.* To manage rapid growth efficiently, Honda will further strengthen the leadership function of its Japan-based operations, taking its production technologies to the next level and developing next-generation manufacturing systems that can also be implemented in other countries.

In 2006 Honda announced a plan to strengthen the foundation of its production operations in Japan by building new plants in Yorii and Ogawa in Saitama Prefecture. The new plants will be capable of synchronous production—from engine to automobile. Honda also announced in 2006 that the leadership roles of Hamamatsu Factory in automatic transmissions and Kumamoto Factory in motorcycle production will be further strengthened.

Environmentally responsible, people-friendly plants

Honda's concept of leadership in manufacturing is not limited to promoting high quality and high efficiency. Fulfilling a broad range of corporate social responsibilities, Honda strives to achieve environmentally responsible manufacturing. It also strives to ensure that its facilities comply with the highest safety standards and are truly people-friendly, thereby meeting the needs of the communities where we live and work, as well as the expectations of stakeholders. We have set voluntary targets to reduce the environmental impact of our operations (see page 41), including CO_2 emissions. We're implementing strategies at all of our factories to combat global warming and conserve resources.



We want everyone to realize their potential. That's why we're modifying our assembly lines and personnel policies to allow associates to strike a better balance between work and private life, while also striving to create safer and more comfortable workplaces that are welcoming to women and older workers. We're always seeking to contribute to our host communities by creating new employment and working closely with local authorities to invigorate commerce. We also think it's important to enhance local environments. One way of doing that is by promoting traffic safety, which we are striving to do through a variety of initiatives.

* We plan to expand annual sales of motorcycles to more than 18 million units, automobiles to more than 4.5 million units, and power products to more than 7 million units (As announced by President Fukui in May 2006).

Innovation in Production: Strengthening the Fundamentals

FY2007 Highlights

Striving to be a company society wants to exist

The Honda Challenge Part I

To meet the growing demand for mobility, we're pursuing innovations in production technology. We're meeting the needs of society and the expectations of our customers, and realizing the dreams of our stakeholders.

Advances in automobile production

——the Yorii-Ogawa Project

Building the future of global Honda production

The construction of a new auto plant in Yorii, Saitama Prefecture—scheduled to begin production in 2010—is a key element of the Yorii-Ogawa Project*, and Honda's drive for innovation in production. A second key element is a new engine plant scheduled to begin production in nearby Ogawa in summer 2009 to help meet the growing worldwide demand for fuel-efficient engines. Destined to form a new foundation for the global evolution of Honda production technology and expertise, the Yorii-Ogawa Project is a vital initiative driven by three main concepts.

Ogawa engine factory on completion (artist's rendering)

First, the new facilities will be designed on the basis of our Green Factory initiative's energy-and-materials recycling principles and practices. They will achieve world-leading levels of efficiency in the use of energy and other resources, and aim for per-unit CO_2 emissions 20% lower than 2000 levels. Second, the new facilities will incorporate high-quality, high-efficiency production and logistical systems that will allow them to respond quickly to rapidly changing demand. Thanks to the introduction of Honda's own agile manufacturing systems, the plants will achieve levels of quality that will astound and delight customers worldwide. Third, the new facilities are designed to foster the individuality and craftsmanship of each associate. They'll become models for developing new production technology worldwide, as well as workplaces that will be a source of pride for associates, customers and the local community. Our goal is to create new facilities where associates will truly enjoy their work—and where customers will want their cars to be built.

These three concepts represent Honda's manufacturing ideal. Advancing step by step, we're turning dreams into reality.

* Output for the Yorii Factory is scheduled to be 200,000 units per year in 2010, bringing production capacity in Japan to approximately 1.5 million units.

Stakeholder's Perspective

Production in harmony with the environment

Morikazu Kato
Industrial Development Council Chief
Yorii Town

Honda's decision to build a new plant in Yorii is greatly welcomed by people in and around the town, not only because it will boost employment, but also because it will add new vitality to local commerce, reinforce the tax base and strengthen the regional economy. Yorii is blessed with beautiful natural surroundings. In particular, our water was ranked by Japan's Ministry of the Environment as among the 100 best in the country. We're looking forward to joining hands with Honda to harmonize advanced industry with our rich natural environment and realize truly sustainable development.

Honda global automobile production capacity

* Calculations for North America include Mexico. Calculations for Japan are based on reports to the Japan Automobile Manufacturers Association. Calculations for other countries are based on assembly output.

Nobuhiko Shiozaki
Senior Project Leader
Yorii-Ogawa Project

Stakeholder's Perspective

Changing expectations in an evolving company

In April 2007 a working group called "Women Thinking about the Ideal Plant for Women" was formed at Saitama Factory. The group is composed of 10 women working at the factory's various plants. We discuss issues like marriage, maternity and child-rearing, and how to balance them with our work. We also talk about ways assembly line equipment might be made easier for women to use, as well as how personnel policies could be improved and awareness of women's issues raised. My boss has urged us not to hesitate to make whatever proposals we see fit. I appreciate the fact that Honda is striving to make improvements wherever possible, and I will continue to bring forward specific proposals for improvement.

Megumi Ono
Assembly Plant,
Saitama Factory
Women Thinking about the Ideal Plant for Women Working Group

Encouraging women in manufacturing

I prefer physical labor to working at a desk, which is why I asked to be assigned to the assembly line when I joined the company. Currently, I work on the instrument panel unit assembly line. Until recently, I was usually the only woman on my line, but we've started a pilot project assembly line with other female associates. This gives us a chance to exchange ideas about our work. The feeling in the group is really positive. I'm hoping that in future Honda will introduce flexible working arrangements, and I'm looking forward to enjoying a long career here.

Chika Ogasawara
Assembly Plant,
Saitama Factory

People-friendly factories—where everyone can enjoy working

Honda is dedicated to putting its basic principle of respect for the individual into practice in the people-friendly Yorii-Ogawa Project. By "people," we mean associates, of course, but also suppliers and residents of the local community—everyone who comes in contact with the Yorii and Ogawa plants.

Although car manufacturing is traditionally a male-oriented industry, with declining birth rates and with women comprising an increasing percentage of the working population, Honda's workforce now includes more women and older people. As Japan's population is projected to decline in the near future, Honda's competitive strength will depend on its ability to create work environments where everyone—regardless of age or gender, and including individuals with disabilities—can realize their full potential.

To reduce the physical strain on associates and enhance quality, production processes and procedures are reconsidered from an ergonomic perspective

In collaboration with Saitama Factory, the Yorii-Ogawa Project established a committee composed of women working at Saitama Factory. They were asked to think about how to make our factories better workplaces for women. The group is considering various issues faced by women in the workplace, and working to come up with solutions. With a view to improving the production process, a pilot assembly line staffed mainly by women was created.

The experiment, which was designed to explore ideal working arrangements, analyzed physical burdens and ergonomics. Among the improvements: the heights of work surfaces were adjusted and mechanical devices were introduced to help workers move heavy objects more easily.

Of course, there's more to it than equipment. We're also making every effort to maximize the motivation of each associate, striving to create an environment in which everyone is encouraged to take initiative and fulfill his or her ambitions. We're also engaged with local residents, working to make sure that Honda factories are truly welcomed by everyone.

Tsuyoshi Saito
Administration Division
Yorii-Ogawa Project

A new inspiration in automatic transmission production

——Hamamatsu Factory initiatives

Meeting the growing global demand for automatic transmissions

The history of Honda motorcycle manufacturing began in 1949 with the start of production of the Dream D motorcycle in Hamamatsu. Ever since, Honda has continued to make innovative products in Hamamatsu and elsewhere, expanding from motorcycles to automobiles, and from Japan to the world, with a rapidly diversifying lineup of products. Today, mid-size and larger motorcycles, automobile transmissions, 4-stroke marine outboards and other Honda products are built in Hamamatsu.

Hamamatsu Factory

Automatic Transmissions are a core product. Some 20-25% of the automatic transmissions for Honda automobiles, and about 60% of the gears that are a key component of automatic transmissions, are made here. As the automobile market expands, demand for automatic transmissions expands as well.

To meet demand, Honda has established a new factory in Georgia, US, and strengthened and expanded its production capacity in China. At the same time, Hamamatsu Factory has been assigned the responsibility of leading the way in introducing innovations and strengthening Honda's automatic transmission manufacturing systems as part of the Pioneer Automatic Transmission Project. Hamamatsu Factory's mission is to help extend the foundation of expertise and technical skill to Honda's facilities worldwide.

Cultivating engineering talent to foster innovation in automatic transmissions

To strengthen the development of automobile production engineering worldwide, Honda currently has some 160 engineers from Hamamatsu Factory working on assignment in North America, China, Indonesia and elsewhere. Also, Hamamatsu Factory welcomes trainee engineers from facilities all over the world. The training of young engineers requires considerable experience, knowledge and expertise, as well as a long-term commitment.

A key long-term objective of the project is to provide young engineers with the expertise to optimize production lines, upgrade production equipment and handle other key tasks that call for a high level of technical skill. To cultivate their talents, plans are in place to institute hands-on education programs within factories to ensure that training is practical and focused on the actual places where engineers work, the actual objects they work with and the actual issues they face.

Automatic transmission production training

Environmental Conservation

Environmentally responsible manufacturing

One of the principal objectives of the Pioneer Automatic Transmission Project at Hamamatsu Factory is to strengthen environmental conservation. As part of the program to attain the target of a 15.3% reduction in CO_2 emissions by 2010 (baseline: FY1991), the factory's equipment is being upgraded and other measures are being taken to improve energy efficiency. In accordance with the odor-related emissions regulations introduced by the city of Hamamatsu in 2002, ozone-deodorizing equipment is being installed in the foundry as one of many environmental conservation measures.

Hideaki Masuda
Pioneer Automatic Transmission Project
Hamamatsu Factory

A new concept in motorcycle production

——Kumamoto Factory initiatives

Cultivating Talent

Transferring technical ability: cell assembly

Typically, motorcycle assembly is configured around conveyor belts that carry the bikes from worker to worker on an assembly line. But for some products, Honda has introduced a cell assembly approach in which three or four people work together to assemble a bike. This flexible approach, which is well suited to small-lot production of a variety of models, can also help enhance quality. Working closely with younger associates to put together a bike, assembly experts are able to share their knowledge and experience. In future, Honda plans to further leverage the advantages of cell assembly.

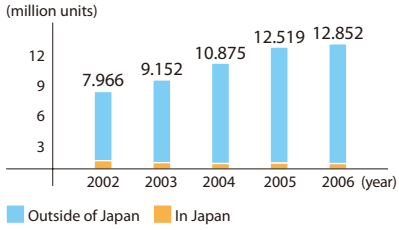
Cell assembly (illustration)

Fulfilling the responsibilities of a leading global manufacturer

Honda got its start building motorcycles. Today we're the world's leading motorcycle manufacturer. Offering everything from small-displacement bikes used for everyday transportation to high-displacement, high-performance sports bikes, we're meeting the need for mobility and enriching the lives of people throughout the world.

Demand is growing globally—in North America and other developed economies, but also at a particularly rapid pace in the developing economies of India, China and the rest of Asia, as well as in Brazil, Argentina and elsewhere in South America. With 33 facilities in 22 countries, as well as research and development facilities in Japan, North America, Europe, Asia and other regions, Honda is meeting local needs by developing and manufacturing products appropriate to each region. To respond to growth in global demand, Honda must fulfill its responsibilities as a leading manufacturer to produce and deliver the products society needs. To do so, we must take our quality and production capacity to the next level. And in focusing on the needs of developing economies, Honda must continue to increase the fuel efficiency and lower the exhaust emissions of its products by implementing advanced environmental technologies. In addition, it must implement advanced safety technologies to satisfy the needs of societies around the world.

Honda global motorcycle production capacity (includes ATVs)



Building competitive strength through superior performance and even higher quality

To confront these challenges, Honda has decided to move in stages to concentrate the production of motorcycles at Kumamoto Factory. Along with the small motorcycles (under 250cc) already produced at Kumamoto Factory, the production of mid-size and large motorcycles (250cc and up) will be transferred from Hamamatsu Factory to Kumamoto Factory. We're improving motorcycle production efficiency and building global competitive strength through a revolutionary improvement in production capacity. We're promoting the smoother introduction of new technologies and new models, as well as strengthening and expanding production capacity at factories in Japan and around the world. To these ends, in September 2006 we decided to build a new motorcycle manufacturing plant at Kumamoto Factory. Scheduled to begin operation in 2008, it will have an annual production capacity of 600,000 units.

We are determined to make the new facility environmentally responsible and people-friendly as we continue to strengthen our competitive position around the globe. As specific goals, we also aim to achieve further standardization of the components of small commuter bikes in order to reduce their cost, and to add new value to performance bikes by providing superior functionality and even higher quality.

Kiyokazu Sasabe
Project Leader
New Motorcycle Plant Project
Kumamoto Factory

In addition, we plan to step up efforts to cultivate new engineering talent and enhance ties with the local community. Kumamoto Factory will increasingly exercise its leadership as the home base for worldwide Honda motorcycle and ATV (All-Terrain Vehicle) production.

Factories growing with their communities

Since Kumamoto Factory began operations in 1976, we have worked to grow harmoniously with the region by cultivating close contacts with the local community. For example, since the facility opened we have held regular town meetings, inviting representatives of Ozu Town to exchange information and opinions twice a year. In addition, we hold annual meetings to share news with representatives of local government and media organizations.

In conjunction with construction of the new plant, we plan to hold meetings with government and local residents during the planning stage, thoroughly presenting our plans and taking their views into consideration.

With a view to contributing to the community, we offer local children traffic safety training, environmental education and cardboard crafts events that provide them an opportunity to enjoy making things with their hands. We also organize facility tours for elementary and junior high school youth, as well as open our facility and its grounds for community events.

Naturally, our commitment to environmental conservation remains constant. Preservation of watersheds is one important example. Kumamoto Prefecture is blessed with an abundance of fresh groundwater, and in many areas needs are entirely met with wells. At Kumamoto Factory, we're promoting the use of rainwater and the recycling of industrial water to limit the amount of water we draw from the ground. To help preserve the sources of the water that nourishes us all, we are working hand in hand with local residents to protect watersheds through reforestation.

Striving to grow in harmony with the local community as a good corporate citizen, we plan to continue these friendly exchanges with the people alongside whom we live and work.

Tatsuya Kitahata
Business Administration Division
Kumamoto Factory

Honda meets with Ozu authorities

Stakeholder's Perspective

Proud to become "Motorcycle Town"

One of the critical issues faced by rural regions throughout Japan is the exodus of young people to big cities. Honda's decision to expand motorcycle production in Ozu is thus most welcome. By contributing to the growth of local employment and increasing the proportion of young people putting down roots here, the new plant will help revitalize the town. More two- and three-generation households are being created as a result, so more seniors can hope to enjoy stronger family support. To bring all this to fruition, we need to put renewed effort into cultivating a new generation of talented and motivated young people in Ozu. For example, the whole community could take part by holding motocross competitions and homecomings for motorcycle owners. We could also upgrade local roads, working together to turn Ozu into "Motorcycle Town," giving our home a fresh surge of energy.

Isao Ieiri
Mayor, Ozu Town
Kumamoto Prefecture

Artist's depiction of the new motorcycle plant at Kumamoto Factory

CO_2 emissions targets for all products and production worldwide

Automobiles, motorcycles and other means of motorized transportation consume gasoline, diesel or other fossil fuels, emitting carbon dioxide (CO_2), nitrogen oxides (NOx) and other gases in the process. This contributes to resource depletion, climate change, air pollution and other environmental problems.

On the other hand, mobility is indispensable in industrial development and improving quality of life. There can be no denying that ongoing economic growth throughout the world will heighten demand for mobility. Manufacturers of mobility products thus face the conflicting challenges of reducing their environmental impact while satisfying growing demand.

Striving to fulfill its responsibilities as a manufacturer of mobility products, while also creating new value for its customers, in May 2006 Honda announced CO_2 emissions reduction targets for all its products and production activities worldwide, to take effect by 2010 (see page 41). This voluntary announcement of targets for CO_2 reduction—a first for the global auto industry—has drawn attention from around the world.

Making the most of all forms of energy

In an effort to reduce the CO_2 emissions of the vehicles it produces, Honda is engaged in a broad range of environmental initiatives that can be divided into two main forms of innovation.

First, by optimizing both mobility and energy use, Honda is working to further advance the efficiency of gasoline engine technology. Hybrid automobiles* are one example. They're ideally suited to stop-and-go city traffic, but are not so efficient for high-speed, long-distance highway travel. Diesel engines, on the other hand, offer superior fuel efficiency over longer distances. While further enhancing the fuel efficiency of gasoline-powered vehicles, Honda is also offering its customers compact hybrid vehicles for city driving, and, at the same time, developing better diesel engines for the mid-size and larger vehicles favored for highway travel and long-haul commercial purposes. In these ways, we're optimizing the environmental performance of different vehicles for different purposes. We are also working toward the full-scale commercialization of fuel cell vehicles, often considered the ultimate clean car. And we're working to implement PGM-FI** technology throughout our motorcycle lineup, as well as introducing ultra-low friction engines and variable cylinder management systems to improve fuel efficiency.

Second, we are working to develop alternate forms of energy: solar panels and ethanol, cogeneration and other ways of providing clean power.

Through a diverse range of environmental technology initiatives, Honda is delivering on the promise of driving pleasure and environmental responsibility.

* Hybrid automobiles use both a gasoline engine and an electric motor for locomotion. They feature regenerative braking systems that recover braking energy and store it as electricity in batteries. Using this electrical energy in the motor to supplement the power of the gasoline engine, they provide superior fuel efficiency. Hybrid vehicles are well suited to stop-and-go city traffic.

** Programmed Fuel Injection

Our Vision of Environmental Technology

FY2007 Highlights
Striving to be a company society wants to exist
The Honda Challenge Part II

Implementing a range of environmental technologies, we're delivering on our promise of genuine value in mobility—driving pleasure and environmental responsibility.

Potential of the next-generation diesel engine

——combatting global warming and using energy resources efficiently

Developing cleaner diesel technology to combat global warming

The next-generation diesel engine Honda announced in May 2006 represents a major step in our ongoing pursuit of innovation in engine technology.

Diesels are more fuel efficient and emit less CO_2 than gasoline engines. However, due to their emission of particulate matter (PM) and nitrogen oxides (NOx), in Japan they are not considered to be particularly environmentally responsible. But recent advances in fuel injection and exhaust gas treatment technologies have made diesel emissions considerably cleaner. In Europe, where diesels have long been considered a next-generation clean engine, interest in diesel technology has risen along with the increase in environmental consciousness. Today over half of the passenger cars on the European market are diesels.

An examination of the CO_2 emissions associated with the life cycle of gasoline-powered vehicles reveals that while emissions generated in vehicle use represent the largest proportion of emissions, those generated during gasoline refinement represent the second largest proportion (see graphic below). A key merit of diesel technology is that the CO_2 emissions generated in refining diesel are substantially less than those generated when refining gasoline.

As global warming captures broader public attention, interest in diesel technology will likely grow in Japan and North America, where most vehicles are currently gasoline-powered.

Using energy wisely

The popularization of diesel technology would significantly contribute to more efficient use of energy resources—especially in Japan, which imports virtually all its oil. This is particularly the case given that the proportions of gasoline, diesel and other petrochemical products derived from the refinement of crude oil are constant, so in Japan, where the vast majority of cars run on gasoline, increased use of diesel would increase efficiency. The popularization of diesel vehicles could help ensure that the oil Japan imports is used efficiently.

Diesels can also run on liquid natural gas, liquid fuels that can be derived from coal and biomass, canola and other forms of biodiesel. This flexibility is a feature that makes the future transition to diesels compelling. Honda's pursuit of cleaner diesel technology is thus driven not only by concerns over global warming, but also by a broader perspective that takes into account the efficient use of energy resources and the utilization of alternate forms of energy.

Honda CSR in Action (Corporate Communications)

Since many people consider diesels loud, smelly and dirty, I think it's essential to clearly and consistently communicate encouraging facts about them. In the spirit of innovation and initiative that Honda values, I plan to find new ways to convey our message of driving pleasure—and to make sure the benefits of our advanced diesel technologies are truly appreciated.

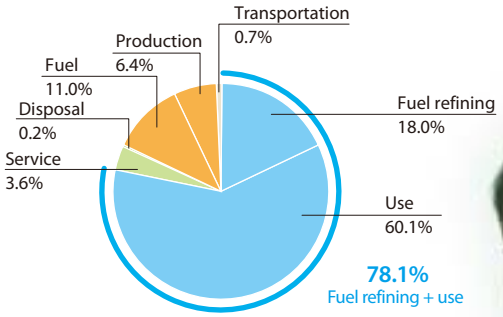
Keitaro Yamamoto
Corporate Communications

Honda CSR in Action (European Sales)

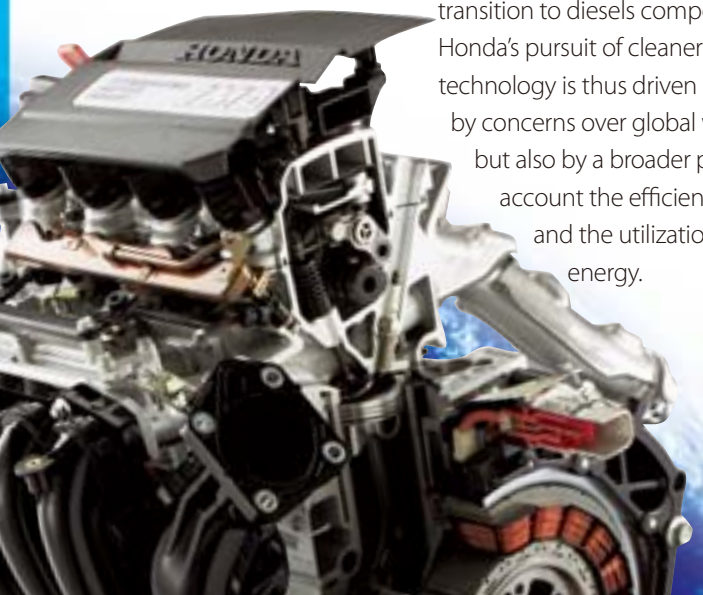
In the rapidly expanding diesel market in the UK, Honda diesel vehicles have a strong presence. Customers appreciate not only their superior fuel efficiency but also the fact that they're as quiet, easy to drive and powerful as gasoline-engine vehicles. Honda is all about the spirit of challenge. We will continue to push and develop new environmentally responsible technologies and vehicles to produce the best result for our customers.

Tom Gardner
Marketing, Honda UK

Average CO_2 emissions in the life cycle of a Honda Civic



(Calculations performed in Japan based on Honda's Life Cycle Assessment. Please see page 54 for more information.)



Kenichi Nagahiro
Automobile R&D Center

Honda CSR in Action (Purchasing)

The pace of diesel engine component development is fast and cost competition is fierce. Speed is of the essence. To ensure a stable supply of components and materials that meet specifications, we are engaged in mid- and long-term planning, sharing information among suppliers, our R&D arm and purchasing. We're working to develop bonds of trust with our suppliers that will serve as the foundation of long-term growth.

Kazuyoshi Saito
Automobile Purchasing

Honda CSR in Action (Patents)

Honda has always had a deep respect for originality. Our engineers are dedicated to creating new technologies. Our job is to support that effort, making sure that our work does not encroach on the entitlements of third parties, and ensuring that the patents Honda holds on its technologies are fully protected. This also applies to the area of diesel development, where we are working to protect advances in Honda technology by filing patent applications in an appropriate and timely fashion.

Megumi Hayashida
Automobile R&D Center

Aiming to be the world's first automaker to comply with US standards for diesel NOx emissions

The key development objective with this new diesel was to see just how much we could reduce NOx emissions. Although diesel technology has come a long way, no automaker has introduced a diesel vehicle that complies with the stringent California emissions standards. The new 2007 standards are even tougher. Similarly tough standards are expected to be introduced in Japan in 2009.

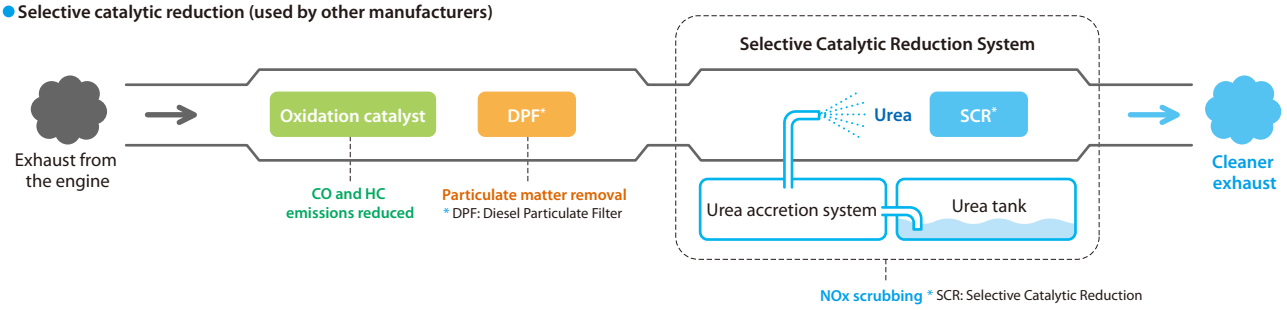
Confronting this challenge, Honda has developed a next-generation diesel engine that features a revolutionary lean NOx catalytic converter that uses the reductive reaction of ammonia generated within the catalytic converter to reduce NOx. The result is a diesel with NOx emissions on par (according to Honda calculations) with those of a gasoline engine, complying with the EPA's Tier 2 Bin 5 regulations—a world's first. This achievement has attracted a great deal of attention.

Other methods of reducing NOx emissions, in which urea is injected into the exhaust pipe, have been familiar to the auto industry for some time. However, with urea injection technologies, the injection devices and the requirement for on-board urea storage tanks tend to increase vehicle weight, while the need for periodic replenishment of the urea supply is problematic. Honda's objective was to create a compact, lightweight, maintenance-free NOx reduction system for diesel engines. The result is the new, lean NOx catalytic converter.

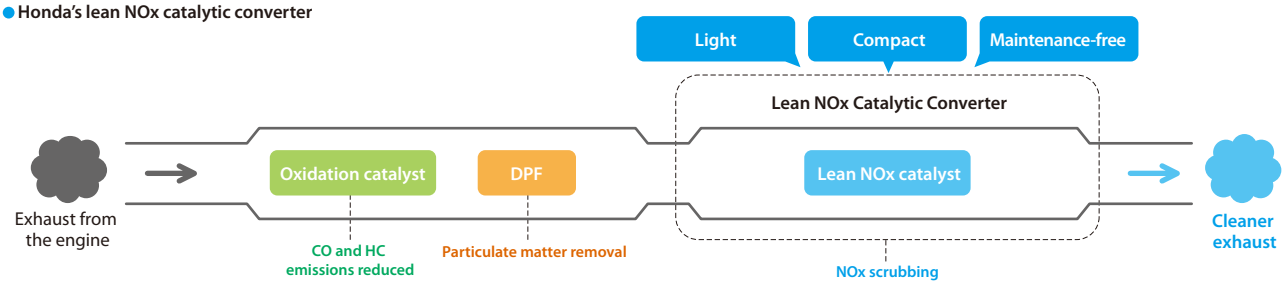
Along with developing superior technology for cleaning exhaust gas, Honda plans to address other technical challenges in developing clean diesel engines, such as meeting on-board diagnostic system requirements. It plans to introduce a new diesel vehicle in the US in 2009. Honda is also planning to introduce this new environmentally responsible diesel in Japan.

Diesel emissions cleaning technologies

● Selective catalytic reduction (used by other manufacturers)



● Honda's lean NOx catalytic converter



Advanced motorcycle environmental technology

——implementing fuel injection technology throughout the product lineup

Precisely controlling fuel consumption

As the world's leading motorcycle manufacturer, Honda is working to improve the fuel efficiency and lower the emissions of all its products. We're working hard to enhance environmental performance across the board to help reach our announced target—a 10% reduction in CO_2 emissions on all products worldwide by 2010, using a FY2001 baseline.

To attain this target, Honda has announced that we will implement PGM-FI on most scooters manufactured in Japan by 2007 and most motorcycles manufactured worldwide by the end of 2010. PGM-FI adapts to driving conditions and changes in engine load caused by acceleration and deceleration, adjusting the timing of ignition as well as the timing and volume of fuel injection for optimal electronic control. With implementation of PGM-FI, fuel efficiency is improved and emissions are reduced without compromising performance. Performance is also improved in cold starts, and when the engine has not been started for an extended period.

For some time, Honda has featured PGM-FI on many larger motorcycles sold worldwide. We recently expanded the implementation of this technology: in 2003 to 125-150cc motorcycles, and in 2004 to 50cc scooters (a world's first). We are striving to offer PGM-FI on commuter bikes and other small motorcycles, the choice of most customers in developing economies around the world.

The PGM-FI-equipped Wave 125i for the Thai market

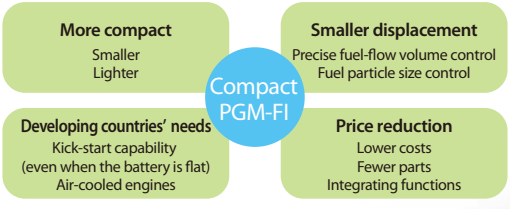
Compact, low-cost, high-performance PGM-FI for smaller models

Implementing PGM-FI on smaller motorcycles presented many technical challenges. Naturally, the system needed to be smaller and lighter than the one used on larger motorcycles. In addition, more precise fuel injection control was required, and the system needed to be adapted to work with kick-start mechanisms and air-cooled engines. Costs also had to be reduced.

Honda engineers overcame these challenges by developing highly precise control technology. They reduced the fuel particle size to one-half, the units of air supply to one-third, and the units of fuel injection control to one-fifth of those used in fuel injection for larger motorcycles. They added a separate circuit for kick starting so the bikes could be started with only a small amount of current. They also upgraded many materials and significantly reduced the number of components to simplify the design and reduce the cost.

The result of these technological developments is that Honda's PGM-FI system has been optimized for most 50-250cc engines. Honda is well on its way to achieving its ultimate objective of equipping all the motorcycles it manufactures worldwide with its advanced fuel injection technology.

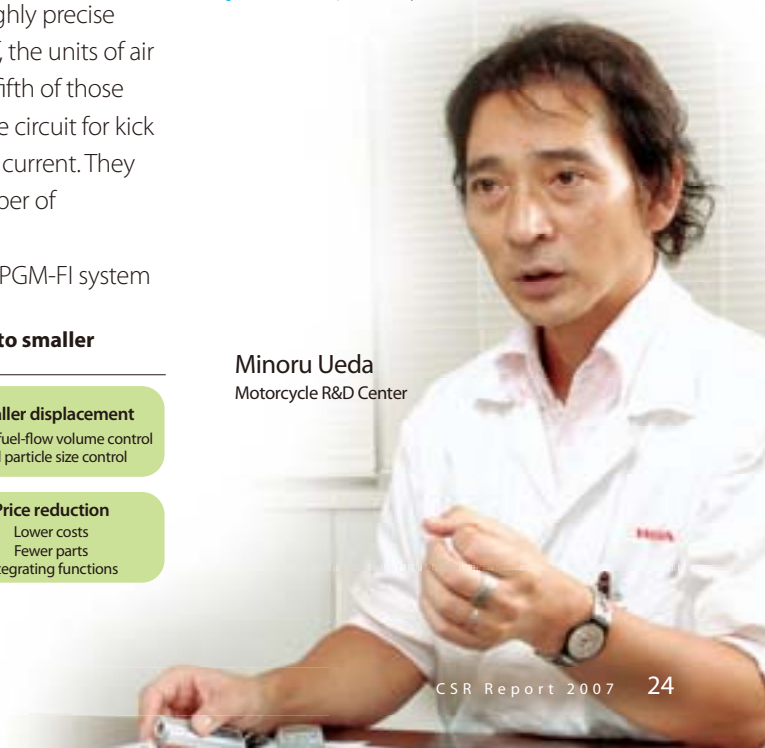
The challenge of adapting PGM-FI to smaller motorcycles



Honda CSR in Action (Planning)

The early introduction of cleaner-running, higher fuel-efficiency 4-stroke engines has been a key element in Honda's leadership of the motorcycle industry since the company's foundation. Recently, Honda has been working to further enhance the environmental performance of its products by implementing 4-stroke technology on scooters and extending the application of PGM-FI. While proactively implementing environmental technologies, Honda has also continued to apply original technologies to improve the essential qualities that make the motorcycle an attractive product: simplicity, a compact design and a reasonable price. By delivering such high-quality products and satisfying customers, I believe Honda is fulfilling an important corporate social responsibility.

Hiroshi Sekiguchi
Motorcycle Business Planning Office

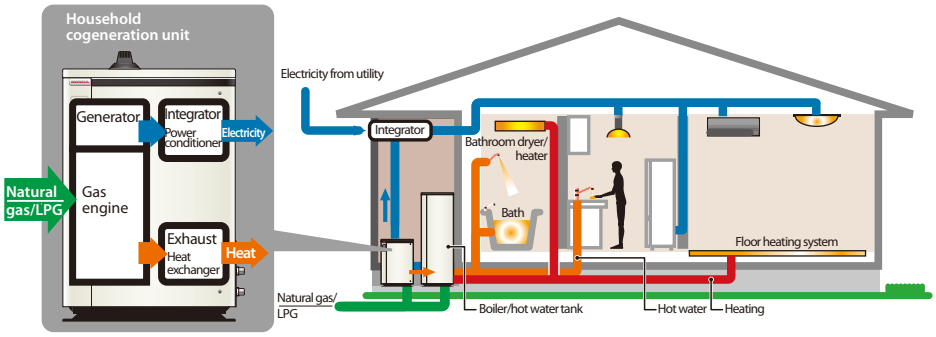


Minoru Ueda
Motorcycle R&D Center

Powered by Honda: energy conservation in the home

——the potential of a new cogeneration system

Household cogeneration system



Evolution of the world's first household cogeneration unit

Cogeneration systems use natural gas as fuel to produce both the electricity and hot water households require. This makes them an efficient, environmentally responsible energy system. Early to recognize the potential social value of cogeneration, Honda applied its long years of experience in designing compact engines and generators to create the world's first cogeneration unit small enough to be used at home. Introduced to the Japanese market in 2003 via major utility companies, the Ecowill household cogeneration system has become a favorite with customers who appreciate how efficiently it provides power for floor-heating systems and reduces lighting costs.

Right from the development stage, Honda emphasized durability, compactness and efficiency. Over its lifetime, a cogeneration system must operate 10 times as long as an automobile does. Its operation must also be quiet and clean. Honda managed to reduce the unit's noise level to that of an air-conditioner exhaust unit. By applying 3-way catalysts* and other advanced technologies, it endowed the product with truly superior environmental performance.

A new-generation model featuring an improvement of approximately 10% in electrical efficiency was released in Japan in October 2006 and introduced in the US in March 2007. Pursuing even greater efficiency, longer operating life and lower cost, Honda will continue working to popularize household cogeneration systems, promoting energy conservation in homes around the world.

Honda's MCHP 1.0 household cogeneration unit

MCHP 1.0 mechanisms

* Made with platinum and other precious metals, 3-way catalysts function to clean emissions by eliminating carbon monoxide (CO), hydrocarbons (HC) and nitrogen oxides (NOx).

Kazuhiro Togawa
Power Products R&D Center

Stakeholder's Perspective

A powerful partnership for environmentally responsible products

While working with Honda on the development of the Ecowill cogeneration system, I was struck by their determination and dedication to the technology. During the testing phase, we encountered issues with durability and noise, but each time a problem arose, Honda engineers were there, making the necessary improvements, checking and rechecking until everything was resolved. It was a satisfying experience, and one of the reasons we succeeded in bringing this environmentally responsible product to market.
Since we came from different industries, at first we experienced challenges in aligning our approaches. But by the time we brought out the first product, we had created a powerful partnership, achieving a synergy between Honda's superior technology and the understanding of the market and customer needs possessed by Osaka Gas. Thanks to the strength of our partnership, in October 2006 we succeeded in introducing a new model with even better electrical efficiency that also responds to market needs with an enhanced structure and design. It's even easier to maintain.

Yoshitaka Shibata
Residential Energy Business Unit
Osaka Gas Co., Ltd.

TOPICS

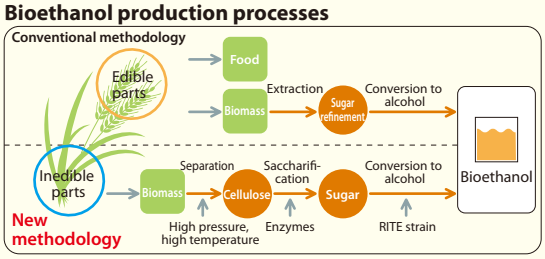
Developing sustainable energies

Cooperative research in making ethanol from cellulosic biomass

When bioethanol produced from crops and wood material is burned, the CO_2 released is balanced by the CO_2 captured by plants through photosynthesis; therefore, when the total life cycle is considered, the amount of CO_2 in the atmosphere does not increase. Bioethanol can thus be considered a carbon-neutral fuel. However, since conventional bioethanol is produced from edible crops such as sugarcane and corn, the need to balance the demand for fuel with that for food can create difficulties in securing a stable supply. Increased production of bioethanol also poses the problem of potentially forcing up crop prices, thereby reducing the viability of the energy source. To solve this problem, the Research Institute of Innovative Technology for the Earth (RITE) and Honda have developed a technology to produce ethanol from cellulose and hemicellulose, both found in soft-biomass. This includes inedible leaves and stalks of plants such as rice straw, which until now could not be readily converted to ethanol. The new RITE-Honda process substantially reduces the negative influence of fermentation inhibitors through the utilization of the RITE strain—a microorganism developed by RITE that converts sugar into alcohol—and the application of Honda technology that enables a significant increase in alcohol conversion efficiency compared to conventional cellulosic bioethanol production processes.

With a view to eventual commercial production, Honda has established a test plant at its Wako Fundamental Research Center to continue examining the market appeal and economic viability of this new bioethanol technology.

Bioethanol production processes



Toward the full-scale commercialization of fuel cell vehicles

A next-generation fuel cell vehicle in 2008 for Japan and the US

In 2008 Honda will begin limited marketing in Japan and the US of a next-generation fuel cell vehicle based on the FCX Concept. Featuring significant gains in both environmental and driving performance, the FCX Concept is equipped with a V Flow fuel cell platform consisting of a compact, high-efficiency fuel cell stack arranged in an innovative center-tunnel layout. This has allowed designers to create an elegant, low-riding sedan form that would have been difficult to achieve in a conventional fuel cell vehicle.

The compact, high-efficiency Honda FC Stack

Seat made of new Honda bio-fabric

Whereas with previous fuel cell stacks the hydrogen and water formed in electricity generation flowed horizontally, the new FCX Concept features vertical-flow design. This allows gravity to assist in water management, resulting in a major improvement in water drainage, the key to high-efficiency fuel cell stack performance. The result is stable power generation under a broad range of conditions, and higher output from a smaller package. Low-temperature startup has also been significantly improved, enabling cold-weather starts at temperatures 10°C (18°F) lower than the current FCX—as low as -30°C (-22°F). Efficiency improvements to major power plant components give the vehicle a range approximately 30% greater than the current FCX. The vehicle is also highly efficient, with an energy efficiency of about 60%—approximately three times that of a gasoline vehicle, twice that of a hybrid, and 10% better than the current FCX. The seats and door linings are made of a durable new Honda-developed bio-fabric that is resistant to sunlight.

FCX Concept featuring V Flow fuel cell platform

Chapter I

Looking After Quality and Safety

In working to fulfill its responsibilities as a leading mobility manufacturer, meeting the expectations of all its stakeholders, and striving to be a company society wants to exist, Honda considers quality and safety to be of the highest priority. Maintaining global standards, we're endeavoring to take quality to the next level throughout our operations. We're pursuing greater safety by providing safer products and safety education for drivers, riders and everyone else. We're continually working to enhance the safety of our products through ongoing technological development and the promotion of traffic safety education.

Web For more information on Honda's safety initiatives, please visit us at
http://world.honda.com/safety/

For more information on Honda's traffic safety initiatives, please visit us at
http://world.honda.com/safety/safer-driving/

Insisting on Quality

Fundamental Approach to Quality

Aiming for 120%

"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%." When founder Soichiro Honda spoke these words he defined the company's fundamental approach to quality: 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 ever-higher product quality standards. That is who we are.

Honda management has identified the pursuit of ever-higher quality as a top priority for the entire organization. All associates are united in the drive to achieve unprecedented levels of quality in the products we deliver to our customers.

Strengthening Our Systems for Enhanced Quality

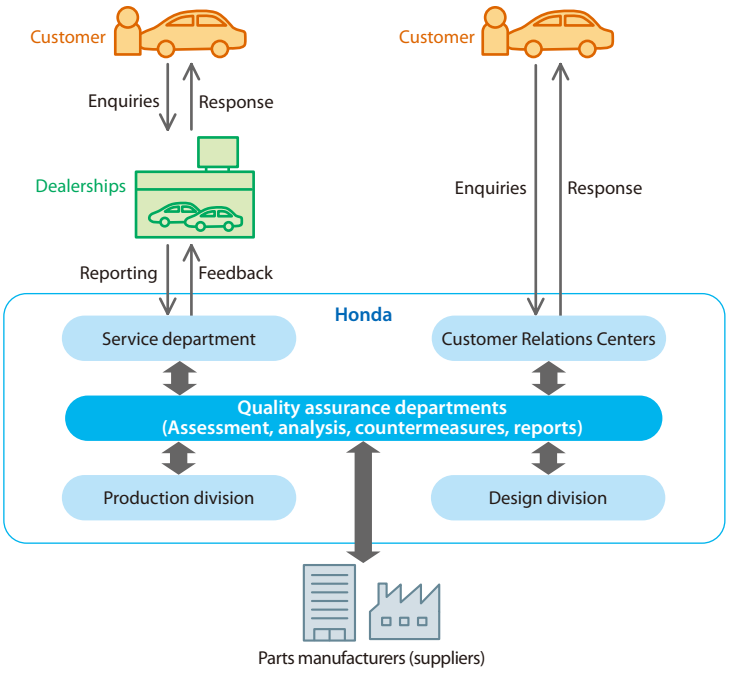
Quality assurance

Honda has established Quality Innovation Centers to prevent avoidable product-quality issues from arising and enhance our capacity to swiftly resolve difficulties whenever they do. Specialized service departments at these centers are equipped to handle cases referred to them by dealerships worldwide. They provide rapid information gathering, timely diagnosis and the resolution of any quality issues. They also keep customers and technicians fully up to speed by disseminating the latest updates on recommended maintenance procedures. By carefully documenting issues and solutions, then sharing them with the rest of the organization, our dedicated associates are working to prevent quality issues from recurring.

Worldwide quality management

Honda facilities around the world are certified under ISO quality assurance and environmental management systems standards. Special product quality assurance systems are being implemented in many local markets. Since Honda manufactures products and procures both parts and materials in many different countries, however, a global quality assurance system is required. We are currently implementing the Global Honda Quality Standard with a view to ensuring the quality of every single Honda product, regardless of where it is purchased. Under the direction of top management, our facilities around the world are working constantly to harmonize their products, services and logistics to this global standard, taking care to prevent any recurrence of known issues and deliver products of the highest possible quality to customers.

Systematic response to customer issues



Building Quality

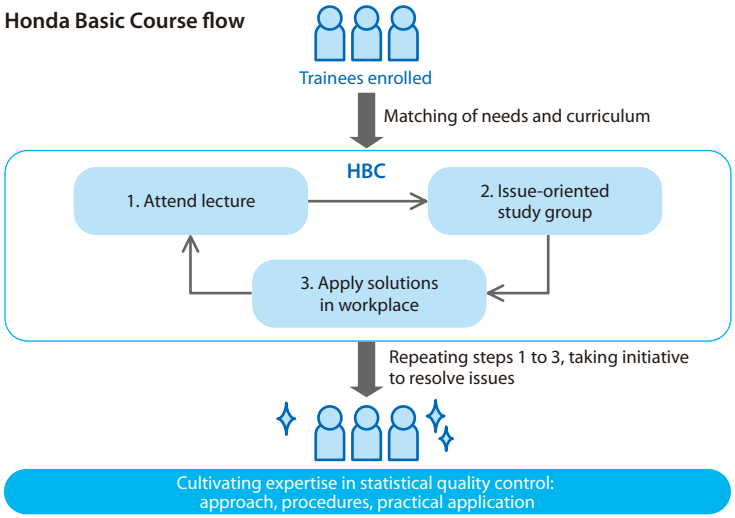
Teaching quality control

In Japan, Honda offers three different quality control courses, each focusing on a specific skill set. Since 1971, Honda Basic Courses (HBC) have provided quality education not only to Honda associates, but also to trainees sent to us by suppliers, thereby helping cultivate new leaders in quality manufacturing.

Objectives of quality control education

	Objective	Period	Trainees enrolled in FY2007
Quality Control Junior Course	Introduction to the importance of quality in manufacturing and Honda's approach to quality; training in respecting workplace rules, recognizing irregularities and changes in conditions, and reporting them appropriately.	1 day	376
Quality Control Foreman Course	Quality control approaches and procedures; training required to implement quality control procedures and show leadership in quality control matters in the factory workgroup.	3 days	390
Honda Quality Control Basic Course	Statistical quality control approaches; procedures; acquisition of knowledge related to the practical handling of problems and issues beyond the level covered in the Quality Control Foreman Course; training required to effectively teach quality control procedures to others on the factory floor.	21 days	75

Honda Basic Course flow



Handling Quality Issues

Recall system

Seeking to prevent accidents and protect vehicle occupants and pedestrians, Honda maintains appropriate recall, repair and improvement procedures. Our goal is to help maintain traffic safety, prevent injuries and damage, and minimize exhaust emissions. If a model defect is discovered and action is deemed necessary, announcements are made immediately and in accordance with the laws and regulations of the countries involved. Offers to handle the required repairs at no charge are issued by mail, telephone and other means of communication from local dealerships to owners of the affected vehicles.

Compliance with Japan's Consumer Products Safety Law

The Consumer Products Safety Law was amended in May 2007 to more strongly protect consumers from defects that could be life-threatening or cause personal injury. The amendment brought into force new regulations governing the manufacture and sale of certain goods. It mandates the compilation and publication of information relating to accidents associated with products and other measures designed to protect the rights of consumers. It also compels manufacturers and importers of specified products to report any serious accidents to Japan's Ministry of Economy, Trade and Industry.

As a manufacturer offering consumer goods for sale, Honda is, of course, in full compliance with this law, gathering information via our own systems, which were established to help ensure the safety of our customers, and submitting reports to the designated authorities in a timely and precise manner, as required.

Looking After Safety—Safety Technologies and Driving Safety

Honda's Approach to Safety

The starting point: respect for the individual

Honda believes in the dignity of each and every person. Our basic principle of respect for the individual is central to our approach to safety. Since the company's foundation we have applied this principle in all our activities and operations.

For Honda, safety is not just about protecting people who drive our cars or ride our bikes; it's also about protecting cyclists, pedestrians and the occupants of other vehicles. We want to take care of all those who share the roads in our mobile societies. It's about safety for everyone.

Safer equipment and safety education

Honda is tackling safety issues from both product and educational perspectives. We're working to ensure that our vehicles deliver the best possible safety performance. We're also promoting safe driving skills and awareness among our customers and society at large.

Honda has always been in the vanguard of safety, developing its own advanced, intelligent technologies and leading the way in bringing them to market. Honda was the first automaker in Japan to introduce many of the safety technologies used in today's cars, including three-point seat belts, Anti-Lock Braking System (ABS) and SRS airbags. Honda has always been a leader in implementing intelligent technologies and developing both active and passive safety technologies, including car bodies designed to help ensure occupant and pedestrian safety.

As the world's leading motorcycle manufacturer, Honda has taken the initiative in introducing the first motorcycle airbag system, as well as the Combined Brake System, ABS and other advanced braking systems.

Since the establishment of the Driving Safety Promotion Center in 1970, Honda has continued to be proactive in the promotion of traffic safety education. We have a strong track record in traffic safety education. Our commitment is a constant.

We will continue to pursue both product safety and traffic safety education, as well as the synergistic benefits of both types of initiative, always seeking to contribute to the development of a safer mobility society.

Honda's approach to safety

Respect for the Individual

Every human being is precious, regardless of status or position

Safety technology

Optimizing safety performance

Active Safety
- Accident prevention technology
- Hazard avoidance technology

Pre-Crash Safety

Passive Safety
- Injury minimization technology
- Post-accident technology

Education

Promoting safe driving skills and awareness

- **People:** training driving safety trainers
- **Things:** making experiential training equipment available
- **Knowledge:** creating programs and teaching materials; fostering expertise

Developing Safety Technology

The fundamentals of safety technology development

• Setting ambitious targets: developing advanced safety technology

Various safety standards for automobiles and motorcycles are in force worldwide. Respecting and proactively complying with the laws and specifications of each country and region, Honda also strives continuously to enhance the safety performance of its products.
We believe that safety is a prerequisite of mobility. We're setting ambitious targets in the ongoing development of our advanced safety technology, optimizing the safety performance of all our products.

• Pursuing safety at every stage

Working toward the objective of safety for everyone, Honda is developing technologies and equipment in support of everything from traffic safety training to the provision of post-accident emergency services.

With motorcycles, we're working on both active and passive safety initiatives, while with automobiles we're also developing pre-crash safety technology. With power products, our development of a wide range of products has been guided by our own Honda Power Product Safety Requirement.

Honda safety technology (1) Active Safety

The objective of active safety is to enhance traffic safety through the following measures: traffic safety education; accident prevention technology that helps the driver avoid dangerous situations; and hazard avoidance technology that helps the driver take preventive action when danger is present.

As part of our efforts in active safety, Honda has developed riding and driving simulators, applying our experience and original simulation technology to create these practical training devices.

In the area of accident prevention, Honda is developing technologies that allow drivers and riders to see and be seen more clearly. We're also enhancing technologies such as driver-friendly interfaces that help drivers and riders improve their concentration on the road.

In the area of hazard avoidance, Honda is engaged in ongoing enhancement of the basic performance of automobiles and motorcycles, helping drivers and riders avoid hazards. We also develop equipment that supports driver and rider vehicle operation.

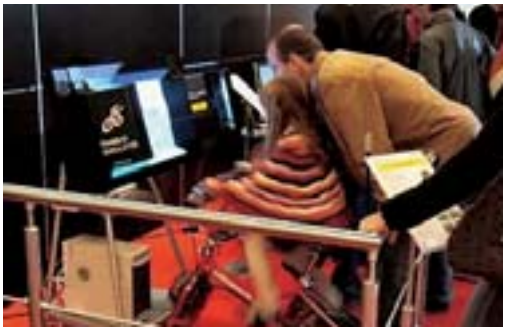
• Developing bicycle simulators

To confront social problems caused by cyclists failing to respect the rules of the road, Honda has developed a Bicycle Simulator. It was designed to help riders safely experience dangerous situations and improve their ability

Basic categories of safety technology

to predict and anticipate problems. The device provides training for everyone from children to seniors in areas such as basic operation, traffic rules, and hazard avoidance. We're now studying how to leverage this new simulator for maximum social benefit.

Bicycle simulator



Honda's bicycle simulator on display

• New MonPal designed with safety in mind

With the aging of society, more people are using electric carts, and the risk of accidents involving these scooters and other motor vehicles is increasing. With this in mind, Honda introduced a new MonPal 4-wheel scooter model in March 2006. While offering a comfortable ride and high maneuvering stability, it incorporates a variety of new safety features.

The design of the front fender makes it easy to see the direction and motion of the front wheel from the rider's seat. The MonPal ML200 incorporates LONG* visibility enhancement design adapted from the Honda ASV-3 advanced safety research vehicle—a first for a production vehicle. To enhance visibility, the turn indicators and tail lights are positioned high on the body, while lower headlights and wheel caps are equipped with reflectors.

MonPal ML200

• Intelligent Night Vision System

With the Intelligent Night Vision System, visuals captured by far infrared camera are shown on a dedicated display. When a pedestrian is detected, the driver is warned via an audio caution and a visual enhancement frame around the pedestrian's on-screen video image. The system helps make nighttime driving safer.

Viewed with naked eye

Viewed with Intelligent Night Vision System

* Longitudinal Oriented Normative Temporal Gap Compensation

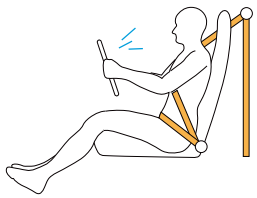
Honda safety technology (2) Pre-Crash Safety

Pre-crash safety is a new approach to automobile safety technology that embraces both active and passive safety. Some pre-crash safety technologies warn drivers of an unavoidable collision or risk of collision and activate brakes and seat belt pretensioners to help minimize injuries and vehicle damage.

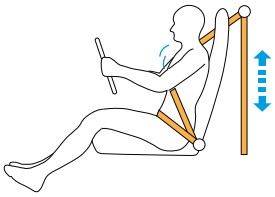
• Collision Mitigation Brake System (CMBS) + E-Pretensioners

The system uses millimeter-wave radar to predict collisions. It provides braking assist and seatbelt retraction, prompts the driver to take action to avoid an accident, and helps mitigate occupant injuries and vehicle damage in the event of an accident.

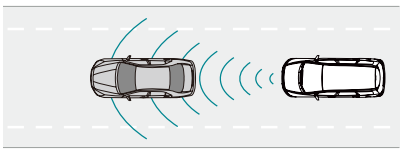
CMBS + E-Pretensioners

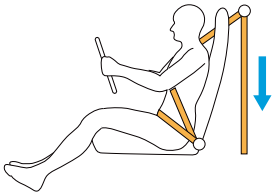


1. Close to vehicle ahead:
If the car ahead is too close (and the system calculates that there is a risk of collision), the driver is prompted to take preventive action with audio and visual warnings.



2. Closer to vehicle ahead:
If the distance between the two vehicles further diminishes, the system applies light braking and provides a tactile warning by gently retracting the driver's seatbelt.





3. Collision imminent:
If an accident appears to be unavoidable, the system applies strong braking and firmly retracts both driver's and passenger's seatbelts to hold occupants in place and lessen vehicle damage.

Honda safety technology (3) Passive Safety

Passive safety is focused on minimizing the injuries and damage that may occur in the event of an accident. Initiatives are broadly divided into injury minimization technology, which focuses on the protection of vehicle occupants and pedestrians at the moment of impact, and minimization of post-accident dangers.

To minimize injuries in automobile accidents, Honda has developed car bodies designed to effectively absorb and disperse impact energy, rigid cabin frames to secure a survival zone for occupants, and devices such as seat belts and airbags to soften the impact of a crash. Honda has also implemented pedestrian injury-reduction and other technologies to protect others.

In the area of motorcycle passive safety, Honda has developed and introduced a motorcycle airbag system that helps lessen the severity of injuries.

In the area of post-accident technology, Honda has implemented technologies to inhibit vehicle fires and support escape and rescue operations in various emergencies. We also offer a service that allows customers in Japan to make urgent contact with emergency medical services through our car navigation systems.

• World's first airbag-equipped motorcycle

The Honda Gold Wing is the first production motorcycle ever sold to be equipped with an airbag system. The motorcycle airbag is designed to lessen the severity of injuries

Motorcycle airbag (deployed)

caused by the rider colliding with another vehicle, the road or other objects by absorbing some of the forward energy of the rider's body. Its deployment is activated by a control unit that calculates deceleration data received from sensors.

• Safety technology that withstands real-world tests

Approximately 60% of traffic fatalities result from multi-vehicle accidents. Based on its original G-Control technology*, Honda has developed car bodies with crushable zones that absorb and disperse collision impact, and rigid survival zones that protect occupants in the event of an accident. We've also introduced Advanced Compatibility Engineering bodies to enhance the vehicle's ability to absorb crash energy in collisions with vehicles of differing sizes, and to minimize damage to other vehicles. At its indoor omnidirectional Real World Crash Safety Center at the Automobile R&D Center (Tochigi), Honda is continuing its research on how accidents happen and developing additional technology to protect people. The gigantic 41,000m^2 facility features collision courses set at 15-degree intervals so that crash tests can be conducted from every angle, allowing our engineers to precisely reproduce real-world collisions. This allows us to collect valuable data and continue to put our safety technology to the test.

The indoor omnidirectional Real World Crash Test Facility

* G-Control is technology designed to help control g-forces at the moment of collision, thus minimizing injuries

TOPICS

Safety Systems of the Near Future: the advanced technology Honda ASV-3**

Research indicates that approximately 70% of fatalities and serious injuries resulting from traffic accidents occur because the driver was not concentrating on the road, failed to notice a hazard or experienced other problems relating to delays in perception. Therefore, to enhance automotive safety and minimize injuries resulting from collisions, it is essential to develop technologies that help drivers anticipate accidents.

Recognizing this need, since 1991 Honda has participated in the Advanced Safety Vehicle Project of Japan's Ministry of Land, Infrastructure and Transport, working to develop next-generation automobile safety technologies throughout the project's three phases. Results were announced most recently in 2006.

**Advanced Safety Vehicle

Honda ASV-3

ASV-1 (FY1992-1996)

Testing the possibilities of preventive safety

- Prediction/Prevention Research (Intelligent Technology for Navigation Systems)
- Collision Avoidance Research (Laser/Radar)
- Pedestrian Safety Research (Injury Reduction)

ASV-2 (FY1997-2001)

Development of the infrastructure required for preventive safety

- Driver Load and Injury Reduction Research (Lane Keeping, ACC, CMBS)
- Pedestrian Protection Research (Navigation, Communications)
- Collision Safety Research (Airbags)
- Preventive Safety Research

ASV-3 (FY2002-2007)

Implementation of communication systems to reduce traffic accidents

Motorcycle technology

- Conspicuity Enhancement Design (FACE design, LONG design)
- Rear View Assistance System

Motorcycle and automobile communication technology

- Oncoming Vehicle Information Assistance System
- Intersection Stop & Go Assistance System

Automobile technology

- Head-on Collision Avoidance Assistance System
- Cornering Speed Control System
- Adaptive Cruise Control System
- Advanced Adaptive Frontal-Lighting System
- Pedestrian Detection, Vision-Based Pedestrian Detection System
- Forward Obstacle Avoidance Assistance System
- Intersection Collision Mitigation Brake System
- Advanced Mayday System

Traffic Safety Promotion

Fundamental approach to traffic safety education

- **Focusing on hands-on driving safety education**

Striving to make mobility safer and more comfortable, Honda is engaged in initiatives to pass on safety education from person to person, and in hands-on safety education that gives the learner the opportunity to experience danger in safety. Honda focuses on helping the learner in driver and rider safety education.

No matter how advanced automobile technology may become, ultimately human beings hold the key to traffic safety. In FY2007 we worked to enhance our programs by making them even more practical and experience-based, by strengthening the education of traffic safety trainers, by developing easy-to-understand learning materials, and by working to extend our initiatives overseas.

Traffic safety initiatives overview

Location				Content	Trainers	Main target			
						Children	Students	Adults	Seniors
In Japan	Dealerships	Automobile	Certified Rainbow Dealer	• Safety advice at dealerships • Safety seminars • Driving schools • Local traffic safety organizations	• Safety Coordinators • Chief Safety Coordinators		○	○	○
		Motorcycle	Certified Safety Support Dealer	• Safety advice at dealerships • Riding schools • Local traffic safety organizations	• Riding Advisors • Sports riding schools Instructors		○	○	○
		Power Products		• Safety advice at dealerships	• MonPal Safe Operation Instructors • MonPal Safe Operation Trainers				○
	Traffic Education Centers (8 facilities)			• Training for drivers and instructors • Training for motorcycle and automobile dealership associates • Riding, driving training courses • Training using Riding Simulators, Driving Simulators • Trainer exchanges and events, competitions to foster skill improvement	• Traffic Education Center instructors		○	○	○
				• Special training programs for various age groups	• Traffic Education Center instructors	○	○	○	○
	Honda facilities, Group companies			• Educating trainers • Driving/riding safety training for associates • Honda first aid	• Driving safety instructors • Honda First Aid senior instructors • Honda First Aid instructors		○	○	○
	Regional initiatives			• Development of learning materials • Trainer education • Educational programs	• Teachers and staff of schools • Traffic safety trainers	○	○	○	○
	Industry initiatives			• Traffic safety campaigns • Development of traffic safety learning programs • Collaboration on trainer education		○	○	○	○
Overseas	Dealerships (automobile, motorcycle)			• Advice at dealerships • Driving training courses • Riding training courses • Cooperation with local traffic safety initiatives	• Instructors at dealerships		○	○	○
	Traffic Education Centers (15 countries, 22 facilities)			• Trainer education • Training for motorcycle and automobile dealership associates • Riding, driving training courses • Training using Riding Simulators, Driving Simulators • Cooperation with local traffic safety initiatives • Courses for license seekers • Trainer exchanges and events, competitions to foster skill enhancement	• Traffic Education Center instructors		○	○	○

FY2007 traffic safety initiatives

• Strengthening practical training: hands-on learning at motorcycle and automobile dealerships

Honda's motorcycle and automobile dealerships perform a vital function by providing traffic safety training in their communities. They constitute an expanding training network.

At our automobile dealerships, some 20,000 specially trained safety advisors provide safety advice, safety seminars and driver education programs. At our motorcycle dealerships, specially trained personnel offer riding education programs, some of which include the use of the Honda Riding Trainer simulator.

Safety advice at a motorcycle dealership

• Educating leaders— training Honda Group traffic safety instructors

The Safety Japan Instructors' Competition was held for the 10th time in September 2006. Instructors from Traffic Education Centers in Japan, Honda factories, R&D Centers, motorcycle dealerships, automobile dealerships and global affiliates—a total of 114 instructors representing 12 countries—got together in Suzuka to test their driving, riding and training skills in competition with each other.

Safety Japan Instructors' Competition

• Enhancing learning materials— heightening educational impact

The Driving Safety Promotion Center and Traffic Education Centers collaborate on research and development of traffic safety education software. In FY2007 they tested a driving course for senior drivers at five Traffic Education Centers and worked on other approaches designed to cultivate the learner's powers of observation.

• International initiatives— expanding automobile dealership initiatives

At many of Honda's global affiliates, traffic safety education initiatives modeled on those in Japan are being proactively implemented.

At Honda Motor RUS (Russia) and Honda Vietnam, driving safety training programs went into full gear in FY2007. In many countries in Asia where rider safety programs at motorcycle dealerships have been developed on the basis of Traffic Education Center programs, various community-based traffic safety initiatives, including lifelong education programs, are being developed and implemented as efforts in the area of traffic safety intensify.

For example, Wuyang-Honda in China is working with local authorities and residents in Zengcheng, Canton, to help reduce the number of traffic accidents. Based on analysis of a study of local urban traffic conditions conducted in April 2006, work on specific plans is to proceed in FY2008. At A.P. Honda in Thailand, a traffic safety program was initiated to meet the important need for ongoing traffic education for the country's children. In FY2007 the program was implemented on a trial basis in the cities of Ratchaburi and Chiang Rai. A nationwide rollout is planned for FY2008.

Traffic safety training for children in Thailand (A.P. Honda)

Chapter Ⅱ

Looking After the Environment

As demand for mobility grows around the world, concerns over the problems of global warming and climate change are also growing. Squarely confronting this issue as a global manufacturer of mobility products, Honda strives to manufacture products with the lowest CO_2 emissions at plants with the lowest CO_2 emissions. We're the world's first automaker to announce voluntary global targets for CO_2 emissions for all products and production. We're being proactive. In a broad range of environmental conservation initiatives designed in accordance with the Honda Environment Statement, we are implementing environmental management systems throughout our worldwide operations.

Web For more information on Honda's environmental initiatives:
http://world.honda.com/environment/

The Honda Environment Statement

The Honda Environment Statement

Honda has long been committed to environmental conservation. In the 1990s we strengthened our organizational structure and released the Honda Environment Statement to clearly define our approach to environmental issues. We have continued to strengthen our environmental conservation initiatives, which are central to everything we do.

Seeking to be a company society wants to exist, we're focused on our commitment to the future. The commitment to the future defined in our vision statement mandates that we work determinedly to meet our ambitious environmental goals.

The Honda 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 entire world.

We should pursue our daily business interests 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 local environment and society, and endeavor to improve the social standing of the company.

Established and announced in June 1992

* Environmental Mark
This mark symbolizes the wind blowing gently over the beautiful green earth, clear water that gives the essence of life, and the perpetually shining sun. Honda uses this environmental mark around the world to show its commitment to the conservation of the global environment.

Assessing Environmental Impact of Corporate Activities, Policy Initiatives

Assessing Environmental Impact, Policy Initiatives

Honda is aware of its responsibility to minimize the environmental impact generated by its corporate activities and use of its products. To achieve this, it is essential that we identify specific issues and set targets for action. We set specific goals in the context of our Life Cycle Assessment (LCA)* system, which is used to measure, assess and analyze environmental impact.

* LCA: Life Cycle Assessment—a system designed to evaluate the environmental impact of a given product in every stage of its life cycle, from the procurement of raw materials to use, disposal and/or reuse.

Environmental impact and major initiatives

Domain	Concerns	Environmental impact	Major initiatives
Product development	CO_2 Exhaust emissions Noise	Global environmental issues Global warming Ozone depletion Depletion of natural resources Air pollution Waste Water pollution Soil pollution Noise Local environmental issues	·Exhaust emissions ·Fuel efficiency improvements ·Noise reduction ·Recyclability improvements
Purchasing	CO_2 Waste Wastewater Exhaust emissions Noise Chemicals		·Green Purchasing
Production	CO_2 Waste		·Green Factories
Transportation	Removed parts Fluorocarbons Waste		·Green Logistics
Sales	End-of-life products		·Green Dealers (automobiles, motorcycles and power products)
Product recycling	CO_2 Waste		·Recovery, recycling and reuse of parts ·Technical support for the proper disposal and recycling of end-of-life products
Administration			·Green Offices

Environmental Management

Environmental Management

Honda has developed an institutional framework to put into practice the principles of environmental conservation as defined in the Honda Environment Statement. Honda's environmental management system mandates that environmental conservation initiatives be planned and executed appropriately.

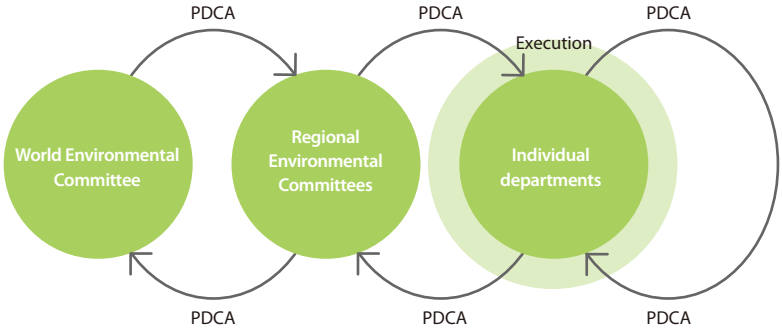
Policy

Based on mid-term policies determined by the Executive Council, environmental action plans are developed by individual departments. These plans are then discussed and approved by Regional Environmental Committees. Next, individual departments take responsibility for implementation based on the commitments specified in their plans. Results are evaluated by Regional Environmental Committees, and on the basis of their guidance, plans and targets are developed in each region (Japan, North/Central America, South America, Europe/Middle East/Africa, Asia/Oceania and China), completing the PDCA* cycle at the regional level. Issues considered to be global in scope are referred to the World Environmental Committee, whose deliberations are reflected in mid-term policy statements.

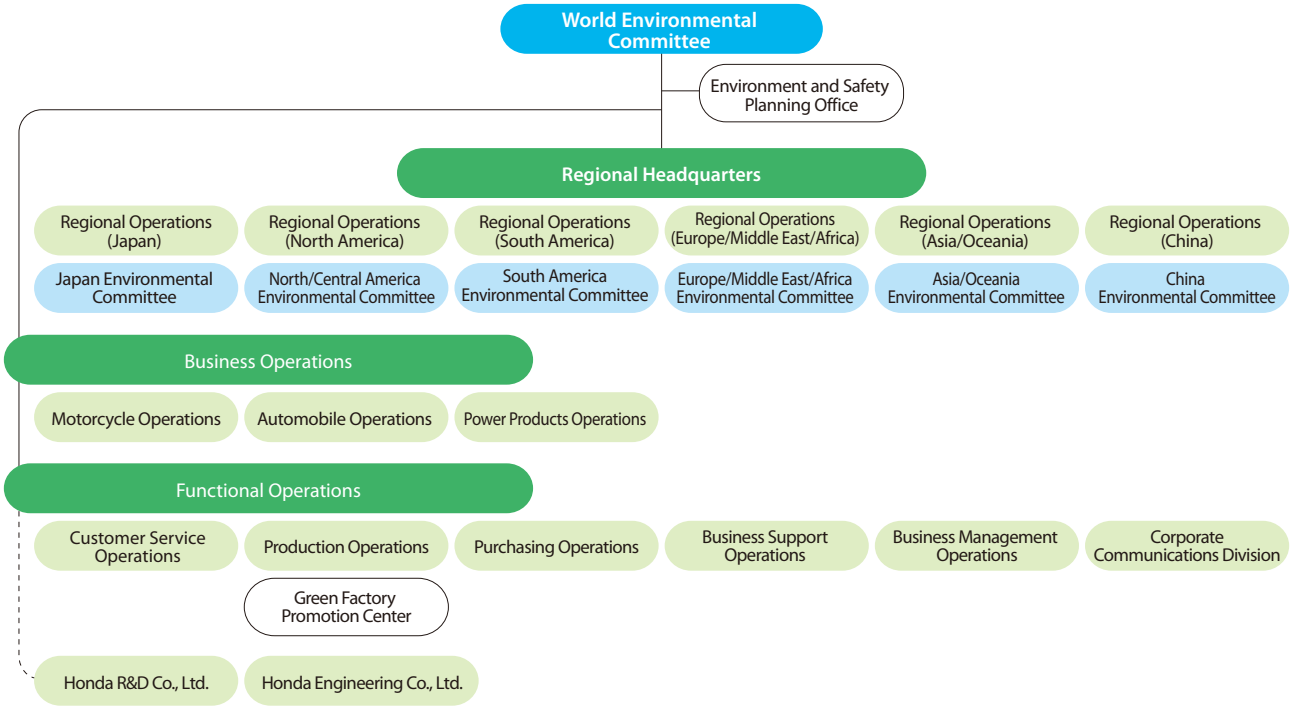
A hallmark of Honda environmental initiatives is that planning and execution are not delegated to specialists; rather, associates in all departments are directly involved. All associates are engaged with environmental issues as part of their duties.

* PDCA: plan, do, check, act

Environmental preservation based on the PDCA cycle



Global environmental preservation organization



2010 Global CO_2 Emissions Reductions Targets and FY2007 Results

Confronting Global Warming and Climate Change

The issue of global climate change cannot be resolved solely by action at the regional level. Honda is addressing the problem on a global scale. We're working to further develop our technology to reconcile the issues of global climate change and the growing demand for mobility.

In May 2006 Honda announced voluntary CO_2 emissions reduction targets (see below).

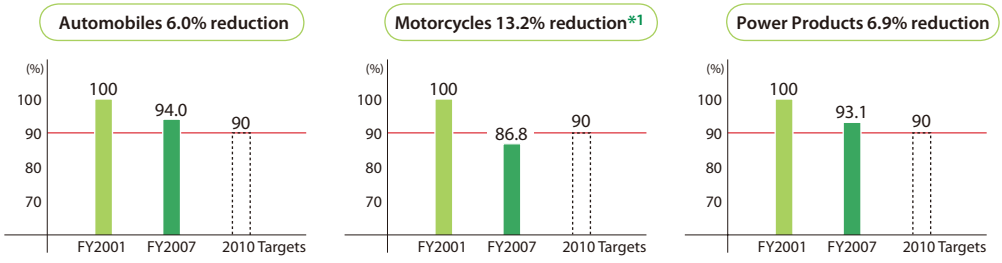
Global CO_2 reduction targets for 2010 (baseline: 2000)

	Automobiles	Motorcycles	Power Products
Product CO_2 reduction targets Global average of CO_2 emitted by all Honda products	**10%** (per g/km)	**10%** (per g/km)	**10%** (per kg/h)
Production CO_2 reduction targets Global average of per-unit CO_2 emitted during production	**10%** (per unit)	**20%** (per unit)	**20%** (per unit)

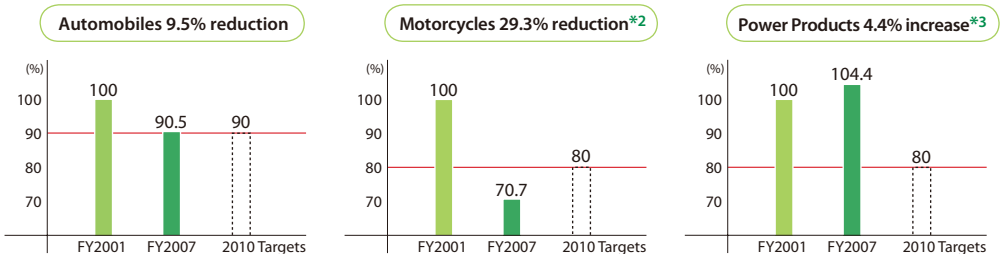
Target scope:
Product:
Automobiles: Japan, North America, Europe/Middle East/Africa, Asia/Oceania, China, South America (more than 90% of worldwide sales)
Motorcycles: Japan, North America, Europe, Thailand, India, China, Indonesia, Vietnam, Brazil, the Philippines, Malaysia, Pakistan (more than 90% of worldwide sales)
Power Products: All sales in all regions (marine outboards excluded)
Production:
All manufacturing by Honda Motor and 72 other Honda Group companies worldwide engaged in the assembly of vehicles and major components

FY2007 results (in progress)

Product CO_2 reduction



Production CO_2 reduction



*1 A 13.2% reduction from 2000 has already been attained. We are striving to attain a minimum 10% reduction by 2010.
*2 Although the target has already been attained, an expansion of production is foreseen in this region, where CO_2 emissions are relatively high. We are striving to maintain the reduction target level and achieve even greater reduction by 2010.
*3 Higher, per-unit emissions in power product manufacturing can be attributed to larger and more feature-rich new products.

FY2011 Targets for Japan

FY2011 Targets for Japan

Honda has set targets for CO_2 emissions reductions by FY2011 in Japan, and is striving to manufacture products with the lowest in-use CO_2 emissions at manufacturing plants with the lowest CO_2 emissions per unit of production.

As part of that initiative, in June 2007 Honda defined targets for reducing CO_2 emitted during transportation, reducing the use of substances of concern, increasing recycling and more, for a total of eight environmental impact reduction targets to be attained by FY2011.

Reducing environmental impact: Targets for FY2011

Issue	Scope		Item	Target		Area
Energy/ global warming	Products	Automobiles	CO_2 emissions reduction	10% reduction (compared to FY2001)*1	per g/km	Worldwide Global targets announced in 2006
		Motorcycles		10% reduction (compared to FY2001*1	per g/km	
		Power Products		10% reduction (compared to FY2001)*1	kg/h	
	Production	Automobiles	CO_2 emissions reduction	10% reduction (compared to FY2001)*1	per unit	
		Motorcycles		20% reduction (compared to FY2001)*1	per unit	
		Power Products		20% reduction (compared to FY2001)*1	per unit	
	Japan*2		CO_2 emissions reduction	30% reduction (compared to FY1991)*3	Units of energy used	Japan (announced in 1998)
	Transportation*4		CO_2 emissions reduction	10% reduction (baseline: FY2007)	As % of revenue	Japan New targets for Japan announced in June 2007
Substances of concern	Production		VOC*5 emissions reduction	35% reduction (baseline: FY2001)	Per automobile painted	
Recycling	Total of corporate activities*6		Landfill waste	Zero waste for all facilities		
	Production*2		Landfill waste	10% reduction (baseline:FY2001)	As % of revenue	
			Water use	30% reduction (baseline: FY2001)	As % of revenue	
	Transportation*7		Use of packaging materials	45% reduction (baseline: FY2001)	As % of revenue	
	Vehicle recycling	Automobiles	ASR recycle rate	70% or more*8		
		Motorcycles	Recycling rate	At least 95% (by FY2016)*9		

New targets

*1 Targets for CO_2 emissions reduction by 2010 announced in 2006
*2 Five Honda Motor production facilities
*3 Targets for production announced in 1998
*4 In accordance with the amendment to Japan's Rationalization in Energy Use Law, this is the responsibility of Honda Motor Co., Ltd. as the transporting entity (transportation of completed vehicles/devices; transportation of parts between facilities; parts transportation, etc.)
*5 Volatile organic compounds: primarily substances of concern such as organic solvents included in paints and thinners that may cause photochemical oxidation
*6 The primary 48 organizations involved in manufacturing and research & development (including academic institutions and Honda Motor Co., Ltd.)
*7 Transportation of parts and component parts sets; export of completed motorcycles
*8 95% recycling defined as recycling of entire vehicle
*9 Scale as used in former MITI Used Automobile Recycling Initiative

Strategies for achieving targets

Item		Strategy
Energy/global warming	Fuel conversion	Conversion of all factories to natural gas completed (FY2007)
	Energy savings	Introduction in all factories of high-efficiency devices (boilers, refrigerators, compressors, etc.); reduction of air pressure loss; calibration of temperature in painting chambers; adjustment of cogeneration equipment for higher-efficiency operation; reduction of power consumption by robots in standby mode, etc.
		Reduction of CO_2 emissions at dealers through use of environmental accounting
		Conversion from trucking to marine/rail transport, reduction of transport distances, improvements in fuel economy resulting in reduction in CO_2 emissions
	Alternative fuels/natural energy use, etc.	Proactive introduction of Honda-designed solar panels
Substances of concern	VOC	Shift to water-based paints, increase in operational efficiency and reduction of losses resulting in VOC emissions
Recycling	Disposal	Zero landfill waste at factories and 32 manufacturing suppliers (by FY2008)
		Introduction of returnable containers, conversion to simpler packaging and other means of reducing the volume of packaging materials
		Strengthening authorized recycling facilities, expansion of full recycling
	Water use	Recycling forging coolant, use of rainwater, etc.
Environmental strategies to be implemented at new facilities	Yorii Plant (scheduled to begin operation in 2010)	Energy/resource consumption at world-leading levels, resulting in per-unit production CO_2 emissions levels 20% lower than those of FY2001 (Energy/resource recycling Green Factory)

Mid-Term and Annual Targets and Results

Results of FY2007 initiatives and plans for FY2008

Major objectives		Strategies			FY2007 Targets
Product development	Exhaust emissions	Automobiles	Increase availability of Low-Emissions Vehicles		Increase number of Low- and Very-Low Emissions Vehicles*1
		Motorcycles	Expand implementation of fuel injection technology		Implement on new models
		Power Products	Comply with pending regulations		Comply with pending regulations
	Fuel efficiency improvements	Implement technologies for better fuel efficiency		Automobiles	Improve fuel efficiency to comply with FY2011 Japan fuel efficiency standards
				Motorcycles	Further improvements in fuel efficiency
				Power Products	Further improvements in fuel efficiency
	Development of alternative energy products	Automobiles			Expand product line
		Power Products			
Purchasing	Green Purchasing initiative	Reduce substances of concern in suppliers' parts and materials			Promote supplier compliance with substances of concern guidelines
		Promote environmental impact management by suppliers			Ensure suppliers reduce CO_2 emissions
					Ensure suppliers reduce landfill waste
		Promote introduction of environmental management systems by suppliers			Promote ISO 14001 certification for all suppliers
Production	Green Factory initiative	Improve energy efficiency			24.0% reduction in per-unit energy consumption
					CO_2 emissions: 500,000 CO_2 tons
		Zero landfill waste			Maintain zero landfill waste
		Reduce waste (byproducts)			Recyclability rate: 99.0%
					Reduce internally incinerated waste 89.0% (baseline: FY1999)
		Reduce VOC emissions			VOC emissions (automobiles): 34.8 g/m²
Transportation	Green Logistics initiative	Implementation of environmental management systems by transport partners			Continuation of joint implementation with four main partners
		Improve transportation efficiency			CO_2 emissions: 110,650 CO_2 tons (transportation of completed automobiles)
Sales	Green Dealers initiative	Automobiles	Promote implementation of environmental management at dealers		Expansion of Eco Drive program
		Motorcycles	Promote implementation of environmental management at dealers		Expansion of environmentally responsible Dream Dealer program
		Power Products	Promote environmental conservation at dealers		Expansion of Green Dealer initiative (increase environmental awareness among dealers)
Recycling	Improve recyclability	Increase recyclability rate		Automobiles	Increase recyclability rate
					Reduce use of polyvinyl chlorides (PVCs)*4
				Motorcycles	Increase recyclability rate
				Power Products	Increase recyclability rate
	Increase parts recovery, reuse and recycling	Promote remanufacturing and reuse			Expand range of recyclable parts and their recovery
	Technical support for proper disposal and recycling of end-of-life products	Develop technologies for proper disposal and recycling of end-of-life products		Automobiles	Reinforce recycling operations
				Motorcycles	
Administration	Green Office initiative	Promote integration of environmental impact management at offices			CO_2 emissions at four office buildings: 11,326 CO_2 tons
					Waste generated at four offices buildings: 512 tons

*1 Low-Emissions Vehicles defined as having emissions 50% lower than FY2006 standards; Very-Low Emissions Vehicle defined as having emissions 75% lower than FY2006 emissions standards
*2 FY2008 target figures for CO_2 and VOC emissions are higher than those for FY2007 results due to changes in business conditions and to increased production and launch of new businesses
*3 FY2008 target figures for waste recycling and internal waste disposal are lower than those for FY2007 results due to changes in business conditions and to increased production and new business expansion

Targets attained by FY2006

Summary of initiatives where targets have been attained

		Attainment date
Automobiles	Conversion from CFC12 to HFC134a	Late 1994
	Eliminate use of sodium azide (in Japan-made cars)*1	Late 1998
	Eliminate use of lead in wire harnesses*2	Late 1998
	By 2002 reduce emissions on all production vehicles to less than 50% of Japan standards for 2000*3	Late 2002
	Reduce use of lead to 10% that of 1996 (JAMA target)	May 2004
	Eliminate most use of mercury in Japan-made models*4	By 2001
	By 2005 receive certification by Japan's Ministry of Land, Infrastructure and Transport as Low-Emissions Vehicles and Very-Low Emissions Vehicles for most production vehicles*5	FY2006
	By 2005 reduce overall HC and NOx emissions 75% (baseline: FY1996)*3	FY2005
	By 2005 comply with FY2011 emissions standards in all vehicle weight categories*3	FY2006
	By 2005 improve average fuel efficiency 25% (baseline: FY1996)*3	FY2002
	By 2005 eliminate all use of cadmium	December 2005
	By 2000 increase recyclability rate to 90% or more	FY2002

		Attainment date
Motorcycles	Eliminate use of lead in wire harnesses	Late 1998
	Reduce use of lead in Japan-made models to less than 60g/unit (JAMA target)	January 2005
	Eliminate most use of mercury in Japan-made models*4	Before 2001
	By 2005 reduce overall HC and NOx emissions by 33% (baseline: FY1996)*6	FY2001
	By 2005 improve average fuel economy by 30% (baseline: FY1996)*6	FY2004
	By December 2005 eliminate all use of cadmium	December 2005
	Increase recyclability rate to 90% or more	FY2002
Power Products	Eliminate use of lead in wire harnesses	Late 1998
	Reduce use of lead in Japan-made models (in accordance with JAMA guidelines)	–
	Eliminate most use of mercury in Japan-made models	–
	Eliminate all use of cadmium in Japan-made models	–
	By 2005 reduce overall HC and NOx emissions by 30% (baseline: FY1996)*7	FY2002
	By 2005 improve average fuel efficiency by 30% (baseline: FY1996)*7	FY2006
Production	By 2001 reduce per-unit energy consumption by 15% (baseline: FY1991)	March 2002
	By 2001 eliminate all landfill waste	July 2000

	FY2007 Results	Status	FY2008 Targets
	Seven additional models (15 types) approved as Low- or Very-Low Emissions Vehicles (total: 26 models, 58 types) as per 2005 standards	○	Further increase availability of Low- and Very-Low Emission Vehicles*1
	Fuel injection implemented on eight models released worldwide in FY2007	○	Implement fuel injection on most scooters released in Japan
	Compliance for all models released in Japan in FY2007	○	Further expand compliance
	Complied with FY2011 Japanese fuel economy standards in all seven categories	○	Further improve fuel efficiency
	Improved fuel efficiency in fuel injection models	○	Continue improving fuel efficiency
	20% fuel efficiency improvement in EU55is generators	○	Further improve fuel efficiency
	Leased more fuel cell vehicles	○	Continue expansion of product offerings/sales
	Introduction of new MCHP1.0 cogeneration model (22.5% increase in generation efficiency)	○	
	Elimination of hexavalent chromium: nearly complete Elimination of lead and lead alloys: near complete elimination of manufacturing with substances containing more than 0.35wt% lead.	○	Promote compliance with substances of concern guidelines
	Reduced per-unit CO_2 emissions by 12% (baseline: FY2001)	○	Ensure that suppliers reduce CO_2 emissions
	Reduced landfill waste 97% (baseline FY2001)	○	Ensure that suppliers reduce landfill waste
	403 suppliers (98%) certified	△	Promote ISO 14001 certification for all suppliers
	Reduced per-unit energy consumption by 29.8% (baseline: FY1991)	○	Per-unit energy consumption reduced 25.5%*2
	CO_2 emissions: 463,000 CO_2 tons	○	CO_2 emissions: 490,000 CO_2 tons*2
	Maintained zero landfill waste	○	Maintain zero landfill waste
	Waste recycling rate: 99.4%	○	Waste recycling rate: 99.0%*3
	Internally incinerated waste reduced 90.9% (baseline: FY1999)	○	Reduce internally incinerated waste 90% or more (baseline: FY1999)
	VOC emissions (automobiles): 33.0g/m²	○	VOC emissions (automobiles): 34.0g/m²*2
	Continued implementation by four main partners	○	Continue implementation by three main partners (two partners merged)
	CO_2 emissions: 104,769 CO_2 tons (transportation of completed automobiles)	○	CO_2 emissions: 101,382 CO_2 tons (transportation of completed automobiles)
	Enhanced promotion of Eco Drive program by distributing 500,000 leaflets	○	Expand Eco Drive program and its promotion
	Launched 21 environmentally responsible Dream Dealers (total: 87)	○	Dream Dealer network expansion
	To raise awareness of Green Dealer initiative, delivered guidance on processing of end-of-life equipment and sheets for oil absorption	○	Promote environmental preservation at dealers
	Minimum 90% recyclability for all newly introduced or remodeled vehicles	○	Minimum 90% recyclability for all newly introduced or remodeled vehicles
	Automobiles: Maximum 1% chloride in ASR for all newly released or redesigned models	○	Automobiles: Maximum 1% chloride in ASR for all newly released or redesigned models
	Minimum 95% recyclability for all newly introduced or redesigned models	○	Minimum 95% recyclability for all newly introduced or remodeled vehicles
	Minimum 96.5% recyclability for all newly introduced or remodeled vehicles	○	Strengthened recycling system
	Expanded range of recycled parts and their recovery	△	Expand range of vehicles using recycled parts
	Maintained recycling systems for automobiles and motorcycles	○	Maintain recycling systems for automobiles
		△	Maintain recycling systems for motorcycles To increase recycling, strengthen communications regarding plastic parts used
	CO_2 emissions: 11,839 CO_2 tons*5	△	CO_2 emissions for nine office buildings: 12,913 CO_2 tons*6
	Landfill waste generated: 291 tons*5	○	Reduce landfill waste generation for nine office buildings to 502 tons*6

*4 Polyvinyl chloride
*5 Total for Aoyama, Wako, Shirako, Yaesu
*6 Total for Aoyama, Wako, Shirako, Yaesu, Sapporo, Sendai, Nagoya, Osaka, Fukuoka

*1 Sodium azide: Chemical symbol NaN_3, this substance provides the explosive force required to deploy automobile airbags. However, when undeployed airbags are crushed in end-of-life vehicle processing, the toxic vapors released can endanger the health of workers.
*2 Wire harnesses: Automobiles include a network of some 1,000 wires. Through the systematic arrangement of these wires and the associated terminals and connectors, the vehicle is made easier to assemble .
*3 Japan target
*4 Minimal amounts used in high-intensity discharge headlights and navigation system screens
*5 By 2001 Honda had announced its intention to achieve certification for most production vehicles as Japan's Ministry of Land, Infrastructure and Transport Low-Emissions Vehicles by 2005. However, as more demanding emissions standards were introduced in October 2003, Honda adjusted its targets and is now striving to achieve compliance with these new standards by achieving certification as Low-Emissions Vehicles and Ultra-Low Emissions Vehicles.
*6 Targets apply in Japan, North America, Europe and Thailand.
*7 Worldwide targets

Targets & progress

Energy savings in production (announced in 1998)

Target	Progress as of FY2007
Reduce per-unit energy consumption 30% by 2010 (baseline: 1990)	29.8% reduction

Environmental impact of all Japan-made models (announced in 2005)

Target		Progress as of FY2007
Automobiles	Hexavalent chromium: elimination by December 2005*8	Nearly complete, with the exception of certain mini-cars, special-equipment vehicles
Motorcycles	Hexavalent chromium: elimination by December 2005	Attained
Power Products	Hexavalent chromium: elimination by December 2006	Nearly complete, with the exception of anti-corrosion treatment of marine outboards

*8 Except for some components of the S2000

Major Initiatives in FY2007

FY2007 Initiative Case Studies

Minimizing the environmental impact of production facilities worldwide

Honda strives to produce the world's cleanest and most efficient products from the world's cleanest and most efficient factories. We are intensifying efforts at our production facilities to reduce CO_2 emissions and counter global warming. In addition to the four natural gas cogeneration systems already installed at the Saitama and Suzuka factories, a fifth system that began operations at Kumamoto Factory in July 2006 is providing electrical generation efficiency of 44%, an increase of approximately 10%. In addition, the steam and hot water produced are used in the factory's motorcycle painting operations, resulting in a reduction of approximately 1,039 tons of CO_2 emissions in FY2007.

Natural gas cogeneration system (Kumamoto Factory)

Zengcheng Factory, Guangzhou Honda

Water-based painting lines

At Tochigi Factory we completed the process of replacing kerosene and liquid petroleum gas (LPG) with natural gas (CNG) and reduced CO_2 emissions by 1,870 tons in FY2007. This completes the shift to natural gas at all our factories in Japan. Further, motorcycle production will soon be shifted from Hamamatsu to Kumamoto, consolidating production as part of our move to improve efficiency and further reduce CO_2 emissions.

At the new automobile factory in Yorii, Saitama Prefecture scheduled to begin production in 2010 and the new automobile engine factory scheduled to begin production in 2009 in neighboring Ogawa, world-leading levels of recycling and energy efficiency are to be achieved, with per-unit CO_2 emissions 20% lower than FY2001 levels. Taking the Green Factory initiative to the next level, the new plants will be designed for maximum resource conservation and recycling.

In international operations, Guangzhou Honda's second auto plant, Zengcheng Factory, which began production in September 2006, features an industry first: 100% recycling of water. Achieving zero emissions of wastewater, the facility has saved an estimated 170,000 tons of water.

The new US automobile plant in Greensburg, Indiana, scheduled to open in late 2008, will feature advanced, highly efficient manufacturing systems. It will aim to eliminate landfill waste and minimize the use of VOCs through water-based painting, among other measures. The state-of-the-art facility is expected to achieve the lowest environmental impact of any Honda automobile factory in North America.

Honda will continue to improve environmental efficiency at all of its manufacturing facilities worldwide, striving for the lowest possible environmental impact.

Entering the solar power industry—next-generation thin-film solar panels go into production

Honda has developed its own solar panels—devices that produce electricity without producing any CO_2. Made from CIGS—a compound of copper, indium, gallium and selenium—Honda's next-generation solar cells feature superior solar energy conversion and manufacturing efficiency. Their manufacture

Honda Soltec Co., Ltd.

requires only about half the energy of conventional crystallized silicon-based cells, reducing the CO_2 emissions associated with production.

With the FY2007 installation of the solar panels at the Suzuka and Tochigi factories, a total of 14 installations in Japan and three overseas have been so equipped.

Established in December 2006 as a wholly owned subsidiary of Honda Motor Co., Ltd., Honda Soltec Co., Ltd. will begin full-scale production of the integrated thin-film solar panels in late 2007. The new Honda subsidiary's plant, located on the premises of the Honda Motor Kumamoto Factory, will have an annual production capacity of 27.5MW.

A model for recycling as a new business

Honda Trading has taken steps to create new environmental business by getting involved in advanced recycling and other environmental programs. As part of this project, the company is setting up a model program within the Honda Group, collecting paper and wood products for recycling and leading the way in resource conservation.

In April 2007 the company began collecting pamphlets made obsolete by the introduction of new vehicle models and other developments, providing some 35 tons of recycled paper.

Going forward, we will endeavor to extract the maximum value from used paper, felled trees and other paper and wood wastes generated by Honda facilities, collecting and recycling them, thereby creating new business on this model of recycling within the organization.

Honda Environmental Register

Honda encourages dealers to reduce their environmental impact through our Green Dealer program. As one practical measure, we ask automobile dealers to use the Honda Environmental Register to record data on their use of electricity, water, gasoline and other resources. This initiative can help dealers better manage these resources, as well as help them reduce their environmental impact while also reducing their costs. Motorcycle and power product dealers are also using the Honda Environmental Register to reduce their costs and environmental impact.

Home cogeneration systems and solar electricity generation experimental operations with advanced Home Energy Station begin

In 2003 Honda began experimental operation of the Home Energy Station, which uses natural gas to supply electricity and hot water to the home, and a sufficient quantity of hydrogen to power a fuel cell vehicle. Its third-generation model is about 30% smaller, yet offers about 25% more electrical power output and faster startup than the previous model. Hydrogen storage and production capacity are both improved by about 50% with the use of a new high-performance natural gas reformer.

In another advanced initiative, Honda has applied its revolutionary solar panel technology to create an experimental hydrogen station. Developed by Honda using CIGS—a compound of copper, indium, gallium and selenium—the thin-film integrated solar panels feature superior electricity conversion. The electricity is passed through a particle electrolyte membrane to generate hydrogen, which is then compressed and stored for use by the fuel cell vehicle. The system boasts an energy efficiency of 52–54%.

The Home Energy Station and the FCX Concept fuel cell vehicle

Chapter Ⅲ

Looking After Our Stakeholders

The Honda philosophy is based on respect for the individual—respecting the differences among us and maintaining relationships based on fairness and trust. It is also based on what our founder, Soichiro Honda, called the Three Joys: the joys of buying, selling and creating. This philosophy forms the foundation of our activities and is seen in the many efforts we take to foster good relations with our stakeholders, actively working to please them and making conscientious efforts to minimize any potentially negative effects our actions may have. This is how we strive to be a company society wants to exist.

Our Customers

Our Approach to Customer Satisfaction

In harmony with the Three Joys principle, Honda has always worked closely with its dealerships to maximize customer satisfaction. Every step of the way, from marketing and sales to after-sales service, the people at our dealerships are focused on earning and maintaining the trust of our customers, always seeking to deliver genuine satisfaction.

Enhancing Customer Satisfaction

Working to maximize lifelong customer satisfaction

Honda works in close partnership with its automobile dealerships to provide the warmest possible welcome for our customers and ensure compliance with our policies. We make sure those interested in our products are given clear explanations and a level of service that leads to genuine customer satisfaction.

In April 2005 Honda and its dealers came together to define our approach to customer satisfaction. The result was a key principle: we want to ensure that no one's contact with us is limited to a single encounter. We do our best to ensure that each customer enjoys a satisfying, lifelong relationship with Honda and its products.

In March 2006 Honda integrated all automobile dealerships in Japan under the Honda Cars brand. All Honda automobiles are available through any Honda Cars dealership, making our sales network more accessible and enhancing customer satisfaction.

Personalized follow-up

Starting in October 2006, Honda instituted an upgrade to its after-sales service procedures designed to enhance customer satisfaction. For example, dealer representatives consult each customer at the time of purchase as to whether they prefer to be notified by telephone or email regarding scheduled vehicle maintenance. Through this kind of personalized service, we are striving to strengthen relationships with our customers.

Strengthening the customer support functions of the Honda C-card

Seeking to enhance the experience of each customer who visits a Honda dealership in Japan, Honda has introduced special member support services to enhance the Honda C-card system.

In addition to functioning as a credit card, the Honda C-card offers cash rebates, special services accessible only to members, and a charity contribution system in which Honda donates a certain percentage of customer purchases to charity. The service began in October 1995. Some 920,000 customers were registered as of March 2007.

Starting October 2006, newly issued cards have been labeled to indicate Honda C-card membership and the availability of enhanced services. Holders of these cards can have their vehicle's maintenance history displayed at any dealership or via the Internet, and are able to notify the Honda C-card network of a change of address at any time. To further broaden the range of options, the Honda C-card is now available without credit card functionality. This version can be issued on the spot.

Honda C-card (with credit card function)

Honda C-card (without credit card function)

• Charitable contributions in proportion to purchases

Since FY1996, Honda has contributed a fixed percentage of customer purchases via the Honda C-card service to the Japanese Red Cross and the Japan UNICEF Association. In 2007 Honda donated approximately 73.6 million yen—0.05% of total FY2007 Honda C-card purchases of 147.2 billion yen—bringing its total contributions to date to 512.57 million yen.

Operating Officer Manabu Nishimae (left) presents a donation from Honda to the Japan UNICEF Association at a June 2007 ceremony

Strengthening support operations at Honda dealerships

Honda engages in a range of dealer support initiatives, including expert consultation services, to enhance the quality of service offered at our dealerships and ensure that Honda customers everywhere receive the same high level of service.

Honda Consulting Co., Ltd. was established in FY2006 with the mission of providing associate education. In FY2007 we strengthened its staff and services to enhance its ability to provide superior management consulting for dealerships, including guidance on how to recruit capable graduates and welcome them as new associates.

Conferring with customers at a dealership

• Training dealership associates

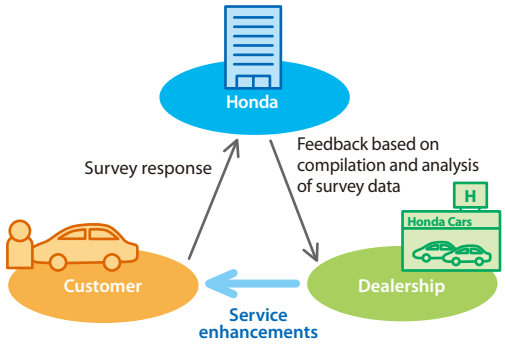
To ensure that our customers' vehicles are repaired promptly, Honda provides personnel at its automobile dealerships around the world with superior training and the most advanced diagnostic and repair equipment available. Soichiro Honda once said that when we work on a customer's car, we are actually working on that customer's feelings toward Honda. We put that thought into practice, ensuring that the people who deliver Honda service understand this underlying philosophy.

Honda Automobile Service Technicians' Competition (Nov. 2006)

Providing dealerships with feedback from surveys

To understand how best to serve our customers, Honda conducts periodic customer satisfaction surveys. A sample of customers is sent a survey, the responses are compiled and analyzed, and suggestions for service enhancement are communicated to dealerships.

Customer satisfaction survey flow



Innovations to facilitate appropriate product use

To help ensure that customers use our products appropriately and safely, Honda provides a comprehensive range of support information via user manuals, websites, informational DVDs and other media. Topics covered include product features, user instructions and cautionary notes. Information is presented in an easy-to-understand format designed to help customers get the maximum value from their purchase.

To ensure that safety information is properly presented and any potential hazards associated with our products are communicated clearly, Honda established the Hazard Communication Standard in 1991. Appropriate cautionary labels are affixed to all Honda products sold worldwide in accordance with our stringent standards.

Web-based automobile owner's manual (Japan market)

Customer Relations Center Activities

Enhancing our customer relations system

The Customer Relations Center has a straightforward slogan—*For the customer*. Its mission: to handle enquiries from Honda customers politely, clearly and quickly, delivering the same high quality in our communications as in our products.

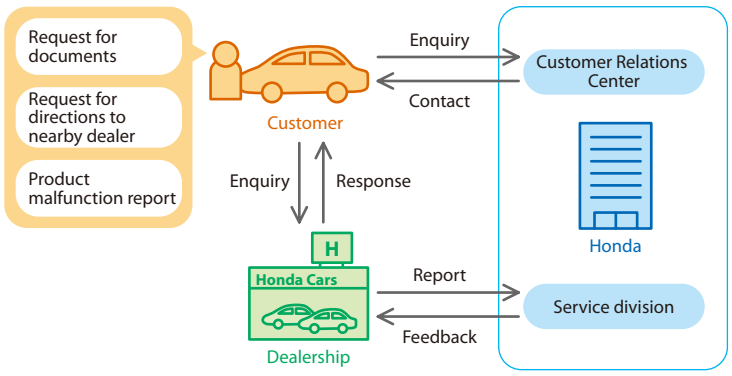
In FY2007 staffing was increased at our 24/7 call center to better respond to an increasing number of calls on weekends and holidays.* As a result, a total of 203,003 enquiries were handled in FY2007—106.8% of the previous year's total.

Valuable information is received by our Customer Relations Center in the form of customer questions, suggestions, requests and complaints. It is communicated to our associates in research, production, service and sales, then applied to the ongoing enhancement of our operations. A system is in place to allow all directors and associates access to this information—stripped, of course, of customers' personal information to protect their privacy—enabling ideas for improvement to be gathered from inside and outside the division to which the customer communication was originally directed.

Customer Relations Center

* In Japan, calls are received by operators from 9am to 5pm, and by a computerized answering system outside these hours.

Looking after our customers



Surveying customers to enhance service quality

In an effort to promote quality service, in June 2006 Honda surveyed 400 visitors to the Customer Relations Center enquiries section of our website to assess customer satisfaction with the service they received. The results showed 86% approval. Based on such information, we continually strive to improve our handling of client enquiries and optimize the quality of our services.

Honda's Customer Relations Center has also initiated its own service quality survey to assess the skills of the associates handling customer enquiries.

The Voice of the Customer initiative

Our affiliates in Thailand and the Philippines have adopted the model of Honda customer service established in Japan, North America and Europe. They are engaged in an initiative called VOC—Voice of the Customer*—in which information gathered in handling customer enquiries is analyzed and suggestions for improvement are conveyed to appropriate divisions. In FY2008 like-minded programs are scheduled to begin in the rapidly expanding markets of China and Malaysia, with dedicated departments handling the assignment. Plans are proceeding on a similar initiative in India.

* An initiative designed to enhance customer satisfaction in which the entire organization is involved on an ongoing and systematic basis.

VOC in action in Thailand

Protecting Personal Information and Preventing Disclosure of Sensitive Data

The development of our privacy policy

Honda's Conduct Guidelines, which were enacted in 2003 to guide the actions of associates, include sections on privacy policy and the handling of confidential information. Furthermore, in response to the introduction of Japan's Personal Information Protection Act in 2005, Honda established a privacy policy to ensure compliance with all applicable laws and regulations. Under its provisions, personal information is not to be disclosed without the explicit permission of the person concerned, strict personal information security is maintained, and proper safeguards are in place to protect against unauthorized disclosure of information. An Information Confidentiality Committee was also created to enforce this policy and ensure optimal handling of information issues. Honda is obliged to provide written notification if any personal information is used in the creation of databases, or when the collection or handling of such information is entrusted to an external contractor.

Working closely with dealers to protect customers' personal information

Honda provides guidance to associates at dealerships on the appropriate rules for handling the personal information of our customers. We hold seminars and distribute manuals to ensure that everyone is fully aware of the proper procedures. To ensure vigilance with respect to this important issue, dealership associates are issued information disclosure prevention checklists, along with a pocket manual on protecting personal information.

Protecting confidentiality: the Honda C-card

To help protect confidentiality, our Honda C-cards do not contain any personal information.

Founding Spirit

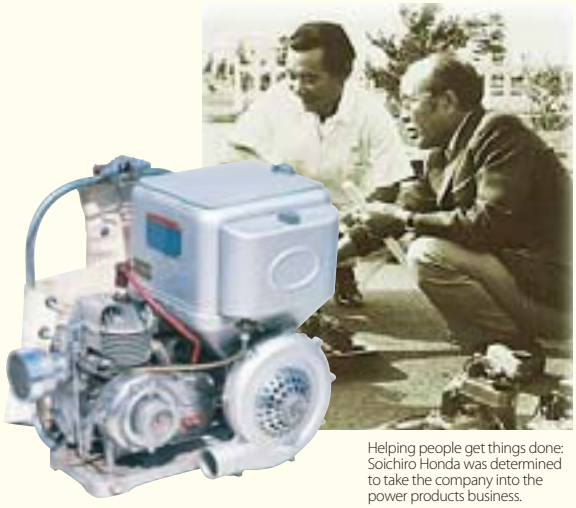
Column

Helping the world get things done

Along with motorcycles and automobiles, the power products business has long been a fundamental part of our operations. Founder Soichiro Honda watched farmers working in the 1950s and thought, "Their work would be so much easier if they had motorized equipment. I could make so many people happy with my technology!" That was the dream—and the guiding principle—that got things started.

But the agricultural equipment market in Japan in those days was dominated by several established manufacturers. Nobody thought a new startup could succeed. Determined to build something from nothing, though, in 1952 Soichiro declared his resolve to make agricultural generators, setting out to leverage his company's strength in compact gasoline engines. In October 1953 Honda unveiled its first original power product: the Type H engine. From that starting point, Honda continued to take advantage of its fundamental strength in engine technology, going on to develop many more innovative products. Today, along with power product engines, Honda also produces tillers, portable generators, marine outboards, pumps, lawnmowers, snow blowers and electric carts, as well as 4-wheel scooters, household cogeneration units, solar power panels and a diverse range of other power products.

In May 2006 Honda Power Products Division reached a production milestone of 70 million units. Today, Honda power products are sold in over 150 countries and used by over six million customers. In everything from farming to fishing, Honda power products help people get their work done and enjoy their lives to the fullest. Appreciated the world over, they take many different shapes and have many different functions, but they all embody the same spirit—the spirit of our founder, whose greatest desire was to help people realize their dreams. This same desire defines Honda Power Products' mission for the future. We want to put smiles on people's faces and help them get things done all over the world.



Helping people get things done: Soichiro Honda was determined to take the company into the power products business.

The Type H engine, released in 1953

A Honda snow blower lightens the load for this snowbound country dweller
Applying innovation and advanced technology, Honda has developed a full lineup of snow blowers, from compact to full-sized, that anyone can operate with ease and confidence. Photo: the HSM1560i, a mid-sized hybrid model.

Our portable generators: for leisure, utility and emergency use
Honda's first generator, released in 1965, was one of the world's first portable generators. Meeting the need for a light, compact, fuel-efficient, low-noise generator, Honda became the standard for a high-quality, stable electricity supply with superior environmental performance. Photo: EU3000is A-type low-noise generator.

Supporting marine lifestyles: Honda outboards
"Moving across the surface without dirtying the water underneath." That was the goal Honda's founder declared when the company released its first marine outboard in 1964. Honda helps support marine lifestyles by developing and producing high-performance outboards based on environmentally responsible, low-noise, fuel-efficient 4-stroke engines. Photo: the BF75, a mid-sized outboard.

Our Suppliers

Our Fundamental Approach to Suppliers

Growth through long-term relationships

A single Honda automobile is made of 20,000 to 30,000 parts. Manufacturing our automobiles and other products depends on close cooperation with our business partners who supply the necessary parts and materials. As our manufacturing base has expanded globally, the trust-based relationships we have established with thousands of suppliers around the world have become crucial to maintaining stable production and fulfilling our commitment to the continuing enhancement of quality and advanced product functionality.

Recognizing the importance of our relationship with our suppliers, Honda is building long-term relationships and growing hand-in-hand with our business partners.

Purchasing

Building trust on the basis of three purchasing principles

Seeking to foster the trust of our business partners worldwide, we take care to respect all prevailing laws and regulations, maintain fairness in our relationships, set equitable conditions and use appropriate practices, always respecting the independence of our suppliers and treating them as equals in accordance with our three purchasing principles.

Our purchasing guidelines

Our objective: to foster long-term relationships through the timely procurement of fine goods at reasonable prices.

Our three purchasing principles

1. Procurement based on free competition

- Through free competition, we will build greater global competitiveness.
- We will open our doors to all suppliers around the world.
- We will seek to realize stable procurement of quality goods in the right volumes, at the right times and at the right price.

2. Treating all suppliers equally

- We will treat all suppliers as our equals, regardless of their size.

3. Respecting the independence of suppliers

- We will respect the independence, policies, technology and expertise of our suppliers.
- We expect suppliers to compete vigorously and choose their own business path.

Evaluating and selecting suppliers fairly

In striving for growth through long-term relationships, Honda's purchasing division takes care to provide equal opportunity to any supplier who seeks to do business with us. We choose suppliers via fair processes while respecting their independence and treating them as equals.

When purchasing parts and materials, we select a business partner by impartially comparing and evaluating various candidates based on technological strength, product quality, timeliness of delivery, cost, financial state, regulatory compliance, environmental record, handling of confidential information and other factors. Contracts with suppliers are based on requirements of compliance with prevailing laws and regulations.

Rules and guidelines for fair procurement

To ensure fairness in our transactions with suppliers, our Conduct Guidelines explicitly prohibit associates from inappropriately exercising their position or authority to exact or provide improper benefits in their relations with our business partners.

The Honda Purchasing Division provides orientation sessions for all newly hired associates to ensure compliance with anti-trust laws, Japan's revised Act Against Delay in Payment of Subcontract Proceeds to Subcontractors Law and other laws. Periodically, and whenever this or other relevant laws are amended, the Purchasing Division arranges orientation sessions to ensure that associates are fully aware of our legal obligations. In June 2006 sessions were held to explain prohibitions on insider trading.

Making purchasing policy transparent

As part of our effort to ensure transparency in purchasing, we hold annual meetings with our suppliers to optimize procurement QCD (quality, cost and delivery). At a March 2007 meeting in Japan attended by some 270 firms, Honda and its suppliers reaffirmed policies aimed at strengthening our production capacity through the reinforcement of local manufacturing and procurement and through rapid international communications. This was done to help maintain stable product quality and supply in all motorcycle, automobile and power product operations. Holding purchasing policy conferences in various countries, we're making every effort to clearly communicate how our policies and strategies are to be applied everywhere we do business.

We also hold New Year's awards ceremonies and celebrations with suppliers who have made particularly significant contributions to QCD in their area. In FY2007, 50 firms received awards in Japan.

Awards ceremony at suppliers' banquet

Cooperative Ventures with Suppliers

Enhancing quality in partnership with our suppliers

Faced with increasingly diverse customer needs and rising expectations of product quality, Honda depends on its strong partnerships with suppliers to deliver products with superior QCD. To ensure that high product quality is maintained, Honda's R&D and purchasing experts must work closely with our suppliers right from the initial stages of product development, exchanging opinions and information to enhance safety, functionality, environmental performance and other factors. For example, representatives from the purchasing department visit suppliers' factories and inspect production processes to ensure that our need for a stable supply of high quality products at a reasonable cost is fully satisfied.

Honda will continue to work closely with its suppliers to further enhance QCD and provide our customers with a level of satisfaction that exceeds their expectations.

Promoting environmentally responsible procurement

Seeking to take an environmentally responsible approach to procurement of parts and materials, Honda established Green Purchasing Guidelines in December 2001. By sharing information on parameters and targets with our suppliers, we're collectively improving our environmental performance.

We have nearly achieved our objective of eliminating the use of lead, mercury, hexavalent chromium and cadmium—heavy metals viewed as substances of concern—in our automobile, motorcycle and power product manufacturing.

Using Honda's Life Cycle Assessment (LCA) system*, we are working with our suppliers to assess the environmental impact of each stage of the manufacturing process, and to reduce CO_2 emissions and landfill waste.

To promote the establishment of environmental management systems, we are supporting our suppliers' efforts to acquire ISO 14001 environmental management certification. We're pleased to say that 98% of our suppliers in Japan—a total of 403 firms—have been certified as of March 2007.

We also hold Green Conferences to share information on better environmental management and help reduce the impact of our activities on the environment.

* Honda's LCA system is used to quantitatively assess the environmental impact associated with its business operations, including motorcycle, automobile and power product manufacturing, from production through disposal.

Our Associates*

* The data displayed on pages 55-61 represents aggregate values for Honda Motor and three main affiliates: Honda R&D, Honda Engineering and Honda Access.

Fundamental Personnel Policy

In accordance with the emphasis on independence, fairness and trust that emerges from our basic principle of respect for the individual, Honda believes that human beings are born to think, create and express their individuality, thus realizing their hopes and dreams.

We strive to attract individuals who share this belief and who will respect each other's individuality. We seek to foster an atmosphere of mutual trust and fairness in which our associates are able to realize their potential and share in the joy of creating new value for society.

Our goal is to maintain organizational structures and personnel policies in areas such as recruitment, training, evaluation and assignments that foster a free and open atmosphere, encouraging each associate to face new challenges and achieve new successes. We seek to create an environment in which each person's ambitions, abilities and potential can be fully developed.

Three principles of personnel management

1. Respecting independence

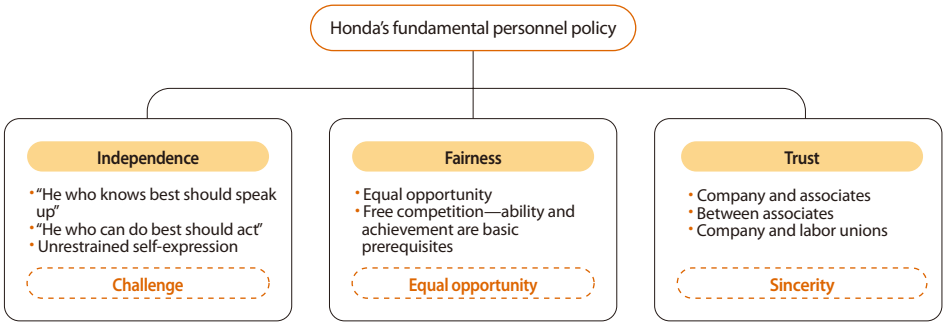
Honda expects associates to express their individuality and independence. As our founder said, "He who knows best should speak up, and he who can do best should act." In that spirit, today's associates are encouraged to think for themselves, take action and accept responsibility. Associates interested in earning new qualifications are expected to volunteer to take on the challenge. Anyone with ideas and proposals is expected to express them. In all things, the independence and ambitions of individual associates are accorded respect.

2. Ensuring fairness

Honda offers a simple compensation system with the same fair rewards for anyone with similar abilities handling similar work with similar results, without regard for race or nationality or gender, making no distinctions on the basis of educational associations or career history, and objectively assessing each person's individual strengths and aptitudes. Honda is careful to handle appointments and personnel deployment issues fairly and in a manner appropriate to the individual's abilities and aptitudes.

3. Fostering mutual trust

Honda believes that the building of the foundation of trust that binds the company and the employee starts with tolerance and mutual respect.



Ensuring Diversity in Employment

Human rights education

When an individual first enters the company or is promoted to a higher position, he or she receives educational guidance on human rights based on Honda's basic principle of respect for the individual.

Hiring based on individual merit

Even in the days when Japanese corporations tended to favor employing only graduates of a few elite educational institutions, Honda had an open-door employment policy, hiring the most capable and motivated individuals available. In addition to hiring new graduates, we also welcome talented individuals in mid-career, enriching the company with a diverse mix of personalities and experience.

Beginning in July 2007, Honda instituted a policy of encouraging associates who left the company to care for a family member or accompany a transferred spouse to reapply when it becomes possible for them to return.

Hiring of new graduates (year)

	2003	2004	2005	2006	2007
Men	645	701	744	806	1,084
Women	127	107	111	121	170
Total	772	808	855	927	1,254

Hiring of people in mid-career (FY)

	2004	2005	2006	2007	2008 (plan)
Men	96	91	241	551	–
Women	5	16	15	22	–
Total	101	107	256	573	810

Employment of people with disabilities

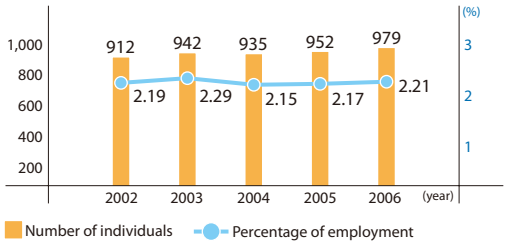
Honda provides jobs to people with disabilities at its facilities in Japan in an effort to expand their employment opportunities. We also offer employment at our affiliates, Honda Sun, Honda Sun R&D and Kibounosato Honda. We strive to create environments that allow those with disabilities to work alongside those without disabilities, and to make adaptations to ensure that workplaces and opportunities are fully accessible.

Employment of individuals with disabilities at Honda factories in Japan currently stands at some 2.21%, well above the legally prescribed level of 1.8%.

Designated affiliates

Company name	Established	Operations
Honda Sun Co., Ltd.	1981	Manufacturing of components for motorcycles, automobiles and power products (speedometers, glove compartments, etc.)
Kibounosato Honda Co., Ltd.	1985	Assembly of pistons, case covers, knuckles and other automobile components
Honda Sun R&D Co., Ltd.	1992	Research and development of CAD design: transportation and rehabilitation equipment

Employment of individuals with disabilities*



* 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. Data depicted in the graph is current as of June 1 of each year.

Rehiring retirees

In view of dwindling birth rates, the need to reinforce the social insurance system in Japan, and the importance of passing on the technical expertise crucial to the functioning of the workplace, since April 2003 Honda has had in place policies to create opportunities for those associates who reach the retirement age of 60—even before the introduction of laws governing the employment of retired individuals.

Re-employment of retirees (FY)

	2004	2005	2006	2007
Requested by associate	120	91	68	120
Requested by company	16	13	8	23
Total associates	136	104	76	143

Developing People's Abilities

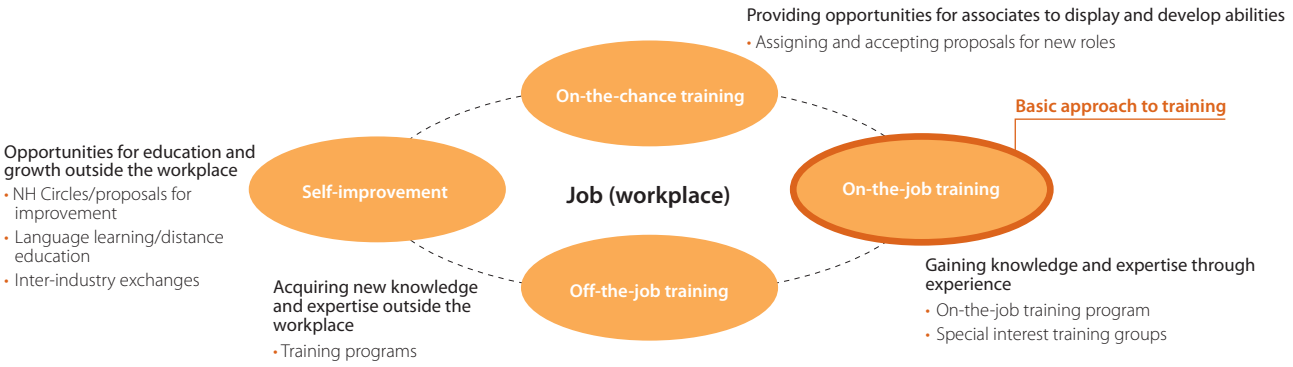
An approach based on on-the-job training

Honda's approach to personnel education is based on on-the-job training: building specialized skills and professional capacity through direct experience.

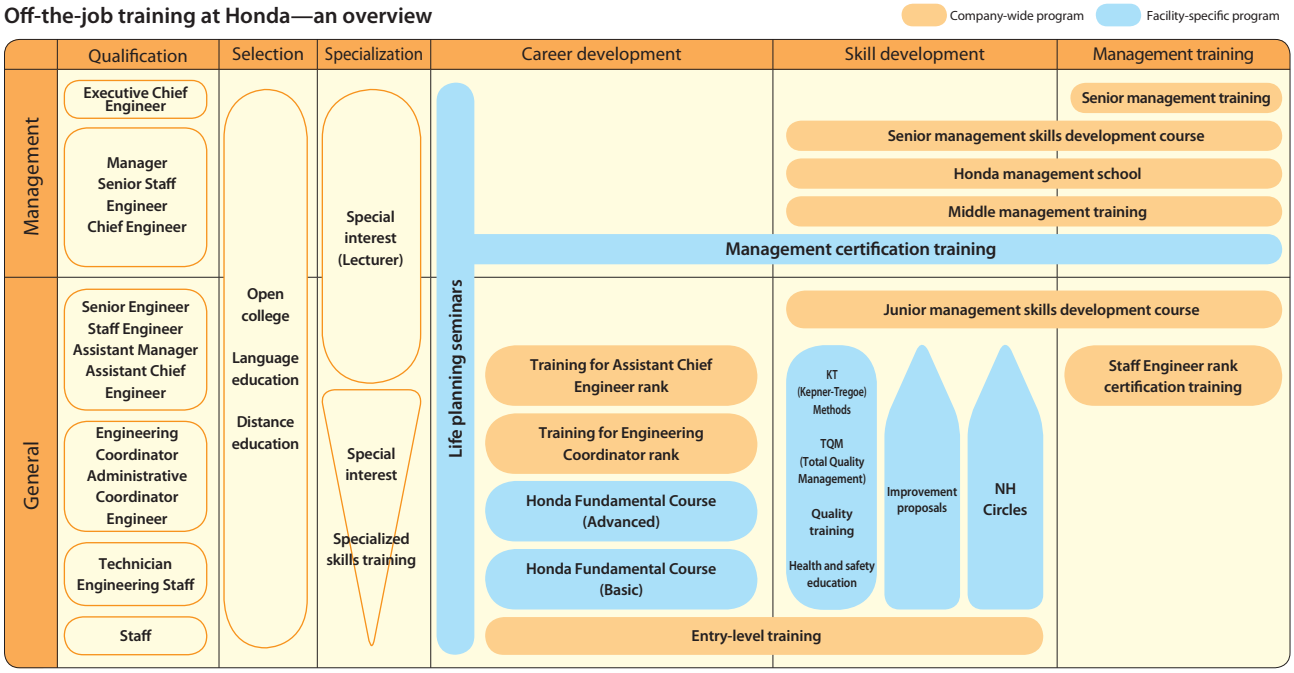
Seeking to promote truly effective on-the-job training, Honda has designed programs finely tuned to match the technical and technological content and aptitude levels of each specialty and occupational grade, with specific targets for the development of job performance, specialized knowledge and ability in each area. The results of these programs provide a way to check the specialized skills and managerial capabilities of individual associates, while also helping supervisors assess and foster the aptitudes of the associates they manage.

To supplement these on-the-job training programs, Honda also offers off-the-job training designed to provide associates opportunities to develop specialized skills and enhance their

Basic approach to personnel training



Off-the-job training at Honda—an overview



careers by developing new skills or management abilities.

To support associates who wish to take the initiative to learn new skills, acquire knowledge and cultivate themselves in order to fully realize their own potential, we also offer opportunities for language learning, distance education and inter-industry exchanges.

• Principal off-the-job training programs

At Honda, we match a combination of on-the-job and off-the-job training to our associates' aptitudes and aspirations in an effort to help them improve their abilities. Our off-the-job training program is divided into three main areas, with separate training programs for each level.

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

Motivational programs that encourage independence

• Honda's self-expression system

Under Honda's self-expression system, associates meet with their supervisors once a year to discuss what work they would like to do or what section they would like to join, based on their own experience, abilities, talents and independent studies. By consulting with their supervisors and expressing their ambitions for the future, associates are able to better understand their own personal strengths and aptitudes, while at the same time clarifying their everyday work objectives based on a vision of the future. Honda has established this system to systematically support associates in their own efforts to grow and develop.

• Our Challenger Recruiting Program

Honda's Challenger Recruiting Program spurs associates to set and attain their own goals. With the aim of increasing their motivation and helping them realize their potential, campaigns are conducted twice yearly to give associates the opportunity to apply for new positions. Since its inception in September 2005, the program has helped 303 associates take on challenging new assignments.

Evaluations based on dialogue

Honda emphasizes two-way communication as the key to associate evaluation. Provisions are made for at least three meetings per year between each associate and his or her supervisor.

Conferences are held with individual associates each April to determine their assignments in accordance with divisional objectives. In June and again in December, the supervisor evaluates the associate's work for the preceding six months, explains the evaluation and offers specific suggestions for improvement. During these meetings,

Founding Spirit

Column

Fostering talent through motor sports

In 1954, when Honda was still selling motorized bicycles, founder Soichiro Honda audaciously declared the company's intention to participate in the Isle of Man TT Races. Only six years later Honda captured first place. The company then turned its attention to Formula One, completing an F1-ready racetrack in Suzuka in 1962 before launching its F1 challenge two years later, in 1964. By 1965 the upstart automobile manufacturer had already won its first Grand Prix race. The initiative shown by Soichiro Honda, who was determined to take his company to the pinnacle of world motor sports, lives on. Today Honda is active in F1, MotoGP, IndyCar and many other motor sports activities. The fierce competition of motor sports gives many young Honda engineers the chance to improve their skills and teamwork. It also gives these young individuals the opportunity to show the initiative that has always driven the company to the top—to taste the spirit of challenge that built Honda. For us, motor sports is a laboratory on wheels where engineers learn to overcome problems—in a battle against time, and always grow in the process. Personal initiative is in our DNA, and it's the source of our creativity.

1955: Honda's first team to enter the Mount Asama Volcano Motorcycle Race. Honda's laboratory on wheels was off to a fast start.

2007: In MotoGP, Honda's tradition of using motor sports to train engineers continues.

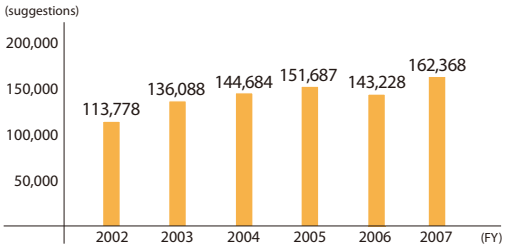
associates and supervisors discuss appropriate steps for career development.

Independent associate initiatives

• Improvement suggestion system

Honda has a system for encouraging all associates to make proposals as to how the company's work could be improved, whether in large ways or small. This is one way Honda seeks to encourage independence of spirit and innovation, fostering the growth and refinement of skills and capabilities. Each year, some 100,000 suggestions are received, and some 90% of them are implemented. From the time the system was implemented in 1953 to July 2006, approximately eight million suggestions were contributed.

Suggestions for improvement received



• NH Circle activities

In NH Circle activities, associates take the initiative to get together to discover ways to improve their work, their workplace and their company. The abbreviation "NH" stands for "Now, Next and New Honda". It's all about taking *new* steps *now* toward creating the *next* great Honda improvement.

Based on the principle of respect for the individual, and cherishing independence, fairness and trust, NH Circle participants strive to make their working environment even more positive. The strengths and initiative of each associate are utilized to full advantage to realize everyone's unlimited potential and help the company improve and grow.

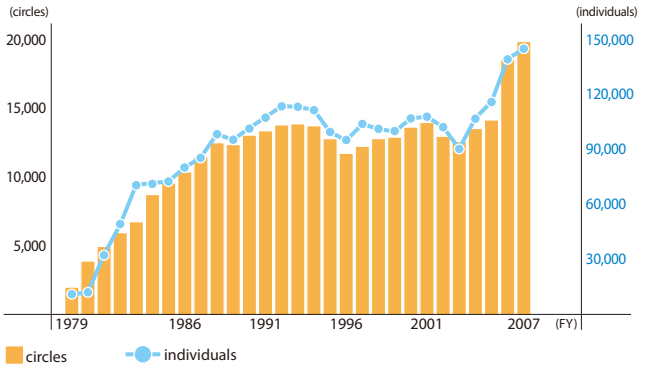
Each year six regional contests are held. Every second year, the NH Circle World Convention provides an opportunity for global exchange and education, while also giving everyone a chance to recognize the achievements of the winning teams from each regional contest.

Since the program began in 1973, it has steadily grown. As of March 2006, there were NH Circles in 31 countries.

Including suppliers, affiliates and dealers, 19,776 NH Circles were active in FY2007, involving some 144,856 individuals.

The 2008 NH Circle World Convention will be held in Guangzhou, China.

NH Circle participation



NH Circle World Convention held in the United Kingdom (November 2006)

Building Healthy Working Environments

Keeping working hours reasonable & ensuring adequate vacations

Honda has always been an industry leader in introducing shorter workweeks. We instituted a five-day workweek in 1972. Other initiatives enjoyed by associates for more than 30 years include the banning of overtime on Wednesdays and some Fridays, and the introduction of a policy encouraging all associates to use their full vacation allotments. As a result, regular working hours in FY2007 averaged 1,968 per associate and total working hours averaged 2,018. In the same year, associates averaged 18.56 paid vacation days, which puts Honda in the top tier of the automobile industry.

Balancing work and family life

In accordance with Japan's introduction of new laws governing parental leave, Honda submitted a two-year plan to the Ministry of Health, Labor and Welfare in April 2005.

Under this plan, Honda revised its parental leave policy in FY2007. Under the previous system, a parent could take leave until his or her child was 18 months old. Taking into account the timing of children's admittance into day-care institutions, the new system allows parental leave to be extended until the April after the year the child reaches the age of three. The provisions for exemptions from overtime have also been revised. Previously they applied until the child reached the age of three; now they apply until the child enters elementary school.

Honda will continue to strive to provide working environments that help associates strike a balance between work and family life, encouraging everyone to realize their dreams, take initiatives to achieve personal goals and pursue the careers they desire.

Keeping everyone healthy

Honda offers ongoing, comprehensive health promotion plans to encourage associates to stay healthy and avoid lifestyle-related illnesses. Associates are offered many opportunities for regular exercise, an important means of maintaining good health. We also offer various forms of health management to help ensure that associates do not damage their health through overwork. Supervisors are trained to detect and help prevent mental health problems, while associates are provided access to counselors for guidance on health issues. Other forms of health guidance are also provided.

Understanding the associate's perspective

As part of our effort to promote a positive working environment, every three years we survey all associates on how they feel about their work and working environment. The surveys cover a broad range of issues of concern to associates, and the results are applied to enhance personnel management and the working environment.

Keeping doors open

- **Making sure everyone has someone to talk to**

To help make sure everyone at Honda has a happy and positive working experience, Honda staffs the health centers at its facilities with professional counselors.

- **Sexual harassment policy**

To help prevent sexual harassment—and ensure swift and appropriate resolution should it occur—since 1999 Honda has provided clear channels through which associates are empowered to report and discuss any incidents of sexual harassment or related concerns.

- **Retirement planning seminars**

To help associates plan for retirement, Honda

offers life-planning seminars focusing on issues such as health maintenance, finances and active living.

- **Protecting personal information**

To protect associates' personal information, Honda has implemented a comprehensive information and privacy policy.

An active labor union

Honda has a collective agreement with the Honda Motor Workers' Union. The company and union have enjoyed cordial, mutually supportive relations, engaging regularly in frank exchanges on key issues such as occupational health, safety, and the maintenance and improvement of employment conditions and labor stability. In collective bargaining and discussions at the labor-management committee, both sides strive to appreciate the other's positions and approaches with regard to production and sales activities. Differences of opinion are respected. Both sides work together to overcome challenges, strengthen bonds of trust and increase mutual understanding. Company and union have cooperated in a manner worthy of Honda to create and maintain a strong foundation for the development of positive working environments and growth for all.

Occupational Health and Safety

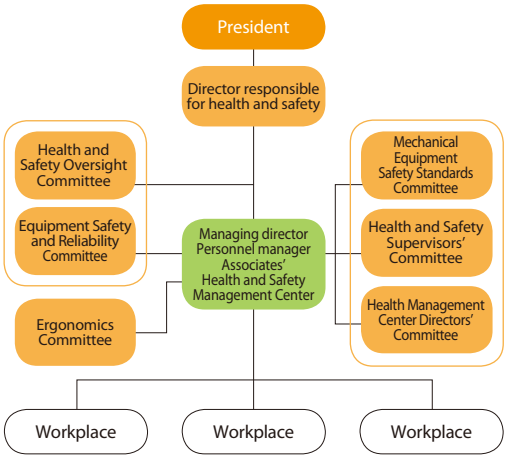
Occupational health and safety: our fundamental approach

In the spirit of our founder's words, "No safety, no production," and in accordance with the principle of respect for the individual, Honda considers the safety and well being of all associates among its principal responsibilities.

We strive to ensure workplace safety, as well as traffic safety for associates on their way to work. Honda is clearly defining its principles and practices and striving to be a world leader in the area of occupational health and safety.

In FY2007 we strengthened measures to ensure workplace safety, focusing on preventing accidents in the workplace, reducing the risk of fire caused by explosions and avoiding occupational illness. We're setting the bar high on workplace safety and applying the entire organization's resources to achieve the goal of good health for all.

Occupational health and safety promotion system



- **Health and Safety Oversight Committee**
  Checks to ensure that all health and safety policies are being implemented in workplaces throughout the company in accordance with predetermined rules and guidelines, and reports these results to the director responsible, the occupational oversight committee, and the person responsible for overall health and safety in the workplace.
- **Equipment Safety and Reliability Committee**
  In addition to verifying the safety of new or modified equipment prior to use, this committee also has specialists check to confirm that existing equipment is being maintained according to the rules, and then reports these results to the Health and Safety Management Center.
- **Mechanical Equipment Safety Standards Committee**
  Establishes and revises equipment safety standards in accordance with legal requirements and other related standards.
- **Health and Safety Supervisors' Committee**
  Deliberates on activities pertaining to overall occupational health and safety, including disaster prevention, traffic safety and health management, and determines specific policies.
- **Health Management Center Directors' Committee**
  Company physicians meet to deliberate and determine policies concerning physical examinations, health maintenance and improvement policies, compliance with legal reforms, and corporate inquiries.
- **Ergonomics Committee**
  Examines and determines policies for preventing musculoskeletal and other injuries due to work-related stress.

Our Shareholders and Investors

Investor Relations Activities: Our Fundamental Approach

Honda strives to increase its corporate value and carry out its operations from a global perspective. Our investor relations activities focus on the dissemination of information directed at shareholders and investors, not only to disclose appropriate corporate performance and financial information, but also to accurately inform them in an open and timely manner of our advanced initiatives in such vital areas as environmental technology and future operating strategies. We also work to promote close dialogue, maximum understanding and mutual communication in our relations with shareholders and investors through general shareholders' meetings, investor seminars and other activities. By building and maintaining an atmosphere of trust and respect, we hope to persuade more people to become Honda shareholders, and to encourage existing shareholders to maintain their ownership of our shares over the long term.

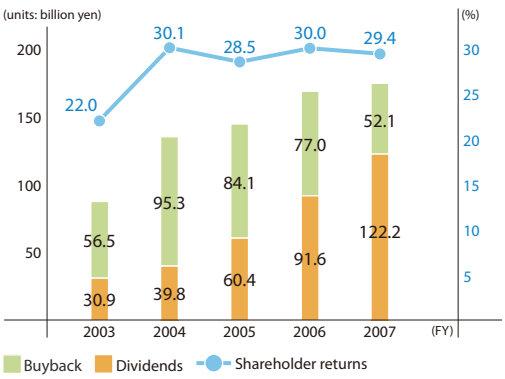
Honda's History on Stock Exchanges

Established in 1948, Honda Motor Co., Ltd. began offering its shares on the Tokyo over-the-counter stock market in 1954. After being listed on the Tokyo Stock Exchange in 1957, the shares were listed on all national exchanges in Japan. Overseas, the company issued American Depositary Receipts (ADRs) in 1962 and, in 1977, the ADRs were listed on the New York Stock Exchange. Honda shares were listed on major exchanges worldwide: in 1981 on the London Stock Exchange; in 1983 on the Swiss Stock Exchange; and in 1985 on the Paris Stock Exchange (now known as Euronext Paris). As stock exchanges and investors worldwide embraced increasingly "borderless" financial transactions, Honda is in the process of withdrawing from the Swiss Stock Exchange and Euronext Paris. (As at July 2007.)

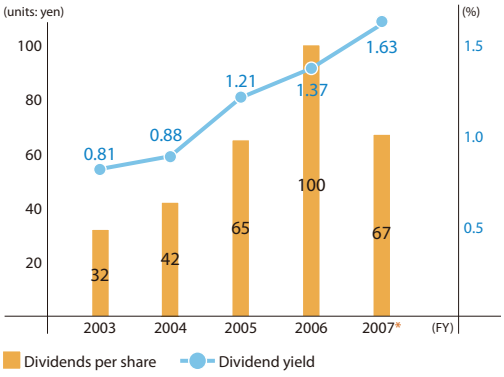
Profit Distribution Policy

With respect to the redistribution of corporate profits to shareholders—one of the most important management issues—Honda's basic policy for dividends is to make distributions after taking into account our long-term consolidated earnings performance. Honda will also acquire its own shares at optimal times with the goal of improving the efficiency and dynamism of the company's capital structure. The present goal is to maintain a shareholder return ratio (dividends + share buyback) of approximately 30%.

Shareholder returns



Dividends per share: trend



* On July 1, 2006, Honda executed a 2-for-1 share split

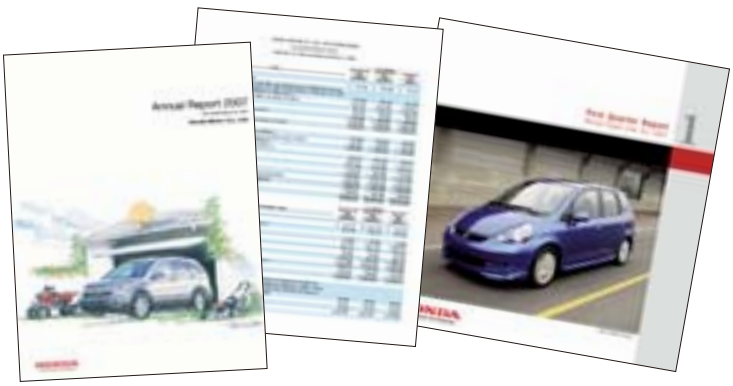
Major Initiatives in FY2007

Honda investor relations today

As a law-abiding corporate citizen, Honda always maintains good communications with shareholders and investors worldwide. This is accomplished by publishing accurate information that is useful for investment decisions as it becomes available, and by representing the company's operations and financial situation in a clear, factual manner.

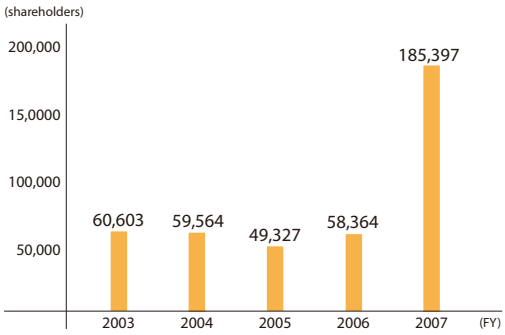
To fulfill these objectives, in addition to an annual report, we publish quarterly reports and a shareholders' bulletin. We also hold quarterly meetings with representatives of the media, analysts and institutional investors. On the day our financial results are released, teleconferences are held with overseas investors. We also hold quarterly meetings for principal overseas investors in Europe and North America to present our financial position and future management plans. These publications and reports, as well as presentation materials from financial results meetings, can be found at the Investor Relations section of the Honda Worldwide website (http://world.honda.com), which also contains news on the corporation's global business development and other informative documents.

To broaden understanding of its operations, Honda invites analysts and investors to its annual year-end presidential address (last held December 2006)


Annual Report　Semi Annual Report　Quarterly Report

Honda strives to encourage investment by individuals. To make our shares more accessible to private investors, a share split was executed on July 1, 2006. A dividend was also issued in the third quarter of FY2007 in an effort to share profits with shareholders as expeditiously as possible. A sell-off of Honda shares held by the Banks' Shareholding Purchasing Corporation was implemented in March 2007 to further encourage investment by individuals. As of March 31, 2007, these measures resulted in an increase of individual shareholders to over 180,000—three times what it had been a year before.

Number of Honda shareholders



Investor relations website content

Communicating with shareholders

Honda considers the annual Ordinary General Meeting of Shareholders a vital opportunity to optimize communications with all of our shareholders. We strive to present all company information as clearly as possible, often employing illustrations and video, and fielding the broadest possible range of questions and opinions. Displays of Honda automobiles, motorcycles and power products provide an opportunity for shareholders to examine our products firsthand. Naturally, ASIMO is sure to be there as well. To facilitate the participation of shareholders who are unable to attend in person, Honda has provided for Internet-based voting via computer or portable telephone since 2003, as well as for absentee voting by postal mail. We ensure that comprehensive documentation is distributed.

In many different ways, Honda invites shareholders to have a close look at what goes on inside of Honda, in the hope of enhancing understanding. For example, company visits by interested shareholders are held each autumn, giving us a chance to provide factory tours, presentations and question-and-answer sessions led by Honda directors.

Shareholders on a factory tour (November 2006, Saitama Factory)

Maintaining open dialogue with shareholders

Honda strives to promote a clear understanding of its activities—not only among current shareholders, but also among potential investors as well. Investor relations must be a two-way street: in order to avoid engaging in one-sided PR, we consider it essential to listen carefully and act proactively on the basis of what the markets are saying.

Seeking to facilitate dialogue between the company, its shareholders and other investors, Honda participated in the Tokyo Investor Relations Panel hosted by the Japan Investor Relations Association (JIRA) in November 2006. On that occasion, Honda representatives explained the company's dividend policy and approach to providing shareholder returns, and presented our strategy for the future before responding to enquiries from participants.

Participating in the Japan Investor Relations Association's Tokyo Investor Relations Panel in November 2006

Chapter Ⅳ

Looking After Communities

Since the company's foundation, Honda's philanthropic initiatives have helped nurture ties with communities hosting its operations. As its operations expanded and globalized in the 1970s, Honda began to establish trusts and foundations to support a broad range of research, educational and cultural exchange activities. In 2006 Honda defined the basic principles and policy that govern its philanthropic initiatives, focusing its resources on education, environmental conservation and the promotion of driving safety. Today, our philanthropic initiatives are progressing worldwide.

Web For more information on our philanthropic initiatives, please visit us at
http://world.honda.com/community/

The Purpose of Honda Philanthropy

Our Fundamental Approach

Since the company's foundation, Honda has sought to contribute to society by creating quality products and technologies. Honda's fundamental approach is to seek harmonious coexistence with, and contribute to the well-being of the communities that host its operations. In the 1960s, we began nurturing ties with local communities through philanthropic initiatives. In the late 1970s, we began to establish trusts and foundations to support a broad range of research, educational and cultural exchange activities. In Japan and worldwide, Honda has worked proactively to expand the scope and deepen the impact of its philanthropic initiatives.

In 1998, on the 50th anniversary of the company's foundation, while seeking to share joy with people around the world and striving to be a company society wants to exist, we established the Honda Philanthropy Office and defined basic principles to guide its work. Honda is taking a global viewpoint in responding to expectations and proactively contributing to the development of individuals and societies.

In 2006 we further defined the global directions of our philanthropic initiatives, introducing a new logo to strengthen their identity. Putting to work a corporate culture that grew out of respect for the individual, Honda is applying its resources—in the form of people, products and technologies—to its philanthropic efforts. We're pursuing our goal to share happiness with people worldwide ever more proactively. Clearly defined in three key points, our philanthropy is growing worldwide.

Honda Philanthropy – Vision

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

Honda Philanthropy – Basic Principles

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

Global Directions

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

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

Together for Tomorrow

Designed to help create a future full of dreams, this symbol captures the spirit of the Honda Group's philanthropic activities throughout the world.

FY2007 Honda Philanthropy: Highlights

Educational Initiatives

Children build the future, and we want to foster their dreams and creativity. Honda is engaged in initiatives that convey to children the joy and wonder of daring to dream, and then turning their dreams into reality. Through a variety of stimulating and constructive initiatives for pre-school to university-age youth, we're helping young people develop the power to dream and create. We will continue to work to provide youth with opportunities to discover how much fun learning new things and challenging themselves can be. We want young people to realize their full, individual potential.

5th Children's Idea Contest

In the Children's Idea Contest, which started in 2002, entrants are asked to draw a picture of something they imagine would be really cool, and send it to us. In 2006, for the fifth such contest, 3,414 entries were received from elementary school children all over Japan. A panel of judges selected the top entries, which were created by 33 groups of students (a total of 40 children). The children were then invited to make models of their ideas and present them for final review before a large audience, and 13 prizewinners were selected. The Children's Idea Contest is now a cultural exchange: this year, for the first time, prizewinners from the Honda ASIMO Super Idea Contest in Thailand were invited to attend the final review and participate in games with their new Japanese friends.

5th Children's Idea Contest

Environmental Conservation Initiatives

Honda is proactive in environmental conservation. From research and development to production and purchasing, from distribution, sales and recycling to the operation of office facilities, we're making the environment a priority throughout the life cycle of our products and in every aspect of our operations.

One of Honda's first steps in environmental conservation was the beginning of the Community Forest initiative in 1976. Since then, the company's efforts to keep things clean and green around its facilities and coexist with local communities have expanded throughout the world.

The Beach Clean-Up Project

In Japan and around the world the problem of seashore pollution is getting worse. Trash left on the beach or dumped into the ocean finds its way ashore onto beaches worldwide. Much of it is non-biodegradable plastic, which can cause injuries to people, harm fish and birds that ingest it, and have other negative impacts on ecosystems.

Seeking to alleviate this problem and return beaches to their natural condition, a caravan of current and retired Honda associate volunteers began a new environmental conservation initiative in May 2006. Working with municipal authorities, the volunteers began cleaning up at beaches with a light, compact, simple, easy-to-

The Honda Beach Cleaner in action at Tsuzumigaura beach, Mie Prefecture (October 2006)

use and towable Beach Cleaner. In the first year of the Beach Clean-Up Project in FY2007, the caravan of volunteers cleaned litter at 19 beaches in Japan.

In response to requests, starting in FY2008 the initiative is expanding beyond the volunteer caravan, as Beach Cleaner and Honda ATV sets are being loaned to qualified municipalities.

The Honda Beach Clean-Up Project in action at Tsuzumigaura beach, Mie Prefecture (October 2006)

Volunteer's perspective VOICE

Akira Yamazaki

I participated in a clean-up at the beach on Iki Island in Nagasaki Prefecture in November 2006, and then again in May 2007 in Kochi Prefecture. We soon realized that the sand and litter were very different from location to location. With an initiative like this, the team gains experience and expertise over time, so it's that much more important to keep at it. In order not to break sea turtle eggs that might be buried in the sand, the teeth on the Beach Cleaner's rake are short, and we also lowered the pressure on the ATV's tires. I was driving the ATV, and I could see that the impact we were having, both in terms of speed and the efficient application of people's labor, was very significant. Seeing the results—and the smiles of local residents—I felt a strong sense of having achieved something worthwhile, and a strong motivation to participate again.

Fuel cell vehicle classes

What's global warming? What's a fuel cell vehicle? To give easy-to-understand answers to these and other questions that children may ask, Honda holds fuel cell vehicle classes at the Welcome Plaza showroom at its Tokyo headquarters ten Sundays per year.

The presentations, given by members of the Honda R&D fuel cell vehicle development team, feature a picture book-style computer slideshow, as well as live demonstrations of electrolysis and tiny fuel cell vehicles. The kids get a chance to ride in a real-life Honda FCX fuel cell vehicle and experience the vehicle's smooth acceleration for themselves. At intervals, they're given fun quizzes to test their understanding and encourage them to experience the joy of learning. At the end of class, each child is given a certificate that includes their own picture to commemorate their participation. Their earnest looks are ample evidence of the program's ability to stimulate interest in environmental questions.

FCX test drive (January 2007)

First fuel cell vehicle class (January 2007)

Traffic Safety Initiatives

Traffic Safety Caravan—traffic safety training for pre-schoolers

Honda is working in many ways to make sure we can all get around in safety and comfort. One of our top priorities is protecting children from traffic accidents and helping make sure cars and communities get along. Seeking to reach children in their formative years and give them a chance to master the basics of road safety, Honda started the Traffic Safety Caravan program for pre-school children. The caravan visits nurseries and kindergartens, where it gives children an opportunity to learn the rules of the road through storytelling and game-playing.

Launched in the Kanto region in 1999, the program has expanded to cover other communities that host Honda factories in Japan. In FY2007 it visited 590 nurseries and schools and entertained 76,329 participants.

Traffic Safety Caravan

A teacher's evaluation of the Traffic Safety Caravan

VOICE

Kazumi Saito
Teacher, Suginami Toyo Kindergarten

The Traffic Safety Caravan visited our school last year. Reading aloud to the children is the key to the success of the Traffic Safety Caravan. I always try to start every activity with a reading too. It engages the children and helps them concentrate. And when teaching the children about using crosswalks, the caravan cast always repeated the point being taught, and the children had a chance to try it themselves—learning by doing. When children are allowed to do things for themselves, they really get involved. We're hoping that getting on and off the kindergarten bus could be the theme of a future lesson. Ideally, the Traffic Safety Caravan would include lessons to match the circumstances of each educational institution. Everyone here has just one question: "When will the Traffic Safety Caravan be coming next?"

Community Initiatives

Since Honda's foundation, we have always sought harmonious coexistence with the communities we have come into contact with as operations expand.

Following the basic principles of Honda philanthropy, we believe the first step in fulfilling our responsibilities as a corporate citizen is to put down roots. Honda's facilities, dealerships and affiliates throughout Japan and all over the world are active in a wide range of initiatives tailored to the needs of their own local communities and designed to bring people happiness.

Touch the World

Taking advantage of the unique opportunities to be found in Tokyo's Minato Ward, home of Honda headquarters and many foreign embassies, Honda has sponsored a cross-cultural event that gives children an opportunity to experience different cultures. So far, representatives of 33 different countries have been invited to help with the event at the Welcome Plaza showroom at Honda headquarters in Aoyama, Tokyo.

In 2006, the eighth year of Touch the World, the Colombian, Egyptian, Kazakhstan and Swiss embassies participated. Young visitors enjoyed events like the Mini World Tour, where they "traveled" to booths representing different nations using special passports and exchanging

Touch the World 8, held at Welcome Plaza Aoyama at the Honda headquarters in Tokyo (June 2006)

VOICE

An associate volunteer on Touch the World

Yasuko Uchikoga

One of my goals this year was to become a volunteer. I really wanted to take this opportunity to communicate with people from countries I have had little or no contact with before. I helped with the Egyptian exhibition, handing out Egyptian sweets and helping write the kids' names in Arabic script. At first, there was some confusion as we attempted to communicate in English—and because of cultural differences—but the smiles on the faces of the kids and other volunteers were very motivational. At the end of the event, I felt it had been a very worthwhile and fun-filled day.

greetings in each country's language, as well as World on Stage, featuring live performances by performers from around the world. Presentations of artisan culture and other Japanese cultural events were also included. The inquisitive children got to sing and dance together on stage, sample new and unfamiliar foods from different lands, and enjoy experiencing different cultures.

The Dream Factory

In January 2007 Honda of the UK Manufacturing organized the first Dream Factory at the Science Museum in Swindon for students between 11 and 14 years old who attend schools in communities around local Honda facilities. The purpose of the Dream Factory was to provide inspiration and a sense of excitement about manufacturing and engineering to students, while communicating the importance of dreaming and taking on challenges. In one workshop, students were challenged to protect an egg from the impact of a high tower drop using limited scrap material. The students learned the engineering principles of shock absorption and compression.

Enjoying the challenge of making things

As a follow-up to maximize the impact of the Dream Factory event, Honda of the UK Manufacturing associates visited participating schools to gather post-event feedback. The response was extremely positive: 96% of the students expressed a greater appreciation of engineering and about half said they were interested in engineering-related careers.

Trash removal, tree planting and bird-box building are all part of the initiative

Honda of the UK Manufacturing plans to continue the Dream Factory, giving more local children the opportunity to experience the joy of making things.

Spring Creek preservation

Since 2000, Honda Canada associates and their families have been volunteering to clean up and enhance the habitat of Spring Creek, which flows through company property in Alliston, Ontario. The volunteers go to work once a year on the first Saturday in May. Every year over 100 people participate.

Clean-up and conservation work begins after a short orientation

Honda School Environment Challenge Awards

In 1999 Asian Honda Motor and the Honda Group of Companies in Thailand launched the Honda School Environment Challenge Awards to help fulfill King Bhumibol's wish to meet the environmental challenges facing the country. All elementary schools across Thailand are invited to submit a project plan aimed at conserving and improving the natural environment in the regions where they live. Children from the selected schools are given eight months to put their projects into action. Honda provides funding and invites the children to Knowledge Camps where they are provided expert guidance. Honda works with Thai government ministries in charge of resources and the environment, energy, education and agriculture to implement the program. The King's Cup is presented to the school demonstrating the most outstanding commitment to preserving the environment in their community.

As of FY2007, 600 schools from across Thailand have received support in the context of the Honda School Environment Challenge.

Exploring nature and learning about Thai herbs

Planting mangrove saplings

Participation in the Honda School Environment Challenge

	Participating schools	Schools supported
1st cycle (1999 onward)	1,148	131
2nd cycle (2002 onward)	1,204	234
3rd cycle (2004 onward)	650	175
4th cycle (2006 onward)	627	60

TOPICS

Studying traffic safety—working to create the ideal mobile society
International Association of Traffic and Safety Sciences (IATSS) initiative

Established in 1974, the International Association of Traffic and Safety Sciences (IATSS) is a foundation that acts as a forum for free discussion and research on the present and future state of transportation in mobile societies. The association is funded by endowments from founder Soichiro Honda, Takeo Fujisawa and Honda Motor. Led by prominent scholars and experts, the association sponsors a broad range of studies and policy proposals aimed at improving traffic safety, as well as awards, scientific conferences, international exchanges and publications. It also provides support for traffic safety-related programs that respond to pressing concerns of the day.

International Association of Traffic and Safety Sciences conference (April 2007)

CSR Report 2007

Scope

This report focuses primarily on the activities of Honda Motor Co., Ltd., with some coverage of Honda Group companies in Japan and elsewhere. In general, references to "Honda" are to Honda Motor Co., Ltd.

Disclaimer

In addition to factual information regarding the past and present status of Honda Motor Co., Ltd., this report contains plans, perspectives and forecasts based on corporate philosophy and management strategies as of the date of publication. Sections of the report dealing with such plans, perspectives and forecasts are based on information available at time of publication. Actual results and events may differ.

Period

The report primarily covers activities from April 1, 2006, to March 31, 2007. Some historical background of these activities and references to events up to the time of publication, as well as forecasts and plans, may also be included.

Publication date

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Next edition: October 2008

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This report can also be found on the Honda Worldwide website.
http://world.honda.com/CSR/

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