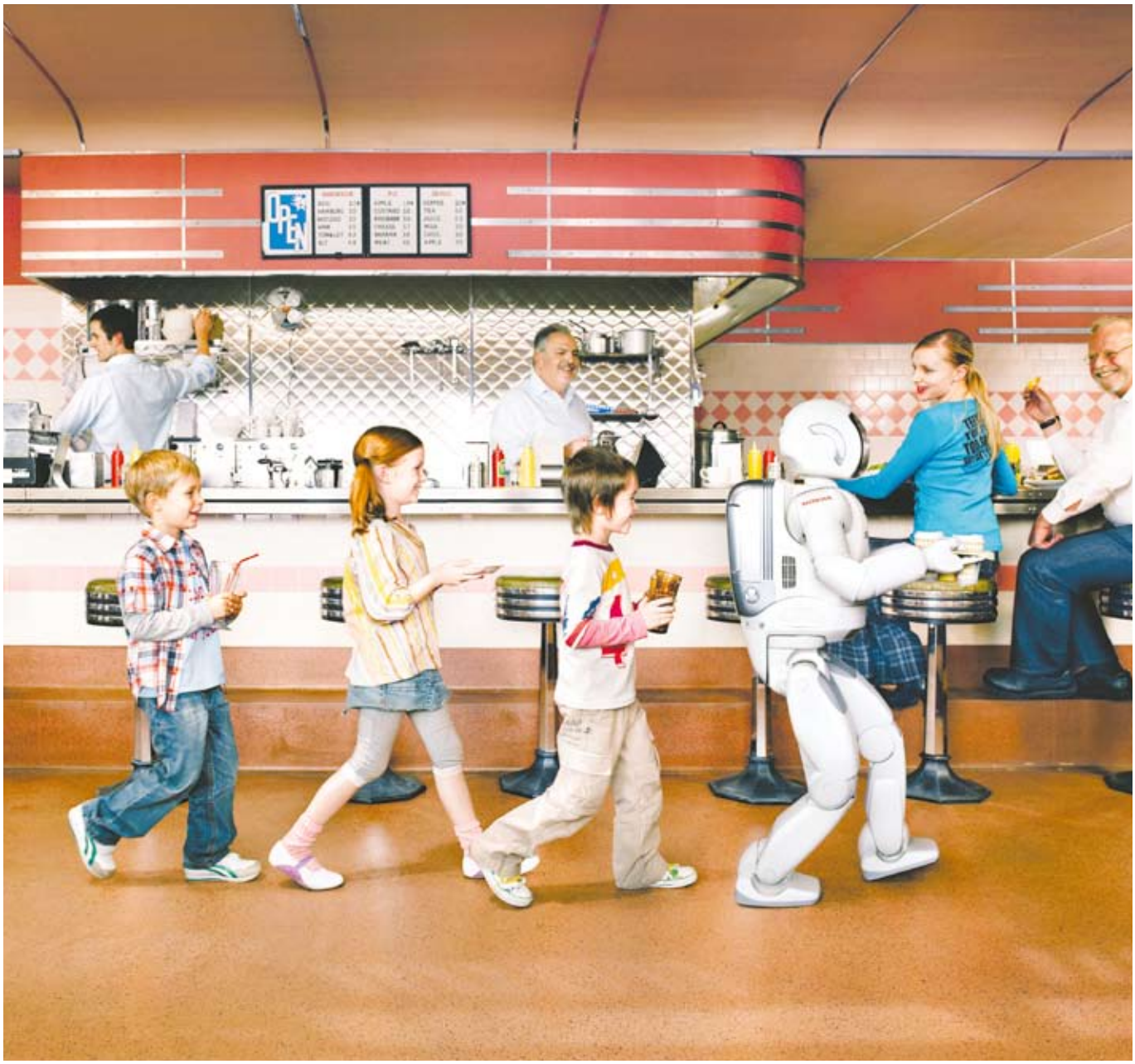
HONDA
The Power of Dreams

Striving to be a company society wants to exist

CSR Report 2008



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 customer satisfaction while moving proactively to fulfill its corporate social responsibilities in accordance with the fundamental principle of The Three Joys of buying, selling and creating.

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.

In FY2009, Honda is reaching beyond, striving to determine what more it can do to help create true sustainability by confronting global warming and fulfilling the growing demand for mobility. These efforts are showcased here.

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

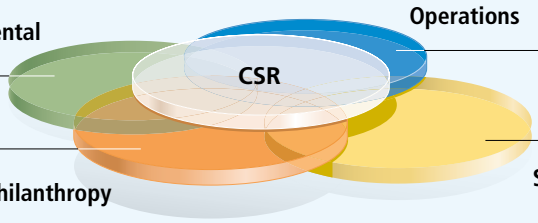
*The Global Reporting Initiative is a joint project of the Coalition for Environmentally Responsible Economies, a U.S. NPO, and the United Nations Environment Programme. Initiated in 1997, it issues guidelines for reporting on economic, environmental and social performance by organizations.

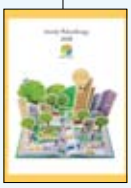
Relation to other reports

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.

Honda Environmental Annual Report 2008
An outline of Honda's fundamental approach to environmental policy, including reports on targets and the results of major initiatives in FY2008
To be published in September 2008
WEB **http://world.honda.com/environment/ecology/2008report/**

Annual Report 2008
An outline of business results, management strategy and other aspects of Honda's operations in FY2008
To be published in September 2008
WEB **http://world.honda.com/investors/annualreport/**





Honda Philanthropy 2008
An outline of Honda's fundamental approach and major initiatives in the area of philanthropy in FY2008
To be published in September 2008
WEB **http://world.honda.com/community/**

Driving Safety Promotion Report 2007
An outline of Honda's approach and major initiatives with respect to the promotion of driving safety in 2007
(Available only in Japanese)

CSR Report 2008

•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, 2007, to March 31, 2008. 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
Current edition: September 2008
Next edition: September 2009

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

Striving to be a company society wants to exist

CSR Report 2008

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Highlights of new-value creating Honda initiatives of FY2008

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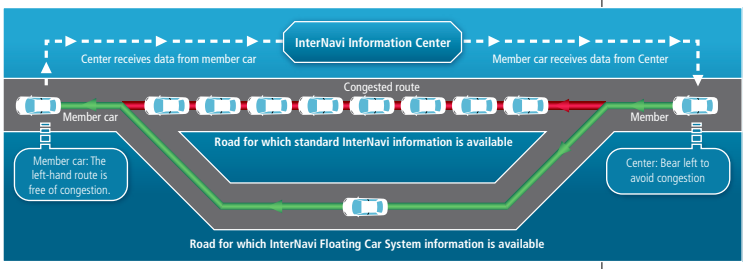
More than 200 million kilometers of new road data mapped by members



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Honda Sun builds new factory in Hijimachi, Oita prefecture

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Highlights of FY**2008**

Honda CSR initiatives begin with the development of our associates, who embody the Honda philosophy of respect for the individual and The Three Joys

Striving to be a company society wants to exist

Through sales of motorcycles, automobiles and power products, Honda provides mobility in many different forms to people around the world, working to create trust and affinity and be a company society wants to exist. Striving to fully achieve these ambitions, from FY2006 to FY2008 Honda implemented various initiatives to strengthen our foundation for growth and advancement on a global scale and further develop advanced technologies and products that create new value for our customers.

To grow and advance on a global scale, we have not only expanded our manufacturing and sales operations but also worked to better appreciate and address the needs and concerns of people in every country we serve. We believe that by continuing to assess our business operations from the viewpoint of our customers, suppliers, associates, shareholders and other stakeholders while fulfilling our corporate social responsibilities, we can become, to an even higher degree, a company that society wants to exist.

Leading the way in environmental technology

As a global company, we are continuously updating and strengthening our corporate governance and regulatory compliance systems. And as a leading manufacturer of mobility products, we are implementing a wide variety of initiatives to enhance product quality and safety, conserve the environment and contribute to society.

With 20% of world CO_2 emissions coming from automobiles and oil prices skyrocketing, and as fuel economy standards in Europe, Japan and the United States become more and more stringent, confronting global warming is a top management priority for Honda. As demand for motorcycles and automobiles continues to grow around the world and especially in developing nations, our operations in manufacturing and selling mobility products help make life more convenient for our many customers. However, we must face the fact that our operations also have an impact on the environment.

Our efforts to help create sustainable mobility are therefore of the utmost importance, and we are leveraging the results of our ongoing advanced environmental initiatives and confronting the problem of global warming squarely. In keeping with our objective of producing the world's cleanest and most efficient products at the world's cleanest and most efficient factories, we have announced voluntary worldwide CO_2 output reduction targets for 2010 and continue to strengthen our leadership in environmental technologies through new initiatives in development and manufacturing.

In the past fiscal year, we placed special emphasis on the development of next-generation diesel engine technology, a new hybrid system and the FCX Clarity fuel cell vehicle. With a vision of fuel cell technology replacing the gasoline engine and setting the powerplant standard for the next century, we began offering the FCX Clarity for lease in July 2008 in the United States and are preparing to begin leasing it in November 2008 in Japan. To make hybrid technology more accessible, we plan to introduce a new reasonably priced dedicated hybrid vehicle in Japan, North America and Europe in the beginning of 2009.

Honda motorcycles that feature environmentally responsible fuel injection are increasingly well-received in Thailand, India, China and other countries where demand is growing strongly. In the area of power products, we introduced home cogeneration systems in 2003 which use natural gas as fuel to produce electricity and hot water for households. Some 50,000 households in Japan have acquired a Honda cogeneration system, and we began sales in the United States in March 2007.

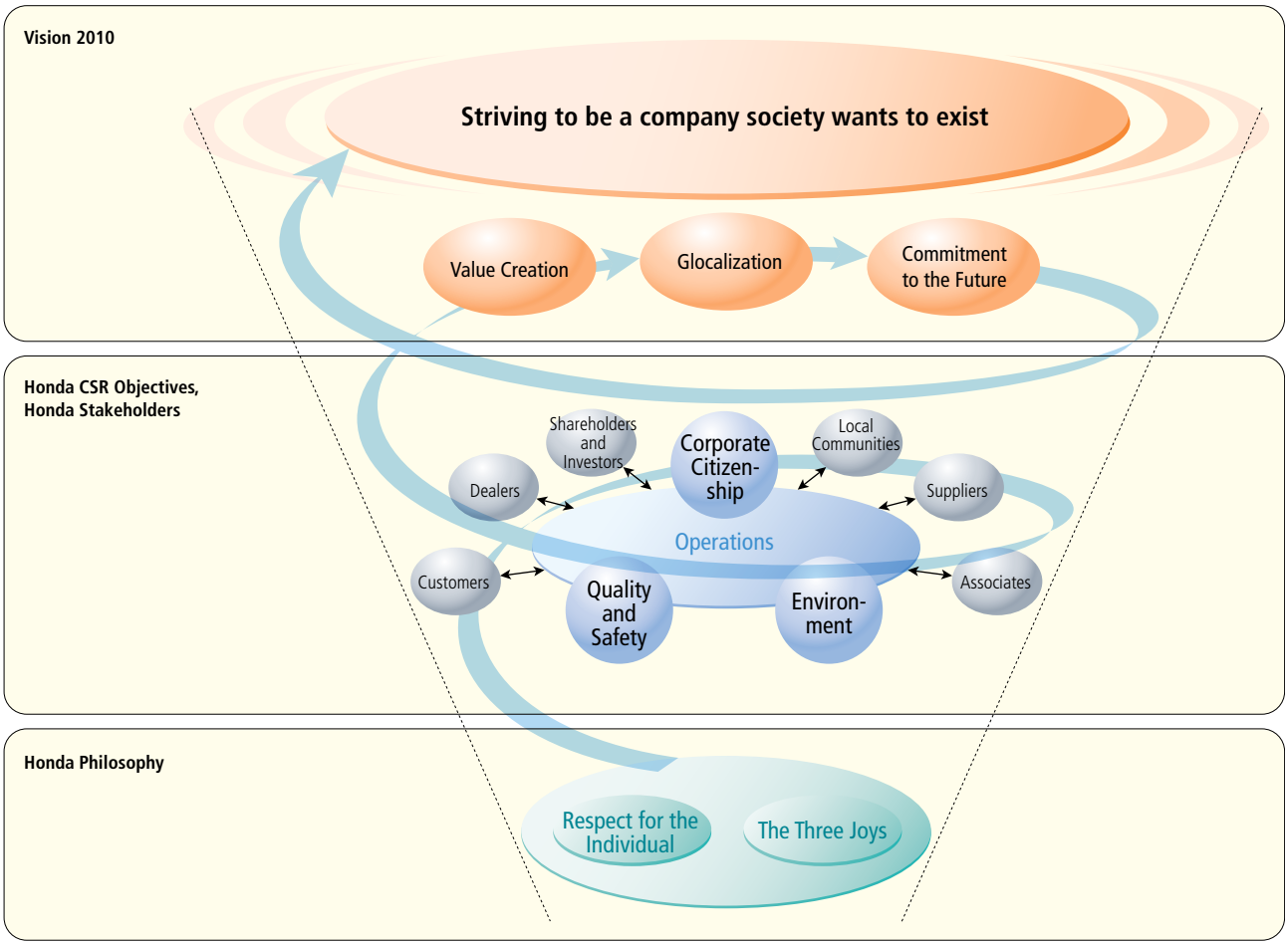
Honda affiliate Honda Soltec, which manufactures next-generation integrated thin-film solar panels, completed the construction of its factory in October 2007 and began manufacturing in spring 2008. With yearly production capacity of 27.5 megawatts' worth of panels—enough to power 9,000 households—Honda's energy production enterprise is off to a high-powered start.

Honda's approach to the growing demand for mobility

In fulfillment of our principle of building products close to the customer, we began U.S. production of automobiles in Ohio in 1982. The 2007 celebration of the 25th anniversary of this endeavor demonstrates that Honda's presence and initiatives are welcomed and appreciated by the local community.

As the scope of our business grows worldwide, so does the number of Honda associates, supplier employees and other persons working to support our goals, and thereby increasing our positive impact on the communities that host our operations. For this reason, while sharing the Honda philosophy of respect for the individual and The Three Joys with the new friends we make everywhere, we must work ever harder to achieve harmony with local cultures, respect the rights of all humans, and strive to be a company that each and every society we serve wants to exist.

To support the growth of our global operations, in Japan we are strengthening production and R&D while enhancing our systems to protect and conserve the environment. While accelerating our development of advanced safety and environmental technologies, we are implementing initiatives to enable us to



create the automobile of the future. A new R&D Center under construction in Sakura City, Tochigi prefecture, is slated to begin operations in 2010, and two new plants in Saitama prefecture, an automobile plant and an automobile engine plant, are scheduled to begin production in the period 2009–2010.

Created to fulfill the goals of quality, environmental responsibility and a positive impact on associates and local communities, the two new plants in Saitama will feature high-efficiency equipment and the most advanced manufacturing techniques and technologies, making possible a significant reduction in energy consumed per vehicle produced. Further, associates at our factories will take advantage of ergonomic plant layouts that enhance their working environment and maintain regular contact with local communities to build and strengthen ties. The new facilities will build upon the initiatives and methods successfully implemented at the Kumamoto Factory, where motorcycle manufacturing in Japan has been concentrated; the Hamamatsu Factory, which serves as Honda's leader factory for worldwide production of automatic transmissions for automobiles; and Honda's other advanced manufacturing facilities in Japan.

New Honda facilities overseas will also share in these successes. In autumn 2008 we will begin production at our new automobile factory in Indiana, and an engine factory in Canada and R&D facilities in China are also scheduled to go online in the near future. Continuing to expand our presence in developing regions, we have plans for new facilities in India, Thailand, Brazil and elsewhere.

Each associate helps drive Honda forward

Today, the automobile industry faces the dilemma of confronting global warming while fulfilling growing worldwide demand for mobility. Honda recognizes that realizing these goals in this challenging era can only be achieved through the efforts of our associates, each of whom must think and act autonomously to solve the problems we face today and help create truly sustainable mobility for society.

Having accepted the challenge of attaining sustainability through advanced environmental technologies and innovation, we constantly return to our point of departure in the Honda philosophy of respect for the individual and The Three Joys.

We believe in the dignity of each human being and that individuals must respect each other as independent human beings with distinct personalities. We believe in building trust, allowing each person's full potential to be realized and The Three Joys of buying, selling and creating to be shared with even more people. Individual associates embody the Honda philosophy, and it is through their development that we honor our commitments to stakeholders and find the driving force needed to realize the sustainable mobility we envision.

The Honda philosophy serves as the starting point for all the initiatives explored in this report. It is our intention to continue to advance and enhance them. We will continue to take the initiative and pursue dreams, as people have come to expect from Honda. We warmly welcome readers of this report to share their views with us.

President & CEO

Takeo Fukui

Features

Honda's Vision of Sustainable Mobility

Enjoying Mobility into the Future

Mobility products make our lives more comfortable and convenient and support the progress of industry. Yet through their consumption of gasoline and other fossil fuels, they also produce CO_2, nitrogen oxides, particulate matter and other undesirable emissions, thereby contributing to global warming, atmospheric pollution and other energy and environmental problems.

The demand for mobility products, however, only grows larger as the world economy—led by Brazil, Russia, India and China—continues to expand. Manufacturers of mobility products face a dilemma: to satisfy this growing demand while protecting the global environment. In response, Honda is developing advanced mobility and renewable energy products while implementing local philanthropic initiatives, always striving to be a company society wants to exist.

Perspective 1 Confronting Global Warming

Developing new mobility and renewable energy products, Honda is revolutionizing environmental technology

Honda is approaching environmental problems in two distinct ways. First, Honda is developing advanced mobility products, seeking to maximize their appeal and functionality while minimizing CO_2 and other harmful emissions. In addition to continuing to enhance the fuel economy of our gasoline engine–powered vehicles, Honda is developing hybrid vehicles that offer superior city mileage, diesel vehicles with exceptional highway mileage and fuel cell vehicles that offer the ultimate in clean performance. Second, Honda is developing a wide range of advanced renewable energy products, such as bioethanol fuel made from inedible rice straw. Leveraging expertise in engine technology, Honda's cogeneration systems burn natural gas to efficiently produce electricity and hot water simultaneously. In 2007, Honda Soltec began large-scale production with a vision of putting solar panels on every rooftop in the world. As a responsible manufacturer of energy-consuming mobility products, Honda is creating energy-generating products for the future.

Perspective 2 Fulfilling the Growing Demand for Mobility

While strengthening its global manufacturing systems, Honda strives to add to the safety, peace of mind and comfort of people in every region the company serves

To address the increasing global demand for mobility, Honda maintains a policy of building products close to the customer and continues to increase production at existing locations while building new motorcycle and automobile plants in regions around the world. Further, while fulfilling its responsibility as producer by increasing the production capacity and number of its manufacturing facilities, Honda also welcomes its social responsibilities to maintain stable high quality, developing ever safer products, dealing fairly with suppliers, creating associate-friendly workplaces and contributing to local communities. For Honda, fulfilling corporate social responsibilities begins with the Honda philosophy of respect for the individual and The Three Joys of buying, selling and creating. While harmonizing with local cultures and respecting human rights, Honda maintains close communication with stakeholders and strives always to add to the safety, peace of mind and comfort of people everywhere.

Fuel cell vehicle development

The ultimate clean performance car—setting the standard for the next century

Using hydrogen and oxygen as fuel to generate electrical energy and propel itself, a fuel cell vehicle does away with not only harmful emissions like carbon dioxide but also the vibration and noise associated with piston engines. As a result, this ultimate clean performance car may become a key factor in solving global warming, atmospheric pollution, energy shortages and other automobile-related problems. Dedicated to its mission of securing a bright future for the automobile in society, Honda initiated its fuel cell research program in the latter half of the 1980s, producing innovation after innovation. Now, going beyond clean performance to deliver truly fun driving, the FCX Clarity* sets the standard for the next century of automobile technology. Leasing of the FCX Clarity began in July 2008 in the United States and is scheduled to begin in autumn 2008 in Japan.

*Honda chose this name to express the idea that the company is creating a fuel cell vehicle that will offer a clear solution to the challenges of the future, helping society achieve sustainable mobility.

Creating a car with incredible appeal—and setting the standard for the next century

Sachito Fujimoto, Automobile R&D Center, Honda R&D Co., Ltd.

The dream of the fuel cell vehicle becomes reality

Honda began developing its first fuel cell vehicle prototype in 1998. At the time, other automakers already had prototypes on the road, so we were by no means the first to do so, but ever since fuel cells became established as an environmentally responsible powerplant,* we have been making rapid progress in their development.

Sachito Fujimoto
FCX Clarity Project Leader
Automobile R&D Center, Honda R&D Co., Ltd.

We wanted to help solve global environmental problems and fulfill our responsibility as a mobility company to reduce the environmental impact of our products. And for Honda engineers, fuel cells were a dream turning into a reality. The potential of the fuel cell to become the automobile power source of the next century was a major source of motivation. For us it's exciting to be freed of conventional technologies like engines and transmissions—to be free to create the automobile of the future.

*The powerplant in the FCX Clarity consists of the V Flow FC Stack, the drive motor and gearbox, the lithium-ion battery and the pressurized hydrogen tank.

Developing a production vehicle that offers comfort, safety and the fun of the drive

The competition in the automobile industry to develop fuel cell vehicles has two main phases: R&D and commercial production. Honda has just entered the second phase, as we are beginning to make production vehicles more and more available. At this point, I'm confident that we're leading the way.

To come thus far, we had to make several technological advances. Our first breakthrough came in 2000, when our ultra-capacitor (the world's most powerful at the time) and new fuel cell design at last gave us the kind of acceleration people expect from Honda vehicles. The result was the FCX-V3 prototype. What made its fuel cell different from that of the V1 and V2 was the pressurized gas storage technology we had developed for our natural gas vehicles, which allowed us to take on the challenge of using compressed hydrogen as fuel. Until that time, fuel cell systems were like big chemical factories, weighing over 200 kg. Power was weak and driving range was limited. Cabin space was so limited only one person could fit inside. That's just not

Enjoying Mobility into the Future

History

Honda—the fuel cell challenge continues

1999 •Prototype fuel cell vehicles FCX-V1 (hydrogen-fueled) and FCX-V2 (equipped with methanol reformer) introduced

2000 •Prototype fuel cell vehicle FCX-V3 introduced (pressurized hydrogen tank and ultra-capacitor)

2001 •Public road testing of the FCX-V3 begins in Japan
•Prototype fuel cell vehicle FCX-V4 with extended range introduced

2002 •Honda FCX-V4 receives certification from Japan's Ministry of Land, Infrastructure, Transport and Tourism for use on public roads
•Honda FCX becomes first fuel cell vehicle certified by the U.S. EPA and Japan's Ministry of Land, Infrastructure, Transport and Tourism for use on public roads
•FCX fuel cell vehicles delivered on the same day in the U.S. and Japan

2003 •Experiments begin in the U.S. with a Home Energy Station, which offers hydrogen fuel generation and cogeneration functions
•Release of the Honda FC Stack, capable of power generation at temperatures as low as –20°C

2004 •FC Stack–equipped FCX supports the Tokyo-Hakone Ekiden Relay Race
•Honda FC Stack–equipped FCX leased to the State of New York
•Honda FC Stack–equipped FCX certified for use on public roads by Japan's Ministry of Land, Infrastructure, Transport and Tourism

2005 •Honda FCX becomes Japan's first fuel cell vehicle to receive Motor Vehicle Type certification from Japan's Ministry of Land, Infrastructure, Transport and Tourism
•Honda FCX becomes world's first fuel cell vehicle leased to an individual customer
•FCX Concept fuel cell vehicle displayed as concept car at the 39th Tokyo Motor Show

2006 •Honda demonstrates the FCX Concept vehicle featuring a new compact, high-output V Flow FC Stack

2007 •FCX Clarity introduced at the Los Angeles Motor Show
•FCX Clarity production begins; first vehicle completed

2008 •FCX Clarity first leased to individual customers in U.S.
•FCX Clarity displayed at the Toyako Summit in Hokkaido, Japan

2008 (planned) •FCX Clarity to be leased to individual customers in Japan

what Honda engineers call a car!

That's why, in developing the V4, we completely redesigned every part of the fuel cell system, making it much more compact. We introduced a 350-atmosphere pressurized hydrogen tank, boosting vehicle range from the V3's 180 km to 315 km. By putting the tank under the floor, we enhanced not only cargo space but also acceleration and collision safety characteristics, bringing the entire vehicle closer to commercialization. We were also the only company to test the safety of fuel cell vehicles under the same standards as those for regular production vehicles. As a result, in 2002 the descendent of the V4, the FCX, became the world's first fuel cell vehicle to be certified for use on public roads, giving Honda the distinction of being the first automaker

to create a practical fuel cell automobile.*

Then, in 2003, we introduced the Honda FC Stack, the newly developed core of the vehicle. Higher in output and more compact in size, this new fuel cell stack was capable of power generation at temperatures as low as –20°C (currently –30°C), allowing users in Hokkaido, Japan and New York State to start their vehicles confidently, even in cold winter weather.

*In 2002 the Honda FCX was certified for use on public roads by the U.S. EPA and California Air Resources Board (CARB). In Japan, certification was received from the Ministry of Land, Infrastructure, Transport and Tourism. Honda delivered the FCX to the Japanese cabinet office and the City of Los Angeles. In 2003 the FCX became the first and only fuel cell vehicle to be listed in the EPA's fuel economy guide.

The shape of things to come—the FCX Concept

The vehicle that promised to fulfill our goal of setting the standard for the next century was the FCX Concept, which we displayed at the Tokyo Motor Show in autumn 2005 and demonstrated to the media in September 2006.

The FCX Concept featured the V Flow FC Stack, which achieved a 50% increase in volume output density and a 67% increase in weight output density over the previous stack. This amazing enhancement in fuel cell performance increased vehicle range 30%, to 570 km. In addition, the fuel cell box in the new stack was oriented longitudinally along the center tunnel, allowing us to create a vehicle with a low floor and low overall height. The result was an advanced look completely different from the tall and SUV-like designs of the past. While

FCX Concept

Topics

Fuel Cell Classroom

Since 2007, Honda has held the Fuel Cell Classroom 12 times a year in the Welcome Plaza at Honda headquarters in Aoyama, Tokyo, Japan, to teach children about environmental issues and encourage them to nurture their own dreams of advanced technologies. Members of the Honda R&D fuel cell vehicle development team serve as instructors, using picture-story animation to introduce the FCX, performing experiments to explain its technology and offering parents and their children a chance to go for a drive. Participants use sight, touch and other senses to gain a deeper understanding of fuel cell vehicles and what they have to offer. At the end of the seminar, each child receives a certificate of completion displaying his or her photograph. In May 2008 a total of 19 parents and children participated.

Children watch experiments

Taking the FCX onto the road

Participants' comments

Hiroki Motoike

It was really fun riding in the FCX. I'm looking forward to Honda releasing a fuel-cell convertible!

Hiroki Motoike's parents

We went for a test ride in the FCX for the first time and were surprised at just how quiet it is when you start driving and accelerate—it's totally different from a gasoline-engine car. It's so quiet and smooth that we thought it might be necessary to add some way to alert people nearby that you're in motion. We hope that the infrastructure needed for fuel cell cars is realized soon and stylish cars like the FCX Clarity become available to everyone.

The Motoike family

other manufacturers continued their development using legacy platforms, Honda's insistence on creating a dedicated platform for our fuel cell vehicles was the key move. We felt the FCX Concept had gone far beyond the requirements of environmental responsibility, moving us closer to fulfilling our goal of setting the standard for the next century. Bolstered by this success, we were ready for the next challenge.

On the test course—in full view of the media—the FCX Concept displayed robust acceleration performance and a top speed of 160 km/h, demonstrating that Honda's fuel cell vehicles had left the development stage and entered the commercialization stage. The world took notice.

Technology

Renewable energy and the fuel cell vehicle

•Going beyond fossil fuels toward a society based on sustainable energy

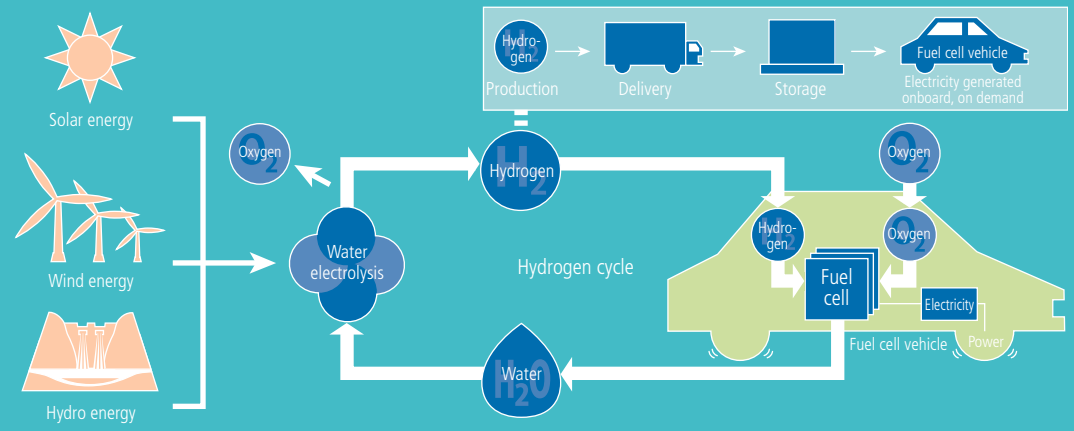
The fuel cell vehicle produces electricity to drive its electric motor, and the fuel it uses to produce that energy is hydrogen. Hydrogen exists as a component within many different substances from which it can be extracted, such as natural gas, but it can also be extracted from water via electrolysis, using electricity produced from such renewable energy sources as solar, wind and hydroelectric power. Unlike electricity, hydrogen can be produced at any time and in any amount and stored in large quantities. The water that the fuel cell vehicle emits returns to nature, once again available to produce hydrogen for use in a fuel cell vehicle. By realizing such a renewable, water-to-water energy cycle, it may be possible one day to create truly sustainable energy supplies, freeing society from dependence on non-renewable and fossil-fuel-based energy sources.

• Premium features and performance

For Honda, a fuel cell vehicle is more than just environmentally responsible—it should have all the premium features and performance people expect from an automobile.

A hydrogen fuel cell vehicle can be refueled quickly and have a range equivalent to that of a gasoline-powered car. Moreover, the fuel cell system and other powerplant components can be made powerful, lightweight and compact, exhibiting more than three times the energy efficiency of a conventional gasoline-powered car and twice that of a hybrid vehicle. What's more, the electric motor's distinctively smooth, powerful acceleration, free of the noise associated with engine-powered vehicles, delivers an entirely new kind of driving experience.

Fuel cell vehicle using renewable energy



Toward full-scale commercialization of fuel cell vehicles

In November 2007, with a view to establishing full-scale commercialization, Honda introduced the FCX Clarity, which combines advanced environmental and driving performance with a new level of comfort and an elegant, futuristic design. In July 2008 Honda made the FCX Clarity available for lease to individual customers in the U.S., and plans to release it in Japan in November 2008.

When I first began working on the project in 1998, I'd never have imagined that in just ten years I'd see what was essentially a rolling chemical factory evolve into the FCX Clarity, a car that I think is very close overall to the fuel cell vehicles that will take to the roads worldwide in the future.


FCX Clarity

Honda's goal is to produce fuel cell vehicles in quantity for use by ordinary people. We want to build a vehicle that is environmentally responsible, but if it's too expensive for people to buy it cannot be the technological answer for the next century. Although we need to reduce costs, establish hydrogen infrastructure and overcome many other challenges, fuel cell vehicles are showing the potential to create a new era in mobility history, just as the gasoline engine did when it was invented by Daimler and Benz in 1886. Overcoming challenges step by step, Honda is committed to building a bright future for the automobile in society.

Topics

Line-off ceremony marks start of commercial production of all-new fuel cell vehicle, FCX Clarity

A line-off ceremony was held on June 16, 2008, at the New Automobile Model Center in Tochigi prefecture, Japan, to mark the start of commercial production of the FCX Clarity.

As part of the production plan, Honda dedicated assembly lines to fuel cell vehicle manufacturing processes including fuel cell stack and hydrogen tank installation. To manufacture in quantity the individual fuel stack cells, hundreds of which are used in every vehicle, Honda is using dedicated, automated tooling that maintains the extremely high levels of precision and quality required in the fuel cell stack production process. Having taken this critical step toward making fuel cell vehicles more widely available, Honda will continue to pursue advances in production technology proactively.


Line-off event


Installing the hydrogen tank

First FCX Clarity user's comments

Ron Yerxa

Living with his family in Santa Monica, California, Ron Yerxa is a movie producer, long-time car enthusiast and advocate for the environment.

I first saw the FCX Clarity at the Los Angeles Motor Show in November 2007. The hydrogen-based energy of the FCX Clarity represents an alternative to fossil fuels and a promising approach to solving the world's increasingly tough energy problems. Although hybrids reduce carbon dioxide emissions, even they use gasoline, so the fact that the FCX Clarity uses none is revolutionary.

I decided to become an FCX Clarity owner because to me the combination of amazing technology and truly beautiful styling really makes it a new car for a new era. I also saw the FCX Clarity as representing the pursuit of alternative energy sources, and my ongoing desire to be a part of that movement was a big reason for my decision.

We wanted the entire design to say *advanced and universal*

Masaru Hasegawa
Exterior Designer
Automobile R&D Center
Honda R&D Co., Ltd.

What makes the FCX Clarity unique is the freedom of design made possible by the revolutionary distributed powerplant of the V Flow FC platform. By doing away with the engine and making components smaller, we've created a short nose and extended cabin for a one-motion profile. Honda calls this new type of sedan, in which the cabin extends further along the total length of the vehicle, the dynamic full-cabin sedan. Fuel cells represent the ultimate in environmentally responsible technology, but it was our goal to make the design of the FCX Clarity truly appealing in every way, with elegant, dynamic styling that makes driving enjoyable and owners proud. Points of particular focus include the fenders that flow into the advanced front view, the elongated cabin, and the stunning, rounded rear, with its three-dimensional robustness, unlike that of any other sedan. Attention to detail extends to the wheels and side view mirrors, while the color profile features Star Garnet Metallic and deep crimson shadows that elegantly bring out the sculpted quality of the design—and, we hope, change the image of the fuel cell vehicle forever. We created an emotive design that in every way delivers the aesthetic appeal people expect from a Honda automobile.

Design sketch

Side mirror design

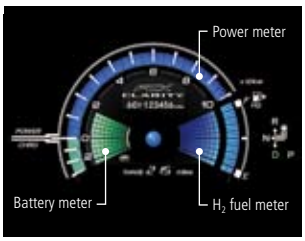
Perspective

We wanted people to feel the future the moment they opened the door

Yozo Takagi
Interior Designer
Automobile R&D Center
Honda R&D Co., Ltd.

Even during the sketching stage, our goal was clear: to have people open the door and, with one look at the futuristic design, get really excited about the car and want to take it out on the road. We paid special attention to the cockpit, which is what people first see when they look inside. To make people feel they're in the car of the future and get them to sense the excitement, we placed in the center a new multilayered instrument panel that tells the driver in bright, 3D displays that he or she is at the controls of a fuel cell vehicle: hydrogen consumption, battery levels, regenerative braking status, motor output—it's all there, easy to read and extremely futuristic. Passengers in the two independent rear seats also experience a different dimension of comfort, thanks to the extra space the V Flow FC platform provides, while the deep door linings help create an atmosphere that is simultaneously inclusive and spacious. For the seats and other interior surfaces, the selection of Honda Bio-Fabric—the world's first automotive interior covering made from plant-based materials—further demonstrates Honda's dedication to creating the environmentally responsible premium sedan of the future.

Design sketch



Multi-functional display

Next-generation thin-film solar panels

Putting Honda's solar panels on the rooftops of homes worldwide

Over the years, Honda has offered the world many environmental innovations, including fuel cell vehicles and advanced bioethanol production technologies. In 2007, Honda embraced a new challenge, establishing solar panel manufacturing and sales subsidiary Honda Soltec in its Kumamoto Factory campus. Within the industry, Honda Soltec's panels are drawing considerable attention: although they currently offer slightly lower energy conversion efficiency than conventional systems, for which the supply of the required raw material silicon remains limited, they require significantly less energy to manufacture, thereby increasing savings and reducing environmental impact. A leader in mobility innovation, Honda is pursuing a new dream of energy production, one infused with the creativity that has characterized its history.

Junichiro Furukawa
General Manager
Solar Cell Systems Business Office
Power Product Operations
Honda Motor Co., Ltd.

Advancing from energy-consuming to energy-generating products

Junichiro Furukawa
General Manager, Solar Cell Systems Business Office
Power Product Operations, Honda Motor Co., Ltd.

Fulfilling our social responsibility as a manufacturer of mobility products

By developing mobility products that decrease energy consumption, such as next-generation diesel engines and hybrid automobiles, Honda is aiming to reduce environmental impacts. Honda's solar panels differ from past innovations in mobility by generating energy in new ways rather than simply reducing the amount of energy consumed. Moreover, as a manufacturer of energy-consuming products, Honda accepts its social responsibility to develop such energy-generating products. From an early date, accepting this responsibility has spurred Honda to perform research into renewable energy and develop fuel cell vehicles and bioethanol production technologies.

Making solar panels as popular as the Civic

Since initiating solar power research in 1996, Honda has pursued the goal of making its logo and solar panels as visible and popular on the rooftops of the world as the Civic is on streets everywhere. Al-

though national and local government subsidies are available for public and industrial solar power applications, Honda instead developed solar panels for home use to reduce the waste that occurs in transmission from the power station to individual homes. Honda's global development principle of manufacturing close to the customer extends to electricity as well, and we strongly believe that the future will necessitate a decentralized energy system in which electricity is produced and consumed where needed, in the amount needed.

Pioneering with the new material CIGS*

To develop the solar panel equivalent of the Civic for the world's rooftops and compete with companies already established in the industry, Honda must accept new challenges. For this reason, Honda began research into a compound semiconductor called CIGS for use in the electricity-generating layer of its panels.

Although silicon had long been the standard material for this purpose, its use requires the consumption of large quantities of energy in the manufacturing process. In addition, Honda was concerned that the fluctuations in the price and availability of silicon arising from usage patterns in the semiconductor industry would make it difficult to produce and offer solar panels at a stable price and rate of output.

Honda therefore elected to develop solar panels based on CIGS, a material with high light-absorption efficiency. At the time, no company had developed commercial production technology for CIGS-based panels, and making them competitive with silicon products in cost and performance was thought to present considerable barriers. But Honda's identity is rooted in pioneering advanced technologies rather than imitating the technology of others, so we made the decision to build our solar power enterprise from the ground up, turning our late start into an advantage.

*An acronym for copper indium gallium selenide. In addition to a broad wavelength spectrum, this compound semiconductor offers light absorption many times greater than that of silicon.

Akio Kazusa
President-Director
Honda Soltec Co., Ltd.

"I want to make solar panels the central pillar of Honda's environmental brand."
Akio Kazusa, President-Director, Honda Soltec Co., Ltd.

A corporate culture of challenging the status quo

In December 2006, Honda founded the solar panel company Honda Soltec. To compete with established solar panel makers with commercial production and sales track records, the company would need to innovate, not just in respect to product development, but also manufacturing and sales. To that end, we assembled a new organization and launched the enterprise with a commitment to overcoming all challenges we faced.

Two main challenges faced us from the start. We would need to establish excellent cost performance so as to offer high-quality, high-performance solar panels to thousands of households a year. Second, we would need to establish a sales network throughout Japan so that customers could buy in confidence, knowing that dealers would provide service worthy of the Honda name.

Enhancing cost-performance

To enhance cost-performance, Honda has already leveraged the unique qualities of CIGS to create the industry's first solar panel able to generate electricity no matter where sunlight hits it. The new challenge is to continue enhancing this superior performance while working to minimize costs.

Building on its experience in automobile manufacturing, Honda Soltec is leveraging expertise in efficiency and productivity enhancement to streamline and automate panel-manufacturing processes while refining the product to increase yield. In addition, the company is developing technology to increase the size of the solar panel substrate while maintaining its homogeneity.

A sales network based on customer needs

To properly serve our customers and ensure their satisfaction, Honda Soltec is establishing a direct route from manufacturer to dealer to customer. When we surveyed users who had purchased systems from other companies, we discovered quite a bit of dissatisfaction, distrust and disappointment. Based on our experience with mobility products and power products, we are creating a sales network that truly answers to its customers, selecting vendors fully able to take responsibility for sales, installation, inspection of installed systems and follow-up service.

Creating an enterprise based on Honda principles

Solar panels are a promising technology with a growing global market that we intend to supply going forward. Our first order of business, however, is to make Honda Soltec successful in Japan. As we work hard to expand our sales network, maximize performance and reduce costs, we will spare no effort to ensure that each and every customer experiences a high level of satisfaction. We will nurture this enterprise with great dedication to establish our solar panels as a central pillar of Honda's environmental brand.

Maximizing environmental responsibility through Honda-style creativity

Yasuhiro Suzuki, Director
Chief Inspection Engineer
Honda Soltec Co., Ltd.

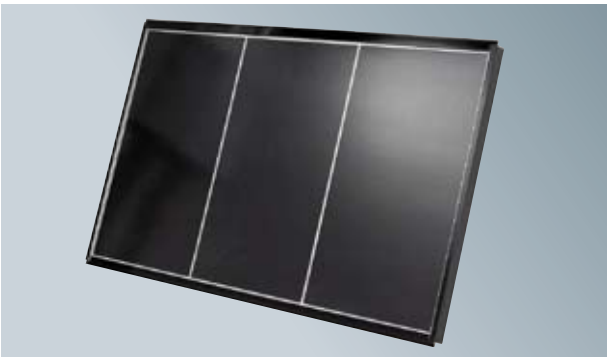
Not just better—we have to do the very best we can

Honda was a pioneer in the management of environmental impact across the product life cycle, including development and manufacturing. Our first priority in developing solar panels was to leverage Honda-style creativity to maximize environmental responsibility. To do so, we needed to develop manufacturing technologies that maximized the energy conversion efficiency of the product so as to compete successfully with others in the marketplace while minimizing the resources consumed and environmental impact created during production.

Thus motivated to choose CIGS, in 1999 we achieved a then-leading level of energy conversion efficiency with the material in the laboratory. To harness this potential, we turned to manufacturing technology specialist Honda Engineering, whose mission was to develop the equipment and technology needed for the large-area film deposition process. After researching potential technologies, we ended up using a production method completely different from that of our original plan. It took courage to commit to the change, but Honda's dedication to advanced creativity means not being satisfied with just being better than our competitors—we are determined to do the very best we can.

This attitude has paid off. By the end of 2005, Honda had established the large-area deposition process needed for commercial production. Just 1/80 as thick as a conventional silicon cell, the product achieved the world's then-highest level of thin-membrane solar cell power generation performance. In addition to developing original equipment to fully automate the deposition process, we leveraged our automobile manufacturing technology to create a production line both simple and conducive to enhancements in quality and productivity.

Yasuhiro Suzuki
Director, Chief Inspection Engineer
Honda Soltec Co., Ltd.



Honda solar panel module (CIGS thin-film solar cells)

Start small and nurture to greatness

Now that Honda Soltec has taken the first step toward commercial production, the company has two major objectives. The first is to leverage CIGS's high potential to realize a product with even greater electrical generation efficiency. The second is to improve cost-performance by reducing costs while enhancing our facilities and processes to increase production efficiency and yield. Honda's approach is to start an enterprise small and nurture it to greatness. We are now in the process of enhancing our daily operations step by step.

Perspective

Instilling the vitality of Honda's origins

Akio Takamatsu
General Manager
Manufacturing Department
Honda Soltec Co., Ltd.

Creating an energetic workplace suited to a new enterprise

When we launched Honda Soltec, our aim was to foster a workplace with the kind of energy Honda had at its foundation. In selecting personnel, we looked for people hungry for a challenge, hiring our founding team members mostly from the local Kyushu area.

We also sought to create a workplace focused on two priorities. The first was nurturing a culture infused with the innovation and creativity that a young company should possess, and the second was creating an advanced green factory befitting a solar panel manufacturer.

In pursuing innovation and creativity, we listened carefully to our new associates, learning about their experiences at a diverse range of companies and workplaces. Considering Honda's emphasis on independence and creativity, it was appropriate that the associates should conceive of and realize their own workplace. From the start, we provided the entire team a taste of Honda's culture of striving to achieve high ideals, and we hoped that this experience would become part of the company's DNA.

Fortunately, most of the new associates were very driven people, and they had many ideas to contribute regarding everything from the height of the workbenches within the factory to the amenities in the relaxation room, cafeteria and restrooms.

Applying associates' input to the entire workplace

When we designed the relaxation room, we showed the associates an empty room, asking them how to turn it into a space where they could spend ten minutes and leave feeling refreshed. After several lively discussions, we implemented their ideas. Also, in order to make the workplace comfortable for our female associates, we created large, well-appointed restrooms. In considering what sort of decor and amenities to feature in the workplace, we looked to local hotels and public buildings for ideas, and because our associates work three different shifts in the factory, we created a cafeteria where hot meals are available at any hour.

Meanwhile, we respected Honda's environmental standards to the letter, from the factory's construction onwards, implementing a variety of environmentally responsible measures. For example, during the factory's construction, we worked to minimize the amount of earth and sand removed from the site as industrial waste. We installed 21-kW solar panel modules on the factory walls to power the lights in the office area, and, in order to improve the efficiency of the air conditioning in the factory, where associates work 24 hours a day, we devised a ceiling capable of recycling hot air that would otherwise be discharged.

Our role in the community as a corporate citizen

Honda Soltec has implemented a diverse range of homegrown innovations, but we're still just getting started. We must be resolute in our convictions and set bold examples, firmly establishing a culture of free and open debate. We need to encourage associates to think for themselves, innovate, engage in lively discussions and share successes as a team. Finally, we need to engage in problem solving based on addressing actual issues at the actual site in terms of the actual facts.

We must fulfill not only our individual responsibilities within the company but also our collective responsibility as a good corporate citizen to conserve the environment and give back to the local community. Through such efforts, we intend to make Honda's environmental brand stronger than ever and, like Honda's other factories, make the people around us glad that we're a part of their community.

Relaxation room

Vendors that serve our customers and improve their satisfaction

Kazuyuki Mizumoto
Director, Sales & Marketing Division, Honda Soltec Co., Ltd.

Vendors that handle everything from installation to after-sales service

Surveying users of other companies' solar panel systems, we learned of dissatisfaction, distrust and disappointment. Frequent complaints included such post-installation frustrations as not receiving follow-up contact and not knowing where to look for assistance. It was clear that these companies weren't succeeding in addressing customer needs and improving customer satisfaction.

Frankly, this was a major opportunity for Honda as we set about building our sales network. We would make the path from us to vendor to customer as short as possible so as to be the brand that our customers would want to choose. This has always been part of Honda's mission.

We made it our sales network policy to select vendors able to take full responsibility for sales, installation, inspections of installed systems and follow-up service, since solar panels are not complete as a product until they are installed on the rooftops of individual customers' homes. Naturally, we conduct rigorous quality inspections before we ship our product, but in order to ensure our customers' safety and peace of mind, we need vendors that are dedicated to providing meticulous service both during and after installation. These vendors also compile customer feedback that informs various sales strategies and improvements to our product.

Establishing a set of vendor qualification criteria

To ensure that the vendors we partner with form a cohesive network, Honda Soltec has established its own set of qualification criteria. For example, in order to ensure safe, secure installations, our vendors must have a builder's license and an established relationship with the local community, a type two electrician's license, a grade two architect's license and a license for tiled roof construction. In particular, we make it clear in writing that vendors must have an established relationship with the local community, reflecting our belief that service provided by a familiar person strengthens both customers' sense of trust and vendors' sense of responsibility.

We made a list of vendors that we anticipated could meet these criteria, including those that had initiated contact with Honda, and began explaining our priorities to them. We found that Honda's methods were so divergent from established industry practices that some of the candidates complained that the license requirements were too onerous, or that the pre-installation checklist was too long.

In response, we launched a renewed effort to carefully explain to each vendor candidate our conviction that the majority of customers were sure to appreciate these new methods and that the license requirements were necessary to increase customers' trust of the industry. We found that many vendors shared Honda's concerns with regard to the industry's current and future status, and in time more and more vendors came to agree with us. This experience demonstrated to us how essential open discussions are when implementing major changes.


Installed solar array

A positive experience for vendor and for customer

As of March 31, 2008, Honda Soltec's sales network included more than 90 vendors, and by the end of FY2009 we expect this number to exceed 200. As the number of vendors increases, our sales results are also rising steadily, and by the year 2010 we expect to have installed solar panels on the roofs of more than 10,000 homes. It must be noted that present conditions are hardly favorable in the Japanese market, as the number of new homes being built is declining and national and local government subsidies have been abolished. The competition with rival companies is stiffer than ever, and in order to bring our product to every part of Japan, we will have to develop panels that can withstand sea air and heavy snow.

But one thing is true of any product or project: if you look for reasons that something can't be done, you'll never move forward. Honda exists to challenge the status quo, and we have only just begun to compete. By bringing Honda's high-performance, high-quality solar panel systems to customers through sales methods true to Honda's convictions, we seek to create a positive experience for the vendors in our network and of course for a growing number of customers.

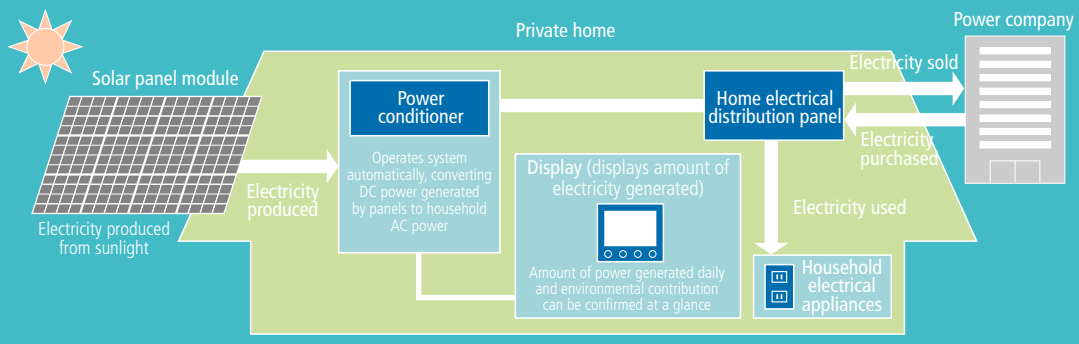
Kazuyuki Mizumoto
Director, Sales & Marketing Division
Honda Soltec Co., Ltd.

Products

Satisfying the energy needs of the average household

Honda's solar panel systems for the home consist of modules comprising three sub-modules. Together, 24 modules offer an output of approximately 3 kW, roughly the amount of electricity consumed by the average household. Instead of the blue color common to silicon panels, the modules are black to facilitate light absorption and match the typical Japanese rooftop. The average price of a 3-kW system, including modules, power conditioner and installation, is approximately 2 million yen before tax. Honda Soltec's planned annual production capacity when operating at full force is 27.5 MW's worth of panels (enough to supply 9,000 households). Once installed, the panels are essentially maintenance-free and require no cleaning. Plus, any surplus electricity produced during daylight hours can be sold to the power company, making it easy for a household to reduce its power bill.

Solar panel power generation for the typical home



Working with vendors to overcome challenges

I meet with our vendors on a daily basis and am acutely aware of the high expectations they have of Honda. Of course they have high expectations of our products, but vendors also look to us sales associates for help in providing the kind of support that generates true customer satisfaction. An important part of meeting these expectations is working closely with vendors to identify and overcome challenges. This communicates our enthusiasm for our products and the importance of approaching issues from the customer's viewpoint, enables us to share expertise and builds long-standing relationships based on mutual trust.

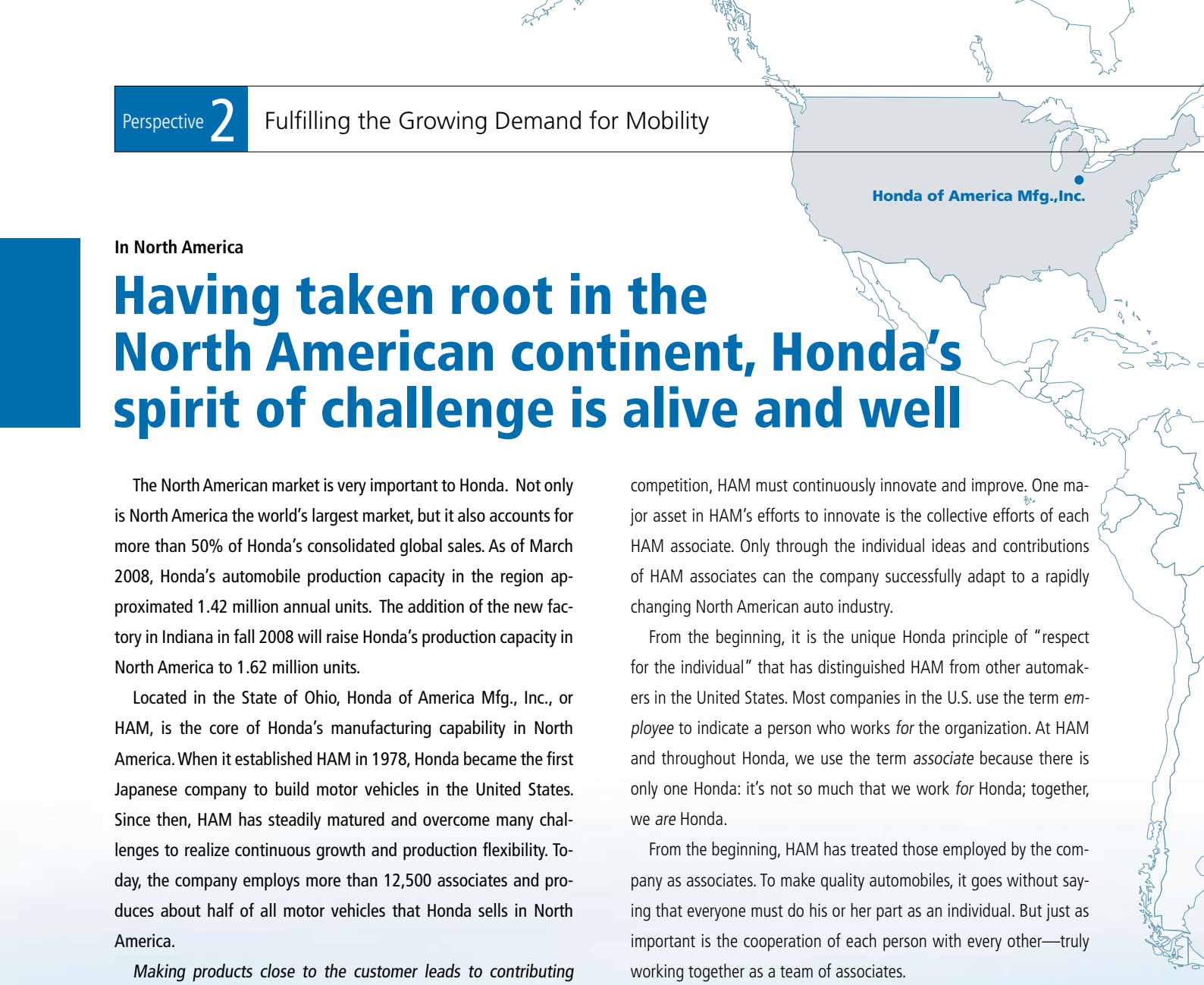
Mitsutomo Ano
Sales & Marketing Division
Honda Soltec Co., Ltd.

Perspective

Qualification criteria for vendors increases customer satisfaction

"Honda's making solar panels?" I was curious when I first heard about the product, and when I learned more I wasn't disappointed. Honda's solar panels really make optimal use of the unique properties of CIGS; for example, even if a shadow falls across part of the panel, energy production remains high. Also, having worked to establish a close relationship with the community in my own business, I really appreciate the fact that Honda has established a set of requirements for its vendors, making sure that the company performing the installation is the overall point of contact for the customer. Valuing face-to-face communication with our customers and making sure they are satisfied is essential if we want them to send more business our way. I hope to see Honda spread the word about the strength of its products, and I anticipate that many people will share my high level of enthusiasm.

Toshihiko Shimoyama
President and CEO
ESP Co., Ltd.



In North America

Having taken root in the North American continent, Honda's spirit of challenge is alive and well

The North American market is very important to Honda. Not only is North America the world's largest market, but it also accounts for more than 50% of Honda's consolidated global sales. As of March 2008, Honda's automobile production capacity in the region approximated 1.42 million annual units. The addition of the new factory in Indiana in fall 2008 will raise Honda's production capacity in North America to 1.62 million units.

Located in the State of Ohio, Honda of America Mfg., Inc., or HAM, is the core of Honda's manufacturing capability in North America. When it established HAM in 1978, Honda became the first Japanese company to build motor vehicles in the United States. Since then, HAM has steadily matured and overcome many challenges to realize continuous growth and production flexibility. Today, the company employs more than 12,500 associates and produces about half of all motor vehicles that Honda sells in North America.

Making products close to the customer leads to contributing to local society—this way of thinking has been the foundation of HAM's success. Sharing joy with customers, suppliers and associates, as well as the communities that host our operations, is an integral part of the Honda philosophy.

ASSOCIATES

Improving individual and organizational performance in accordance with the principle of respect for the individual

Tim Garrett, Division Manager, Administration

The associate concept: a foundation for innovation

To thrive in an automobile industry that is facing intense global competition, HAM must continuously innovate and improve. One major asset in HAM's efforts to innovate is the collective efforts of each HAM associate. Only through the individual ideas and contributions of HAM associates can the company successfully adapt to a rapidly changing North American auto industry.

From the beginning, it is the unique Honda principle of "respect for the individual" that has distinguished HAM from other automakers in the United States. Most companies in the U.S. use the term *employee* to indicate a person who works *for* the organization. At HAM and throughout Honda, we use the term *associate* because there is only one Honda: it's not so much that we work *for* Honda; together, we *are* Honda.

From the beginning, HAM has treated those employed by the company as associates. To make quality automobiles, it goes without saying that everyone must do his or her part as an individual. But just as important is the cooperation of each person with every other—truly working together as a team of associates.

In fact, at HAM, whether an associate is a factory worker or the president, the uniforms and the objectives are the same for everyone. Since executives frequently visit production facilities to verify the quality of products coming off the line, it's only fitting that they should wear the same uniform as everyone else.

The growth of individuals drives the growth of the company

HAM is dedicated to creating workplaces that foster the growth of the abilities and potential of each associate. Other automakers divide work into welding, painting, assembly, and so on, and because each job has a different pay scale, it is difficult to adjust the positioning of individuals. HAM, however, puts all production associates on the same

Enjoying Mobility into the Future

History

The first Japanese automaker to build cars in the United States
A model for Honda's global expansion as an automaker

Honda produces motorcycles, automobiles and power products at 67 facilities in 24 countries. As of July 2008, 14 of these facilities were located in North America, including four production facilities at HAM. With such a significant production presence, HAM has served as the base upon which Honda has built its North American production operations.

In November 2007, HAM celebrated 25 years of auto manufacturing, marking a full quarter-century since Honda became the first Japanese company to manufacture automobiles in the United States. HAM initially started producing motorcycles in 1979. Three years later, in 1982, the company moved to producing automobiles when the Marysville Auto Plant began production of the all-important Accord. The Anna Engine Plant began production of motorcycle engines in 1985, and later added production of auto engines, eventually growing to become Honda's largest engine plant in the world. Later, in 1989, the new East Liberty Auto Plant began production of the Civic. As Honda's largest production base in North America, HAM has grown to become a vital cog in Honda's global strategy.

Honda's concept of manufacturing products close to the customer was implemented and realized at HAM from the start. Since then, this concept has become a guiding principle for the company's global expansion. While progressing from motorcycle production to automobiles, HAM has been proactively involved in enhancing the skills and capabilities of associates, while at the same time improving productivity and safety. The company has also prioritized its efforts to conserve the environment, strengthen relationships with local communities and further its relationships with suppliers based on mutual trust. Through implementing local initiatives like these, HAM has become a model for Honda's global expansion.

Civic GX—natural gas automobile manufactured only at HAM

pay scale, allowing each to realize fully his or her abilities and aptitudes. We strive to pay attention to the hopes and dreams of our associates and help them find the best position in the organization.

Management at HAM highly values mutual communication with associates who work in production, always striving to understand needs, solve problems, and ensure that goals are shared. To this end, HAM has implemented a roundtable discussion system in which managers communicate directly with associates, discussing working environment, safety, quality, cost, delivery and other key issues.

It is our hope that in experiencing the satisfaction of personal growth, each associate can envision the satisfaction of the customer and thereby help foster the growth of the company. Heeding the voice of production experts strengthens management, which further enhances business development and ultimately customer satisfaction. As the company grows, so does profit, and sharing in that profitability naturally motivates associates. This virtuous circle is being achieved at HAM, and the key challenge is to increase the speed at which it evolves.

Management policy at HAM is based upon the Honda philosophy of respecting the individual and sharing joy through doing one's best while treating colleagues as equals. Realizing this philosophy will continue to strengthen HAM's competitiveness.

Tim Garrett
Division Manager, Administration

SUPPLIERS

Collaborating with suppliers to improve production and company characteristics

Amy Burke Unit Manager, North American Purchasing Division, Planning
Elly Bradford Senior Staff Administrator
Mike Allen Staff Administrator

At HAM, we constantly strive to improve our production and company characteristics, and we encourage our supply base to take the same steps. Every year we hold a supplier conference for all of our parts and maintenance and office product suppliers in North America. At the conference, we reflect on our previous term's performance and preview the challenges and strategies for the next term or midterm. As another means to improve characteristics, we hold top executive meetings with many of our major suppliers, at which we discuss the status of the automotive industry and describe in detail the Honda Group's global strategy and purchasing policies with a view to strengthening the company overall.

In addition, a group called North American Technical within our North American Purchasing Division is dedicated to the support, development and characteristics improvement of our North American suppliers. One initiative of the group is the Honda Supplier Training program, which in FY2008 held 256 classes for 3,367 managers and associates from our suppliers. Training topics included problem solving, leadership, communication, technology and quality circles.

Beyond fostering traditional production and company characteristics improvement, we also encourage our suppliers to become model corporate citizens through our corporate citizenship program. This program focuses on six distinct areas: environment, diversity, community involvement, health and safety, ethics and compliance, and government relations. Through a series of awards, we recognize those suppliers displaying excellence in these areas.

Left: Elly Bradford
Senior Staff Administrator, North American Purchasing Division, Planning
Middle: Amy Burke
Unit Manager, North American Purchasing Division, Planning
Right: Mike Allen
Staff Administrator, North American Purchasing Division, Planning

COMMUNITY

Applying our resources to help foster the growth of local communities

Bill Konstantacos, Department Manager, Corporate Affairs

As HAM has grown in size and stature in North America, society's expectations for the company have also grown significantly. From the beginning, HAM has made a commitment to being a good corporate citizen in the communities where our plants are located and where associates live. A major part of this commitment has been the active encouragement of associates to become involved in supporting our local communities.

For example, in response to a projected shortage of future maintenance and technical workers in Ohio, we have supported development of future technical workers by sharing our state-of-the-art training lab for maintenance associates and our technical development program with six community colleges in the state. Further, since 1999, HAM has provided instructors who have trained over 13,000 educational professionals.

Big Darby Creek information

In the area of environmental conservation, HAM's Marysville, Ohio, facilities are located on 8,200 acres (33.18 million m^2) of land. The company has taken

New overpass under construction

Bill Konstantacos
Department Manager, Corporate Affairs

steps to minimize emissions and waste of all types, and to promote the long-term protection of the headwaters that ultimately flow into Big Darby Creek, a local natural treasure. For ten years, we have committed associate volunteers to help maintain the cleanliness of these waters, and we have donated over $460,000 to this important environmental effort.

Recently, when HAM combined the production of passenger cars and SUVs, we discovered we needed many additional rail cars to transport completed vehicles to market. As a result, trains coming to the plant were longer, increasing the waiting times at nearby railroad crossings for local car traffic. This created a problem for our neighbors, so we decided to build a highway overpass at our own expense, to permit local traffic to pass over the rail line. We believe it is our responsibility to minimize any negative impact our operations have on the community.

Going forward, associates at HAM will continue to leverage our individual efforts, technology and monetary support to help meet the expectations of our community, and to help promote the Honda principle of being a company society wants to exist.

Providing associates safer and more comfortable workplaces

To help make production processes more safe and comfortable, HAM has had a long history of introducing improvements to its daily operations, including creating ergonomic guidelines for its production lines. In FY2009 we started two new initiatives expected to bring about further improvements to HAM safety.

First is our work-hardening program, which consists of several weeks of training combined with physical therapy at our Wellness Center. This program helps new associates prepare to perform fast-moving assembly line work safely by gradually increasing the level of effort that the associate will need to exert. This will help us ensure that each person is properly equipped for the duties he or she will take on and is placed in the most appropriate position on the production team.

Second, at meetings and on other occasions, we're showing our Safety Speaker video, which features associates sharing their insights about enhancing workplace safety. In this video, associates urge other associates to imagine the potential impact on family and friends should they be involved in an accident. We feel that such concern for others is the driving force behind workplace safety enhancements at HAM.

Rob May
Department Manager
Assembly
Marysville Automobile Plant

Perspective

Environmental initiatives to protect nature preserves

HAM received ISO 14000 certification for its environmental management system in 1998. Since then, we have continued to strengthen our environmental practices by focusing our efforts on reducing energy consumption, limiting environmental releases and increasing recycling practices.

Since reducing CO_2 emissions is a top priority for Honda, we have focused on improving the energy efficiency of our manufacturing operations. We have done this by implementing numerous projects to replace less energy-efficient equipment with more highly efficient machinery. We have also strengthened our practices to run our manufacturing lines more efficiently.

Reducing landfill waste is also a priority. We are making progress toward our goal to decrease HAM's landfill waste output by 90% of the 2000 baseline by the year 2010.

HAM's Marysville and East Liberty plants sit at the headwaters of Big Darby Creek, a national and state scenic river. We take great care to manage rainwater through a variety of facilities and methods. We take careful measures to prevent the accidental release of chemicals that may harm the environment. We collect and store rainwater and recycle it in cooling towers.

Going forward, we will continue to respect the plants and animals that live around our operations. At the same time, our intention is to take the performance of our environmental management system to an even higher level.

Karen Heyob
Associate Chief Engineer
Company Facilities and
Environmental

South America

Popularizing motorcycles and promoting riding safety

Since its foundation in 1975, motorcycle manufacturing and sales company Moto Honda da Amazonia Ltda. has responded to strong demand in the Brazilian market by continually expanding production capacity. In August 2007 the company achieved the cumulative production milestone of 10 million motorcycles.

Honda is having an impact with its quality products, but also with its traffic safety initiatives in Brazil, where the increasing incidence of accidents associated with increased motor vehicle traffic has become a major social problem. Soon after founding Moto Honda da Amazonia, Honda began offering traffic safety education. Then, in 1998 in a Sao Paulo suburb, Honda established the 120,000-m^2 Traffic Education Center, which provides training not only to members of the public but also to riding instructors, police officers and other traffic safety leaders. The center puts considerable effort into the fostering of its own leaders, currently staffing its first location and a second established in 2006 with a total of 630 instructors.

In addition, Honda is incorporating training courses in its motorcycle dealerships, developing its traffic safety training facilities to more effectively promote safe riding while continuing to serve the ever-growing Brazilian motorcycle market.


Traffic Education Center


Training in progress

Asia/Oceania

Enhancing working environments in administration and production

To keep up with strong demand in India, year after year automobile manufacturing and sales company Honda Siel Cars India Ltd. has been expanding its production capacity, doubling annual output from 50,000 to 100,000 vehicles as of December 2007. In 2010 the company plans to open its second factory, bringing online additional capacity of 60,000 vehicles per year.

The efforts of many new associates have supported this expansion of production. In keeping with Honda's philosophy of respect for the individual, Honda Siel Cars India has been enhancing the manufacturing, administration and shared areas of the company to take the entire workplace environment to the next level.

In the production areas of the company, the goal has been to establish even higher standards of safety. While implementing additional safety training, the company has introduced welding and painting robots, enhanced safety fences and sensors, refined the ergonomics for production line layouts, and implemented additional labor-assisting devices.

In the administration area, with a view to achieving enhanced comfort and efficiency, Honda Siel Cars India has introduced more comfortable chairs and expanded meeting spaces. Finally, to create an even healthier workplace through enhanced associate welfare, the company has increased the size and modified the layout of the counseling room and the medical examination room.


Bright, open office area


Enhancing ergonomics to minimize burden

China

Increasing customer satisfaction: friendly, fast, accurate and reliable

The faster China's economy expands, the faster the world's automakers work to build local production capacity. As of July 2008, Honda automobile manufacturing and sales joint venture Guangzhou Honda Automobile Co., Ltd. had manufactured and sold a cumulative total of 1.35 million automobiles in China.

Honda's reputation for production quality in China dates back at least to 1998, when it began producing the Accord locally. At the time, very few automakers were introducing their latest models to the Chinese market, but in keeping with the principle of the Three Joys of buying, selling and creating, Honda regularly offered its newest models at a reasonable price and at the same level of high quality found in imported automobiles. Whereas in China it is customary to offer sales and service separately, Guangzhou Honda Automobile moved proactively to establish a sales and service network comprising the four functions of sales, after-sales service, parts and customer relations, making the company a true pioneer in the marketplace.

Today, Guangzhou Honda Automobile's motto reflects its combination of friendly and fast service, accurate diagnosis of automobile problems and reliable technology. In addition, to enhance customer satisfaction over the long term, the company applies information secured from customer satisfaction surveys to its service enhancement initiatives and training programs.



Honda dealership

Europe

Ensuring associate safety and contributing to local communities

Since 1999, automobile manufacturing company Honda of the U.K. Manufacturing Ltd. has implemented the Safety Challenge to promote the safety of associates while contributing to local communities.

Work teams in each manufacturing area participate, keeping their own detailed safety statistics. Each time a work team achieves its target and completes 80 consecutive accident-free 24-hour periods of work, the company makes a donation of 50 GBP to the team's choice from a list of preferred local charities. To date, associates have raised over 100,000 GBP for local charities.

In addition to promoting workplace safety, the Safety Challenge is designed to instill in associates a greater awareness of the community's needs and encourage everyone to contribute further of their own accord, creating a philanthropic ripple effect well in excess of its already significant monetary results. The actions of the associates also contribute to an increased awareness of safety issues in the industrial community and beyond.

Going forward, Honda of the U.K. Manufacturing will continue to implement this program and realize the Honda philosophy of respect for the individual.


Production associates at work


Promoting workplace safety and environmental awareness

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

Insisting on quality

Honda's quality initiatives and approach to quality

Aiming for 120% product quality

"We have to aim for 120% product quality. If 99% of the products we make are perfect, that would seem like a pretty good record. However, the customers who become the owners of the remaining 1% will surely consider their products 100% defective. It is unacceptable that even one customer in a thousand—even one customer in ten thousand—should receive a defective product. That's why we have to aim for 120%." When founder Soichiro Honda said this 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.

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

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 to deliver products of the highest possible quality to customers.

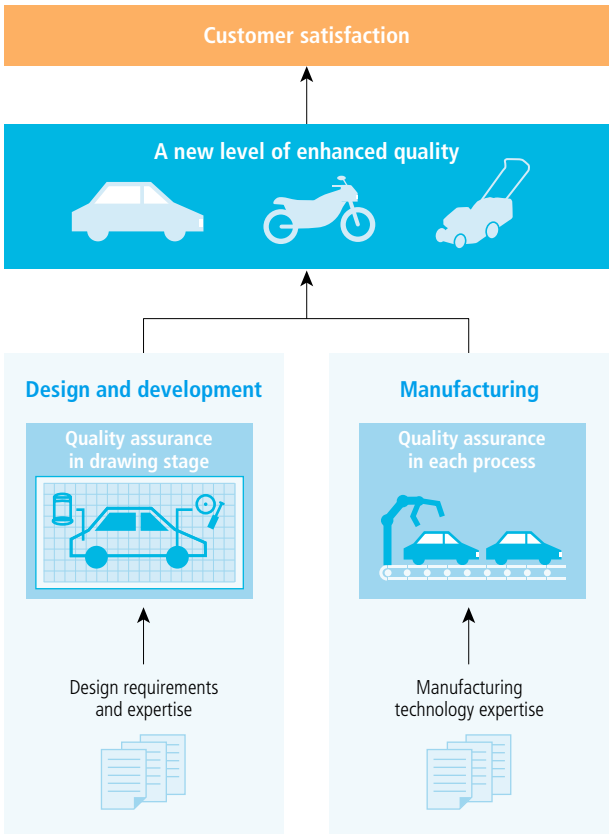
Principal Honda Quality Standard initiatives for delivering new levels of enhanced quality

Quality-assurance initiatives implemented in every process for a new level of enhanced quality

Quality assurance rigorously implemented in both design and manufacturing

Honda's system of quality assurance stands out for its rigorous implementation in every phase of both design and manufacturing. Honda's quality-assurance database contains quality-related data collected over many years. Leveraging this easy-to-access storehouse of expertise, Honda's design and manufacturing departments implement quality assurance in every drawing and production process to achieve new levels of enhanced quality. Going forward, Honda will continue to assure quality with a focus on its source, further refining systems to achieve even higher levels of customer trust and satisfaction.

Honda's process of creating new levels of enhanced quality



Enhancing quality of parts through full disassembly inspections during production preparation

Performing full disassembly inspections allows Honda to examine every part for proper functioning. First, Honda subjects all-new models to long-distance durability test drives. Afterward, Honda disassembles the vehicles one part at a time, carefully verifying the absence of defects with a checklist comprised of several thousand items. Through meticulous attention to detail and long years of experience in the application of analytical technologies, Honda continues to build customer trust in the functionality and quality of its products.

Full disassembly inspection

From preparation to mass production, at every stage Honda inspects suppliers' work to assure quality of parts

Assuring the quality of parts is the key element in offering products at a new level of enhanced quality. Subscribing to the Three Realities Principle (go to the actual place, know the actual situation and be realistic), Honda implements Quality Assurance Visits (QAVs) at the manufacturing facilities of parts suppliers.

Performing QAVs during both preparation and mass-production stages, Honda specialists in the development and production of each part visit the supplier's manufacturing facilities, inspecting quality-assurance systems and their implementation status. The results are shared with the supplier, facilitating communication and cooperation on quality enhancement strategies.

Factory-supported quality assurance from preparation to mass production

In manufacturing an automobile from tens of thousands of parts, the precision with which each individual task and process is performed has a substantial impact on overall quality. To establish processes whose requirements are clear to all production associates, Honda has introduced process reliability inspections[1] as prescribed in production quality specifications[2]. In addition, Honda implements enhancement suggestions by associates performing actual production tasks to rigorously assure quality in each process.

1 An inspection intended to ensure that quality standards are being fully met in each manufacturing process.
2 A specification establishing standards and points of inspection for each part, process and task with a view to assuring enhanced quality.

This high-precision automobile body process was achieved by introducing in-line measurement systems.

Introduced to assure outstanding quality, these jigs enable easy measurement of inside and outside diameters.

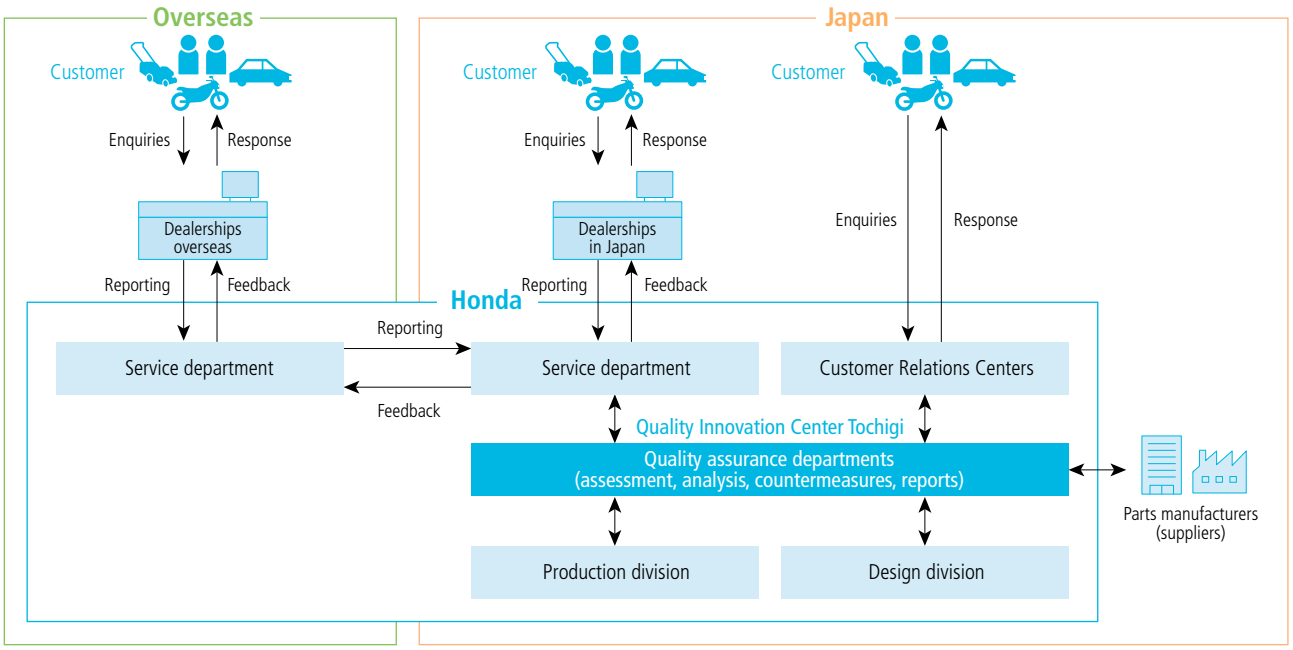
Communicating after-sales customer concerns to the factory for rapid implementation of quality enhancement measures

Honda has established the Quality Innovation Center Tochigi to minimize and swiftly resolve product quality issues from a global perspective. The center accomplishes early-stage resolution through service departments gathering information from dealerships across Japan and parallel organizations overseas. Efficient liaison with development, manufacturing, parts suppliers and other departments and companies integral to quality assurance ensures effective feedback. By collecting information, analyzing the causes of issues, advancing countermeasures and responding to customers, the center empowers Honda to resolve quality issues in a timely manner.

Through sharing information on quality issues and countermeasures with Honda companies overseas and departments integral to quality assurance, the Quality Innovation Center Tochigi will continue to strengthen Honda's global ability to prevent quality problems from occurring.

Associates use a Honda production vehicle to analyze data concerning an air conditioner quality issue and determine its cause.

Quality enhancement system for vehicles produced in Japan



Building quality

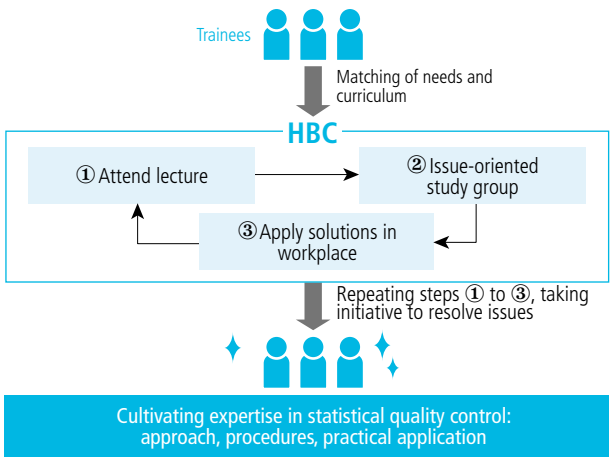
Teaching quality control

In Japan, Honda offers three different quality control courses, each focusing on a specific skill set. For example, since 1971, Honda Basic Course (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	FY2008 trainees
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	459
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	328
Honda Quality Control Basic Course (HBC)	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	73

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

Safety for everyone

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. Equipping our automobiles and motorcycles with the most advanced, effective safety technologies, we strive 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, the Anti-Lock Brake 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. 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.

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.

Honda's approach to safety

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

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 Products Safety Requirement.

• 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.

• 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.

• 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.

Safety technologies for motorcycles and automobiles

	ACTIVE SAFETY			PRE-CRASH SAFETY	PASSIVE SAFETY	
	Traffic safety education	Accident prevention	Hazard avoidance	Pre-crash safety	Injury minimization	Post-accident
Motorcycles	Riding Simulator	Advanced Safety Vehicle 4 (ASV-4)	Combined Brake System for Front and Rear Wheels (CBS)		Airbag System	
	Riding Trainer	Driving Safety Support Systems (DSSS)	Anti-Lock Brake System (ABS)		Body Protector	
	Bicycle Simulator Development		Combined Brake System Front/Rear-Wheel-Linked Anti-Lock Brake System			
Automobiles	Driving Simulator	Intelligent Highway Cruise Control (IHCC)	Anti-Lock Brake System (ABS)	Collision Mitigation Brake System (CMBS) with E-Pretensioners	Collision-Safety Body Design	Emergency call services
		Lane-Keeping Assist System (LKAS)	Electronic Brake Distribution (EBD)		Airbag System	Collision Detection Door-Lock Release System
		Advanced Adaptive Frontal-Lighting System (AFS)	Vehicle Stability Assist (VSA)		Seatbelt	
		Intelligent Night Vision System			Child Seat	
		Advanced Safety Vehicle 4 (ASV-4)				
		Driving Safety Support Systems (DSSS)				

Developing support system technologies for driving safety

Honda is pursuing safety not just for the drivers of automobiles and motorcycles, but for everyone, including pedestrians, cyclists and people in other vehicles. To that end, our R&D focuses not only on passive safety but also on Driving Safety Support Systems (DSSS) technologies aimed at preventing accidents from happening in the first place.

Honda's participation in the development of Driving Safety Support Systems using inter-vehicle and road-to-vehicle communications

Honda is taking part in tests on Driving Safety Support Systems (DSSS)[1] using inter-vehicle and road-to-vehicle communications. Vehicles used in these tests include the Honda ASV-4 Advanced Safety Vehicle[2] equipped with advanced safety technology.

From November 5–7, 2007, Honda took part in public road tests in Utsunomiya, Tochigi Prefecture, that served to verify the effectiveness of a new information delivery system employing vehicle detection cameras, light beacons, and roadside and in-vehicle communications devices to support driving safety through images and sounds. For the tests, Honda provided three Odyssey minivans equipped with in-vehicle communications devices and, during the testing period, exhibited a Driving Simulator with a DSSS demo at the Industrial Technology Center of Tochigi Prefecture.

From March 24–28, 2008, Honda took part in another series of tests carried out in Utsunomiya on roads with poor visibility conditions. With a view to verifying the effectiveness of systems designed to help prevent rear-end collisions and accidents involving vehicles turning at intersections, the tests checked the functions of the DSSS and inter-vehicle and road-to-vehicle communications while acquiring data for use in evaluating and enhancing the systems. For the tests, Honda supplied two vehicles equipped with the inter-vehicle communications function experimentally employed in the Honda ASV-4: a Forza motorcycle and an Odyssey minivan also equipped with DSSS. Going forward, Honda will continue to participate in such tests in support of DSSS commercialization.


Honda DSSS

1 Systems alerting the driver through audiovisual information to possible dangers in the traffic environment with a view to promoting a more comfortable driving experience and preventing accidents.

2 A vehicle equipped with advanced technologies to assist in safer driving. Launched in 1991 under the auspices of the Japanese Ministry of Land, Infrastructure, Transport and Tourism and conducted with the cooperation of industry, academia and government, this project is currently in Phase 4 (2006–2010).

Working to enhance the safety and peace of mind of Monpal 4-wheel electric scooter users

With the aging of society, more people are using 4-wheel electric scooters, and the risk of accidents involving these scooters and vehicles is increasing. For this reason, Honda is performing R&D aimed at enhancing the safety and peace of mind of users of the Monpal 4-wheel electric scooter.

Prototype IT Monpal 2 demonstrates the results of research in enhanced scooter visibility, and features an active safety system based on cellular telecommunications technology with forewarning and GPS functionality. This system alerts an automobile driver through the automobile's navigation system when the IT Monpal 2 approaches. At the same time, the system alerts the Monpal rider with a flashing sign on the sub-display monitor, indicating the automobile's direction of approach and helping support the user's action to prevent a collision. Going forward, Honda will continue its research into the IT Monpal 2 with the goal of commercialization.


IT Monpal 2

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 with driver and rider safety education. As the times change and customers' needs evolve, Honda is in the forefront exploring new techniques and implementing the most advanced new technologies. In FY2008 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			• 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		○	○	○	○
	Honda facilities, Group companies			• 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	Global affiliates	Dealerships (automobile, motorcycle)		• Advice at dealerships • Driving training courses • Riding training courses • Cooperation with local traffic safety initiatives	• Instructors at dealerships	○	○	○	○
		Traffic Education Centers		• 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	○	○	○	○

Honda reopens Suzuka Circuit Traffic Education Center

In autumn 2006, Honda began renewal work on the Suzuka Circuit Traffic Education Center, located on the grounds of Suzuka Circuit in Mie Prefecture. In August 2007 the center reopened, equipped to address a changing traffic environment, progress made in advanced safety technology and the diverse educational needs of its customers. As always, the goal of the center is to contribute to the development of a safer and more comfortable mobility society.

The renewed center offers four new educational programs featuring advanced technology. Systems translate students' driving actions into detailed data and record images. Students are able to review the feedback and better understand their own habits, thereby enhancing their driving awareness and technique.

To make both new and long-running programs operate as effectively as possible, Honda has dramatically enhanced the center's training course, increasing overall driving area and upgrading facilities and equipment comprehensively. The center's main hall has also been completely remodelled and now provides students and instructors a more comfortable and training-friendly environment than ever before.

Bird's-eye view of the Suzuka Circuit Traffic Education Center

● New training programs

• Automobile driving habits assessment

An in-car computer with a numerical display compares self-assessed driving safety scores with objectively measured data, helping students recognize undesirable driving habits, consider areas for improvement and raise overall safety awareness.

• Prevention of nighttime accidents

A large screen simulates nighttime driving realistically at any time of the day, showing students common causes of nighttime traffic accidents and how to prevent them.

• Prevention of common automobile accidents

The forward view of the driving simulation and the driver are videotaped. The two images are then combined on one screen for review by the student, who learns about how to avoid rear-end collisions, collisions at intersections and other commonly occurring accidents.

• Experiencing safety technologies

Students drive a Honda automobile equipped with a Collision Mitigation Brake System, a Vehicle Stability Assist system and other advanced safety technologies, experiencing their effects and recognizing their limitations, for a greater understanding of driving safety.

Prevention of nighttime accidents program

To master the sky, in complete freedom, like a bird. Since ancient times, that has been the dream of people around the world. Pursuing the awe and excitement of mobility through innovative technologies, Honda has dreamed this same dream.

In December 2003, 100 years after the Wright brothers achieved the world's first manned, powered flight, this Honda dream came true.

Realizing the dream, taking it ever higher—Honda's fuel-efficient, low-emissions light jet

Aerodynamically efficient in every detail, HondaJet features the world's first all-composite* fuselage, Honda-made turbofan engines in an over-the-wing engine mount configuration and, thanks to a revolutionary design, a cabin exceptional for its spaciousness and comfort.

*Light but strong, composite materials typically are made of light, tough carbon fiber held together with plastics and ceramic.

Born of Honda's dream of flight, the performance, comfort, fuel economy and low emissions offered by HondaJet make it the ideal light jet for the 21st century.

WEB For more information on HondaJet, please visit:
http://hondajet.honda.com/

WEB For more information on Honda's environmental initiatives, please visit:
http://world.honda.com/environment/
To access the Honda Environmental Annual Report 2008:
http://world.honda.com/environment/ecology/2008report/

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 in 1992 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.

Looking to the future, we articulated our Vision 2010, which affirms that our corporate culture is based on freedom and openness, challenge and cooperation. The commitment to the future defined in our vision statement mandates that we work diligently to meet our ambitious environmental goals. We understand that there are no shortcuts in our collective task of overcoming the environmental issues facing society—or to being a company society wants to exist.

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 eff ort 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.

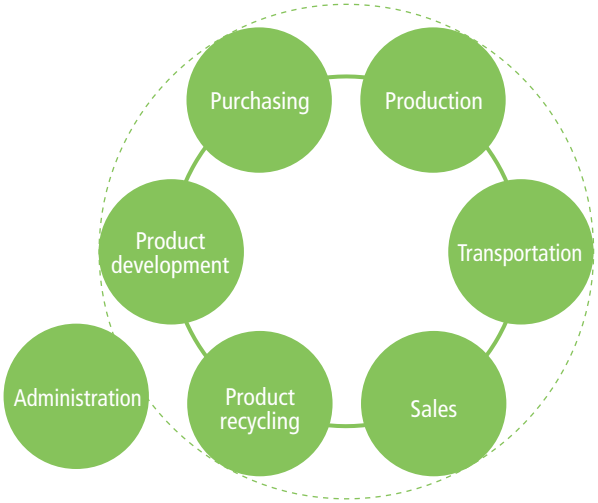
Established and announced in June 1992

Assessing environmental impact

Assessing environmental impact, policy initiatives

Honda is aware of its responsibility for the environmental impact generated by its corporate activities and use of its products, and is committed to minimizing it. 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.

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



Environmental impact and major initiatives

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

2010 CO_2 reduction targets and progress

Addressing global climate change

Rapidly increasing emissions of carbon dioxide, flurons and other greenhouse gases are considered to be the key cause of global climate changes. This problem cannot be resolved solely by action at the regional level. That's why Honda is addressing the problem on a global scale.

Meanwhile, there is a significant gap between developed and developing countries in terms of availability of convenient transportation. Since improvements in the quality of mobility are essential to improvements in the quality of life, the demand for automobiles and other forms of transportation will continue to grow, particularly in the world's advancing economies.

Honda is working to further develop its environmental technologies. In May 2006, Honda announced targets for reduction of its product and production-related CO_2 emissions worldwide and is striving to reconcile the threat of global climate change with the growing demand for mobility. Honda's overall goal is to manufacture products with the lowest in-use CO_2 emissions at manufacturing plants with the lowest CO_2 emissions per unit of production.

Setting goals for higher fuel-efficiency averages for all products worldwide

Since the internal combustion engine is expected to continue to provide the principal means of mobility until at least 2020, Honda is working to improve its efficiency and fuel economy. Stringent regulations such as Corporate Average Fuel Economy (CAFE) standards have been introduced in the U.S., Europe and other regions to mandate fuel-efficiency improvements for automobile fleets. Recognizing the need for global initiatives, Honda is moving from measuring regional fuel-efficiency averages to measuring global fuel-efficiency averages, and from fuel-efficiency averages based on vehicle categories to average targets for its entire worldwide vehicle lineup.

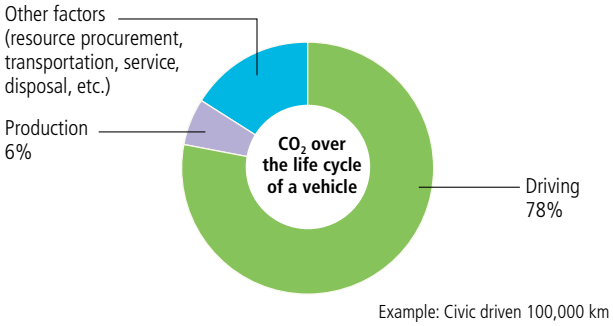
Reducing per-vehicle CO_2 emissions in manufacturing worldwide

Honda is also committed to further improving the efficiency of its worldwide manufacturing processes and reducing CO_2 emissions. To this end, in 2006 we established global targets for average per-unit CO_2 emissions in manufacturing and are working steadily to reach these targets.

Targets that address the automobile life cycle

According to assessments made on the basis of the Honda LCA system, approximately 78% of emissions are generated by the operation of vehicles and about 6% in their manufacture. Thus Honda's CO_2 targets, which focus both on its products and its production processes, cover more than 80% of the CO_2 emissions generated throughout the life cycle of its automobiles.

CO_2 emissions over the life cycle of a vehicle
(as assessed with the Honda LCA system)



Example: Civic driven 100,000 km

2010 CO_2 reduction targets and progress (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)

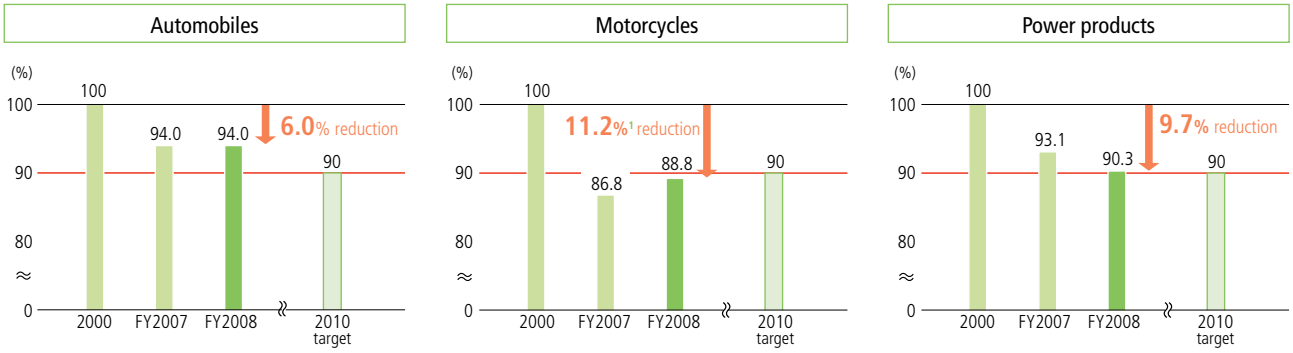
Product—Motorcycles: Japan, North America, Europe, Thailand, India, China, Indonesia, Vietnam, Brazil, Philippines, Malaysia, Pakistan (more than 90% of worldwide sales)

Product—Power products: All sales in all regions (excluding marine outboards)

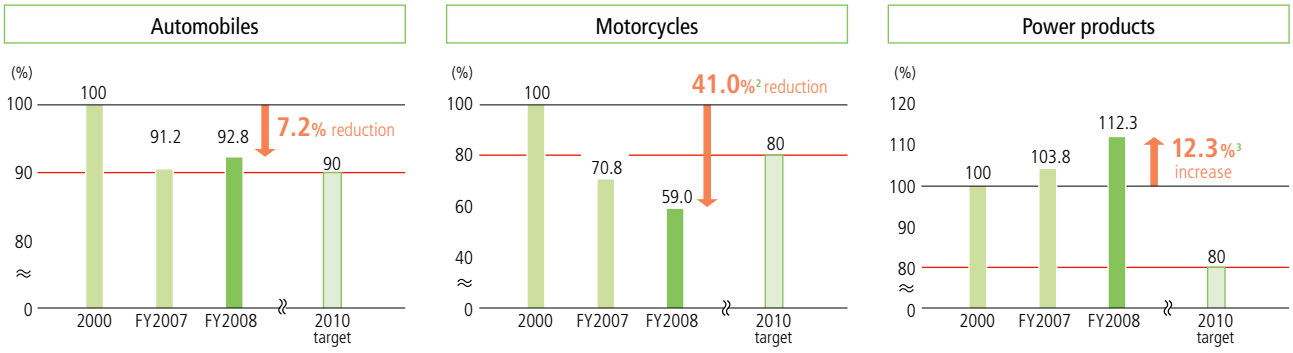
Production: All manufacturing by Honda Motor and 74 other Honda Group companies worldwide engaged in the assembly of products and major components.
Note: Includes data from Honda Auto Parts Manufacturing Co., Ltd.

FY2008 results (in progress)

Product CO_2 reduction



Production CO_2 reduction



1 An 11.2% reduction from 2000 has already been attained, and we are working steadily to achieve further reduction.
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 products manufacturing can be attributed to changes in production and more feature-rich new products.

FY2011 Japan targets and progress

Striving to reduce environmental impact

Honda has been implementing proactive measures to help resolve environmental challenges since the 1960s, when concerns about air pollution began to grow. In 1966, soon after expanding into automobile production, we established a department to research air pollution measures. In 1972, under the theme "Blue Skies for Our Children," we introduced the CVCC engine, becoming the world's first company to comply with the U.S. Clean Air Act without the use of a catalytic converter—a challenge thought by many to be nearly insurmountable. Believing that problems caused by technology should be solved by technology, we've continued to confront environmental challenges. In the 1990s we strengthened our organizational structure to reflect our commitment to the environment and published the Honda Environment Statement to define our approach. We've continued to strengthen our initiatives in accordance with this statement. In 1999 we defined specific environmental targets, primarily for cleaner exhaust emissions and higher fuel efficiency, and implemented the measures necessary to achieve them by the end of FY2006. A leader in environmental conservation, we're expanding our focus on reducing CO_2 emissions, shifting it from the regional to the global level. We've defined reduction targets for our products and production operations, and our worldwide business units are working together to attain them.

Working to resolve environmental issues in Japan

Recognizing the importance of reducing the environmental impact of its corporate activities on a regional basis, Honda set new targets for the reduction of its environmental impact in Japan in FY2008. We have defined targets for reducing CO_2 emitted during transportation, reducing the use of substances of concern, increasing operations-related recycling and more—for a total of eight environmental impact reduction targets for FY2011. The company announced targets for reducing environmental impact from all products and production operations by FY2011 as part of an overall strategy (see below) for the reduction of CO_2 emissions worldwide announced in May 2006. We are intensifying our efforts to attain these targets.

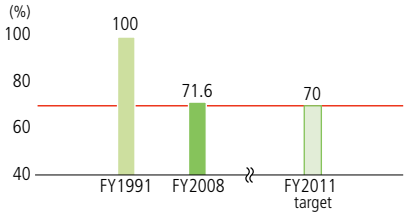
Reducing environmental impact: targets for FY2011

Issue	Scope		Item	Target		Area
Energy/ global warming	Products	Automobiles	CO_2 emissions reduction	10% reduction (baseline: 2000)[1]	Per g/km	**Worldwide** (Global targets announced in 2006 (see pp 45–46))
		Motorcycles		10% reduction (baseline: 2000)[1]	Per g/km	
		Power products		10% reduction (baseline: 2000)[1]	Kg/h	
	Production	Automobiles	CO_2 emissions reduction	10% reduction (baseline: 2000)[1]	Per unit	
		Motorcycles		20% reduction (baseline: 2000)[1]	Per unit	
		Power products		20% reduction (baseline: 2000)[1]	Per unit	
	Production in Japan[2]		CO_2 emissions reduction	30% reduction (baseline: FY1991)[3]	Units of energy used	**Japan** (announced in 1998)
	Transportation[4]		CO_2 emissions reduction	10% reduction (baseline: FY2007)	As % of revenue	New targets **Japan** (New targets for Japan announced in June 2007)
SOCs	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]		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]		

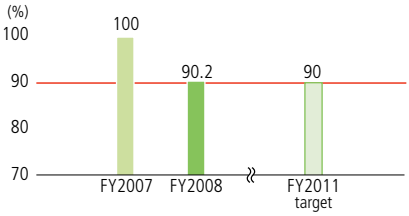
1 Targets for CO_2 emissions reduction by 2010 announced in 2006 (For details, see pp 45–46)
2 Five Honda Motor production facilities
3 Targets for production announced in 1998
4 In accordance with the amendment to Japan's Rationalization in Energy Use Law, this is the responsibility of Honda Motor Co., Ltd. as the transporting entity (transportation of completed vehicles/devices; transportation of parts between facilities; parts transportation, etc.)
5 Primarily SOCs 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

FY2008 results (in progress)

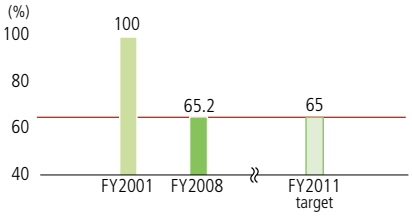
Production CO_2 reduction
(Units of energy used)



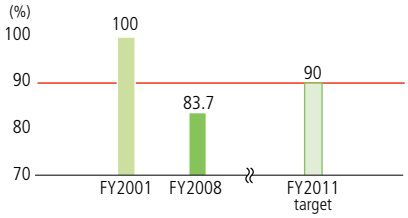
CO_2 emissions in transportation
(As % of revenue)



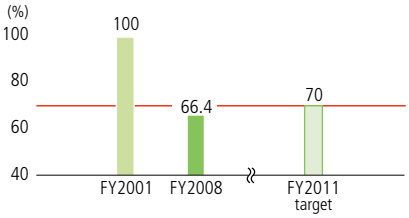
VOC emissions in production
(Per automobile painted)



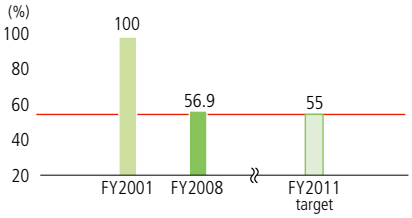
Waste in production
(As % of revenue)



Water use in production
(As % of revenue)



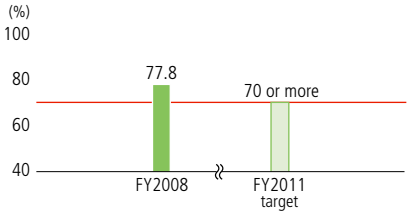
Use of packaging materials in transportation
(As % of revenue)



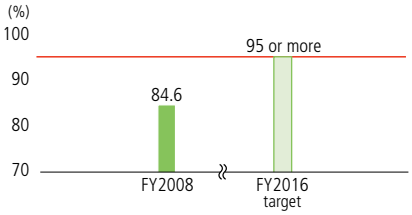
Landfill waste
(Total of corporate activities)

Zero waste for all facilities
(48 companies)

ASR recycling rate (automobiles)



Recycling rate (motorcycles)



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
SOCs	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)

Results of FY2008 initiatives and targets for FY2009

Major objectives		Strategies			FY2008 Targets
Product development	Exhaust emissions	Automobiles	Increase availability of low-emissions vehicles		Further increase availability of low- and very low-emission vehicles[1]
		Motorcycles	Expand implementation of fuel injection technology		Implement fuel injection on all scooters released in Japan
		Power products	Comply with pending regulations		Further expand compliance
	Fuel efficiency improvements	Implement technologies for better fuel efficiency		Automobiles	Further improve fuel efficiency
				Motorcycles	Continue improving fuel efficiency
				Power products	Further improve fuel efficiency
	Development of alternative energy products	Automobiles			Continue expansion of product offerings/sales
		Power products			
Purchasing	Green purchasing initiative	Reduce SOCs in suppliers' parts and materials			Promote compliance with SOC guidelines
		Promote environmental impact management by suppliers[2]			Ensure that suppliers reduce CO_2 emissions
					Ensure that 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			Per-unit energy consumption reduced 25.5% (baseline: FY1991)
					CO_2 emissions: 490,000 CO_2 tons
		Zero landfill waste			Maintain zero landfill waste
		Reduce waste (byproducts)			Waste recycling rate: 99.0% or more
					Reduce internally incinerated waste at least 90% (baseline: FY1999)
		Reduce VOC emissions			VOC emissions (automobiles): 34.0 g/m^2
Transportation	Green logistics initiative	Implementation of environmental management systems by transport partners			Continue implementation by three main partners
		Improve transportation efficiency			CO_2 emissions: 40,847 CO_2 tons (transportation of completed automobiles)[4]
		Reduction of packaging used in component parts sets			—
Sales	Green dealers initiative	Automobiles	Promote implementation of environmental management at dealers		Expand Eco Drive program and its promotion
		Motorcycles	Promote implementation of environmental management at dealers		Dream Dealer network expansion
		Power products	Promote environmental conservation at dealers		Promote environmental conservation at dealers
Recycling	Improve recyclability	Increase recyclability rate	Automobiles		Minimum 90% recyclability for all newly introduced or remodeled vehicles
					Maximum 1% chloride in ASR for all newly released or redesigned models
			Motorcycles		Minimum 95% recyclability for all newly introduced or remodeled models
			Power products		Strengthen recycling system
	Increase parts recovery, reuse and recycling	Promote remanufacturing and reuse			Expand range of vehicles using recycled parts
	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	Maintain recycling systems for automobiles
				Motorcycles	Maintain recycling systems for motorcycles To increase recycling, strengthen communications regarding plastic parts used
Administration	Green office initiative	Promote integration of environmental impact management at offices			CO_2 emissions for 9 office buildings: 12,913 CO_2 tons[6]
					Reduce landfill waste generation for nine office buildings to 502 tons[6]

Targets announced, progress

Target		Progress as of FY2008
Automobiles	Hexavalent chromium: elimination by December 2005	Attained
Motorcycles	Hexavalent chromium: elimination by December 2005	Attained
Power products	Hexavalent chromium: elimination by December 2006	Attained

WEB For more information, please visit:
http://world.honda.com/environment/ecology/2008report/target/target10/

	FY2008 Results	Status	FY2009 Targets
	2 additional models (5 types) approved	◯	Further increase availability of low- and very low emission vehicles [1]
	Implemented fuel injection on nearly all scooters released in Japan	◯	Continue to improve emissions performance
	Complied with CARB Tier 3 emissions standards for power products	◯	Further expand compliance
	Complied with FY2011 Japanese fuel economy standards in all seven categories	◯	Further improve fuel efficiency
	Improved fuel efficiency with low-friction engines and fuel-injection models	◯	Expand implementation to products other than scooters
	Improved fuel efficiency for outboards through lean-burn control	◯	Further improve fuel efficiency
	Leased more fuel cell vehicles	◯	Continue expansion of product offerings/sales
	Expanded sales of ECOWILL cogeneration systems	◯	Continue expansion of product offerings/sales
	Elimination of lead in bearing shells and bushing: nearly complete	◯	Promote reduction of lead
	Reduced per-unit CO_2 emissions by 13.5% (baseline: FY2001)	◯	Ensure that suppliers reduce per-unit CO_2 emissions
			Ensure that suppliers reduce per-unit CO_2 emissions by 1.0% for specific shipments (baseline: FY2008)
	Continue to maintain landfill waste by suppliers at zero	◯	Ensure suppliers continue to reduce landfill waste
	—	—	Ensure suppliers reduce per-unit waste generation by 1.1% (baseline: FY2008)
	—	—	Reduce supplier per-unit water use
	407 (99%) suppliers ISO14001 certified	△	Promote alternative certification for non-certified suppliers
	Reduced per-unit energy consumption by 28.4% (baseline: FY1991)	◯	Reduce per-unit energy consumption 27.0% (baseline: FY1991) [3]
	CO_2 emissions: 479,000 CO_2 tons	◯	CO_2 emissions: 494,000 CO_2 tons [3]
	Maintained zero landfill waste	◯	Maintain zero landfill waste
	Waste recycling rate: 99.5%	◯	Control waste generation
	Internally incinerated waste reduced 93.1% (baseline: FY1999)	◯	
	VOC emissions (automobiles): 32.1 g/m²	◯	VOC emissions (automobiles): 33.0 g/m² [3]
	Continued implementation by three main partners	◯	Continue joint implementation
	CO_2 emissions: 39,927 CO_2 tons (transportation of completed automobiles)	◯	CO_2 emissions: 90.29g/CO_2 kiloton per unit (responsibility of transporting entity)
	—	—	Reduce component parts set packaging by 43% (baseline: FY2001)
	Created safe driving instruction featuring Eco Drive	◯	Automobile dealer (individual affiliates) per-unit CO_2 emissions: 1% reduction (baseline: FY2008)
	Launched 13 environmentally responsible Dream Dealers (total: 100)	◯	Motorcycle dealer (individual affiliates) per-unit CO_2 emissions: 1% reduction (baseline: FY2008)
	Reduced CO_2 emissions and monitored Environmental Registers for power products dealers	◯	Power products dealer (individual affiliates) per-unit CO_2 emissions: 1% reduction (baseline: FY2008)
	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	◯	Maximum 1% chloride in ASR for all newly released or redesigned models
	Motorcycles: Achieved minimum recyclability of 95%	◯	Strengthen recycling system
	Power products: Achieved minimum recyclability of 95%	◯	Strengthen recycling system
	Added 8 models of remanufactured [5] torque converters	◯	Expand range of vehicles using recycled parts (consider 6 models of remanufactured power steering)
	Maintained recycling systems for automobiles and motorcycles	◯	Continue to maintain recycling systems
	Strengthened communications regarding plastic parts used Commenced recycling tests of waste plastic	◯	Adopt waste plastic recycling and engine recovery to improve recycling rates
	CO_2 emissions for 9 office buildings: 13,131 CO_2 tons [6]	△	CO_2 emissions for the Honda Group (16 companies and 27 facilities) [7]: 38,188 CO_2 tons
	Landfill waste generated for 9 office buildings: 512 tons [6]	△	Landfill waste generated by the Honda Group (16 companies and 27 facilities) [7]: 1,894 tons

1 Low-emissions vehicle defined as having emissions 50% lower than FY2006 standards; very low-emissions vehicle defined as having emissions 75% lower than FY2006 emissions standards
2 32 target suppliers
3 FY2009 target figures for CO_2 and VOC emissions are higher than those for FY2008 results due to changes in business conditions and to increased production and launch of new businesses
4 Revised numbers reflect calculation methods in the amendment to Rationalization in Energy Use Law of Japan
5 Remanufactured parts have been assembled from reused parts
6 Total for Aoyama, Wako, Shirako, Yaesu, Sapporo, Sendai, Nagoya, Osaka, Fukuoka
7 Starting in FY2009, targets and results will be reported for the Honda Group, including not only Honda Motor and its nine buildings (Aoyama, Wako, Shirako, Yaesu, Sapporo, Sendai, Nagoya, Osaka and Fukuoka), but also several companies of the Honda Group in Japan—Mobility Land, Honda Kaihatsu, Honda Sun, Honda Commtec, Honda Technical College, Honda Airways, Honda Trading, Honda Finance, Rainbow Motor School, Kibo no Sato Honda, Honda R&D Sun, KP Tech, Chu-o Air Survey Corp., Circuit Service Creates and Japan Race Promotion—for a total of 16 companies and 27 facilities

Highlights of environmental initiatives in FY2008

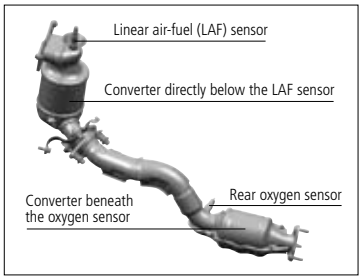
Product development initiatives

The new Fit: enhanced environmental performance

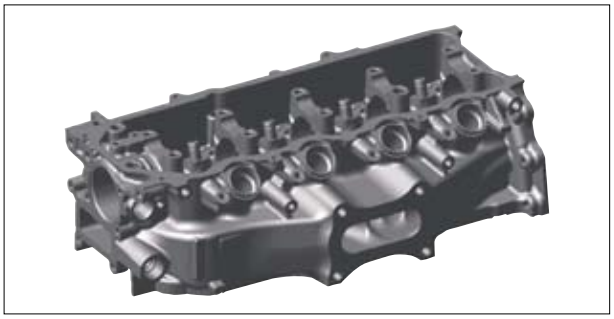
● Emissions enhancements

The completely remodeled, second-generation Honda Fit was released in October 2007. It is available with a 1.3-liter or 1.5-liter i-VTEC engine, both of which are certified by Japan's MLIT as very low-emissions engines. First introduced to Japan in 2001, the Fit is now sold in 115 countries worldwide, with cumulative sales surpassing 2 million units. With the new Fit we aimed to maintain a highly efficient system for cleaning exhaust emissions while decreasing the use of rare precious metals. The latest model features a newly developed integrated cylinder head exhaust manifold and an extremely heat-resistant catalytic converter. The aluminum of the exhaust ports speeds up catalytic activation immediately after the engine is started, allowing us to reduce the quantity of precious metals used in the converter. Instead of the conventional approach, in which two oxygen sensors are used for air-fuel ratio control, the Fit features a linear air-fuel ratio sensor, an oxygen sensor and an air-flow sensor. This high-precision air-fuel ratio control greatly improves environmental performance.

Honda Fit



Exhaust purification (high-precision air-fuel ratio control) system sensor



Integrated cylinder head exhaust manifold

● Fuel economy enhancements

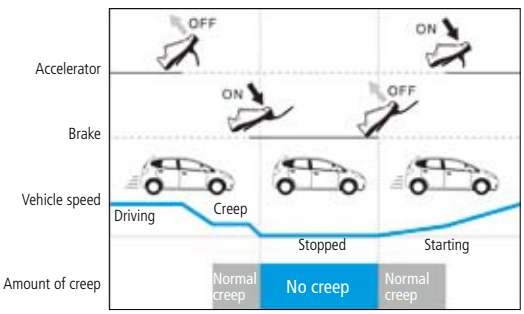
The new Fit achieves a class-leading fuel economy of 24.0 kilometers per liter* thanks to its newly developed 1.3-liter i-VTEC engine and a newly designed torque converter–equipped continuously variable transmission (CVT). The Fit exceeds Japan's FY2011 fuel efficiency standards by 25%. Its 4-valve i-VTEC engine balances fuel economy and high power output. It boasts increased fuel economy with improved combustion efficiency through the use of only one valve and the implementation of low-friction technology. The pistons have a patterned molybdenum disulfide coating (a world's first) and an optimized piston skirt configuration. The Fit features various other friction-reducing technologies, including a crank embedded with molybdenum disulfide, a narrowed cam chain and an auxiliary belt automatic tensioner. The newly developed CVT with torque converter increases driving performance from a standing start while a broad lock-up clutch helps increase fuel economy. The Fit also features a new creep control system. This provides optimized creep control when idling, driving at low speeds and driving uphill (the latter is made possible using an inclination sensor). Pressing the brake stops creep force, slowing the car and moderating fuel consumption.

*Fit G FF without factory options

Torque converter-equipped CVT

1.3-liter i-VTEC engine

Creep control in action

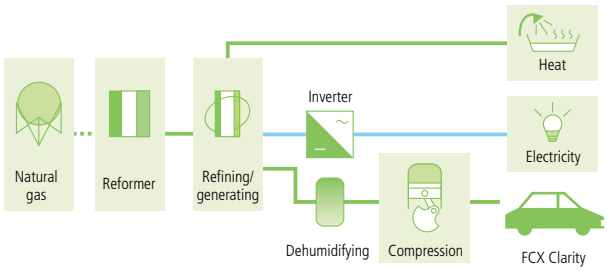


Home Energy Station IV and solar cell hydrogen stations: experimental operation continues

Honda is moving ahead with research into hydrogen production and supply systems to promote the widespread adoption of fuel cell vehicles. In FY2004 we began experimental operations of our Home Energy Station, a cogeneration system that generates hydrogen from natural gas to provide heat and electricity for the home and fuel for a hydrogen-powered vehicle. In 2007 we introduced the Home Energy Station IV, beginning experimental operations in Torrance, California. To make the new technology even more suitable for the average household, the focus was placed on high efficiency and compactness. Previous Home Energy Station systems were equipped with a separate purifier and fuel cell. By unifying these components and introducing the ability to switch from hydrogen refining to power generation, the system's size has been reduced 70% compared to the first-generation model. A household with a Home Energy Station IV and an FCX Clarity could reduce its carbon footprint by approximately 30% and its energy costs by approximately 50% compared to a household driving a gasoline-powered vehicle and using conventionally generated electricity. In California, Honda is also continuing to develop its solar-powered Hydrogen Stations, which use solar energy to produce hydrogen from water.

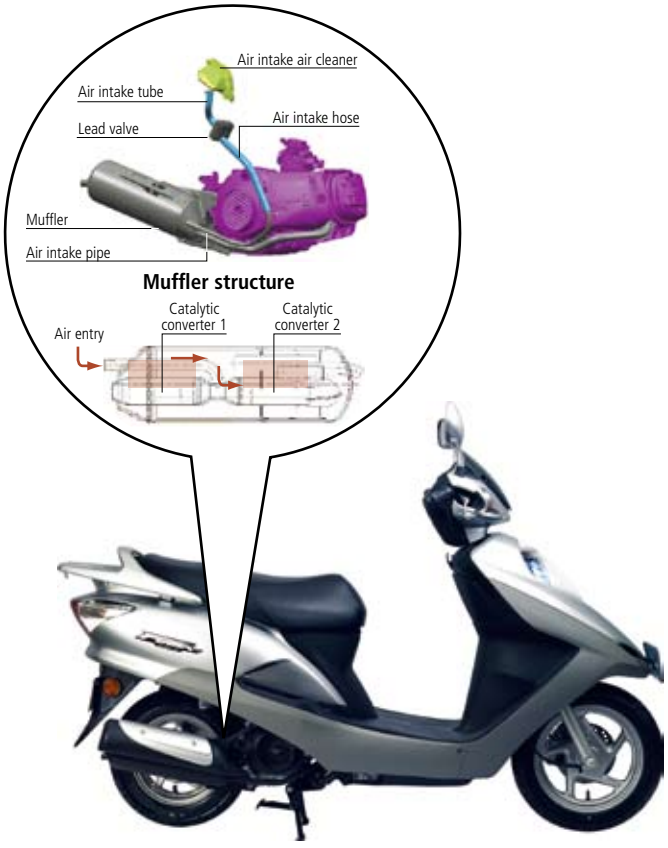
Home Energy Station IV

Schematic: Home Energy Station IV



The SDH 125-T23: complying with China's emissions regulations

Introduced to the Chinese market in July 2007, the SDH 125-T23 is a carburetor-equipped scooter that complies with China's National Standard III emissions standards, which went into effect in July 2008. Its primary exhaust-cleaning technology consists of streaming the exhaust into two inline catalytic converters and introducing a secondary airflow between them. The upstream catalytic converter reduces NOx levels, while the downstream catalytic converter oxidizes CO and HC, reducing emissions of these substances. Ignition optimization and modifications in the structure of the carburetor have allowed for quicker startup operation of the catalytic converter. This results in improved emission levels and an extremely clean-running vehicle.



SDH 125-T23

Operations initiatives: purchasing, production, transportation, sales

North America: advances in paint technology help reduce environmental impact

In collaboration with The Ohio State University, Honda of America Mfg., Inc. developed a new paint booth air-conditioning control system that reduces energy consumption by as much as 25%, thanks to a predictive control mechanism that allows for the continuous, automatic control of temperature and humidity. Following a pilot demonstration at the Marysville Motorcycle Plant in 2006, the company began using this Intelligent Paint Booth system at its Marysville Automobile Plant in October 2007. Honda of America Mfg., Inc. has applied for a patent on this unique, energy-saving technology. Other Honda plants in North America are preparing to implement it, while Honda manufacturing operations around the world are considering implementation.


The Marysville Automobile Plant

Europe: green electricity powers new Aalst logistics center

Honda Belgium has constructed a warehouse in Aalst that can run solely on environmentally responsible electric power. The 7,000-m^2 photovoltaic solar panels installed on its roof generate 880 kW of electricity, enough to meet all the facility's energy needs, with any excess power sold to the local power utility. When inclement weather or other conditions prevent the panels from functioning at sufficient capacity, hydroelectricity is purchased from hydroelectric power stations in the nearby Alps. Other measures have also been implemented to reduce the warehouse's environmental impact, including strict wastewater disposal restrictions and the use of rainwater in sanitary facilities.


Our new Aalst warehouse boasts solar panels

Asia/Oceania: VOC reduction in India

As Honda Siel Cars India continues to rapidly expand its operations, doubling annual output to 100,000 vehicles as of December 2007, it has simultaneously introduced a range of environmental reforms. One is a VOC-reduction initiative that curbed VOCs by 35% via the introduction of 12 robots to its body finishing line. The introduction of electrostatic spray guns to the bumper painting line has also reduced VOC emissions by 30%.


Body finishing robots


Bumper electrostatic spray guns

China: reducing CO_2 via a modal shift

In China, completed vehicles are being transported to market more efficiently, reducing environmental impact. To reduce CO_2 emissions, Dongfeng Honda in Wuhan now uses the railway to transport products to Beijing, Guangzhou and Urumchi, while maritime transportation along the Yangtze River is used in shipping product to Chongqing and Shanghai. Guangzhou Honda developed the industry's first railway transportation model at the end of 2003, with the number of direct shipments and destinations gradually expanding each year. It now uses rail to ship to Shanghai, Beijing and beyond.


Transporting vehicles by rail

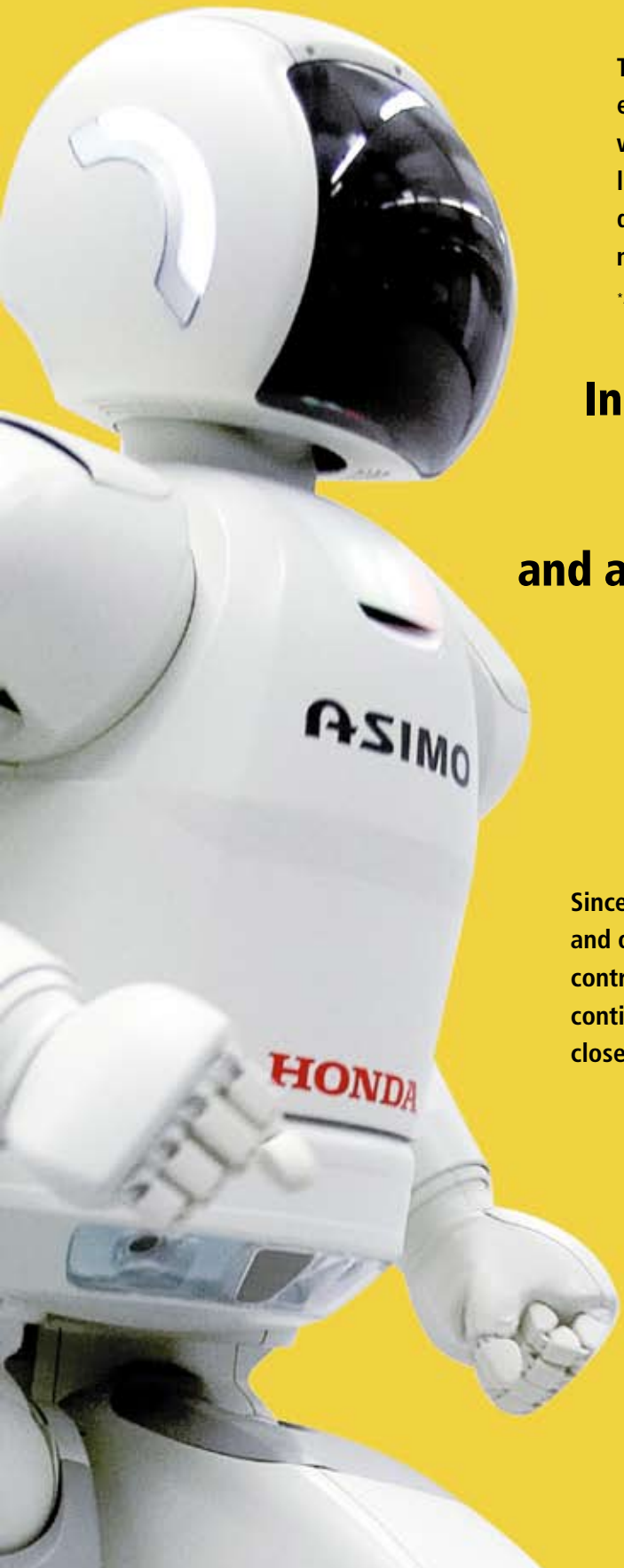
South America: core sand recycling in Brazil

Moto Honda da Amazonia once could only repurpose as cement the core sand used in casting, but since August 2007 it has been reused in casting. This was done with help from Amazon Sand, which, like Moto Honda da Amazonia, is located in Manaus. Consumption of core sand has been greatly reduced.


Core sand used in casting


Recycling

Once found only in the world of science fiction, the humanoid robot has become a reality. Honda began development in 1986, and at that time the dream of its engineers was to create mobility of new value, in harmony with society.



Taking up the challenge of making the robot mobile, the engineers bypassed the easy choice for an automaker—wheels—accepting instead the ultimate challenge. After a long process of trial and error, in 2000 the team completed development of ASIMO*, whose independent bipedal movement was a mobility achievement of historic proportions.

*ASIMO is an acronym for **A**dvanced **S**tep in **I**nnovative **Mo**bilty.

Independent bipedal movement—a mobility achievement of historic proportions and a source of new value for society.

Since then, Honda has given ASIMO voice and facial recognition and other capabilities requiring the deployment of advanced control and information-processing systems. Today, ASIMO continues to evolve, getting faster, better at communication and closer to people's ideal of the humanoid robot.

Honda believes the day is not far off when ASIMO will provide people valuable support at home, in the office and in care facilities.

WEB For more information on ASIMO, please visit:
http://world.honda.com/ASIMO/

Customers

Our approach to customer satisfaction

In accordance with the principles of respect for the individual and the Three Joys, Honda has always worked closely with its dealerships to maximize customer satisfaction (CS). 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

Overseas CS enhancement initiatives

Aiming to lead in fan-winning customer service

In order to create an optimal service organization in each overseas market, Honda unified its service departments in each region and, in 2004, established Customer Service Operations.

Since its inception, Customer Service Operations has served to unify Honda service and service parts activities with the goal of increasing worldwide customer satisfaction through excellent service at the point of customer contact. To this end, Customer Service Operations coordinates with each region to establish a dealership environment that enhances customer service in an effective and concentrated fashion, and works with Honda suppliers to strengthen overall organizational effectiveness.

As a midterm goal, Honda aims to lead the industry in fan-winning customer satisfaction. At this level of satisfaction, dealership service must exceed expectations, resulting in customer delight, repeat business, referrals to new customers, and an increase in Honda fans. To achieve this goal, Customer Service Operations is undertaking the following initiatives.

- **CSI enhancement and complaint reduction**

Honda's Customer Satisfaction Index (CSI) measures the level of customer satisfaction with dealership service by region and by product. Using this tool, Customer Service Operations and each region work together to enhance customer service at the dealership level. To Honda, customer complaints represent not only individual problems to solve but also opportunities for growth and refinement. While reviewing each complaint to provide a specific solution, Customer Service Operations searches for root causes of problems so as to enhance service and reduce complaints over the long term.

- **Advanced service environment creation**

With changes in social values and technological innovation proceeding rapidly, today's customers expect higher quality from Honda than ever before, and expectations are more diverse. Anticipating changes in society, technology and customer needs, Honda seeks to develop and offer service that is ever more convenient and satisfactory. To generate a higher level of customer satisfaction, Customer Service Operations coordinates with appropriate departments to create a service environment implementing the most advanced approaches and technologies.

Overseas CS initiatives: highlights

Overseas automobile CS initiative: dealership VOC

Dealerships in Thailand and the Philippines have implemented a Voice of the Customer (VOC) program to enhance customer satisfaction. In this program, associates talk to Honda service customers, using the information they receive to enhance overall service quality and prevent complaints from arising.

To gather information, dealership associates telephone customers, inquiring about their products and the service they have received. Should the customer have a complaint, the dealership takes immediate action to make things right. At the same time, the dealership also analyzes the source of the complaint, feeding that information back into daily service enhancement efforts. Customer comments are then sent to Honda for further assessment and incorporation in service enhancement initiatives.

Honda dealerships that have implemented VOC have seen a significant rise in their Customer Satisfaction Index complemented by a significant reduction in customer complaints. Favorable customer response to the program has in turn led to even greater motivation on the part of dealership associates. In FY2008, in response to rapidly

increasing demand, Honda established departments in China and Malaysia dedicated exclusively to VOC, and began implementing the program in India.


Analyzing VOC data in Thailand


Working on enhancement measures with dealerships in Thailand

Overseas automobile CS initiative: dealership service efficiency enhancement program

Honda dealerships located in the large cities of BRIC (Brazil, Russia, India and China) and other countries with rapidly growing economies have seen a dramatic rise in the number of automobiles sold, often resulting in strain on service capacity and longer customer waits for service and repairs. In addition to bolstering capacity by welcoming new mechanics and adding service bays, dealerships have enhanced their efficiency of service by assessing each service process and increasing productivity wherever possible.

To support these dealership efforts, in 2007 Honda began introducing a system that automatically measures the time taken for each service process, storing the data for future reference and analysis. By May 2008, the system had been implemented in Brazil, India, Indonesia, the United Arab Emirates, Saudi Arabia, China and Taiwan, with plans to expand use to other countries going forward.


Receiving service in India

Overseas motorcycle CS initiative: Wing Service program

In recent years, sales of Honda motorcycles have increased rapidly throughout Asia. With a view to further enhancing customer satisfaction, in September 2007, Honda Vietnam Co., Ltd. introduced Wing Service, a program in which the head office works closely with dealerships to dispatch service personnel to rural areas and in other ways tailor services delivery to the needs of individual customers.

To promote Wing Service, Honda Vietnam has been communicating the advantages of Honda's well-equipped service centers and genuine Honda parts, offering technical consultation and extended product warranties, and undertaking a variety of other initiatives.


Wing Service on the move in Vietnam

Overseas power products CS initiative: enhanced dealership service

While reorganizing its sales network in China in 2007, Honda simultaneously began initiatives to enhance its service capabilities. From among 32 total dealerships, Honda selected three to serve as model dealerships in the three sales territories. The model dealerships examined facilities, tools and work management practices item by item to enhance service quality and strengthen customer trust. Paying off in faster service for customers, these efforts ultimately resulted in an increased number of customer visits and increased business for power products service locations.

Going forward, the remaining 29 Chinese dealerships have plans for a repair service enhancement program, while dealerships elsewhere in Asia and South America are implementing similar initiatives to strengthen their service offerings.

CS initiatives in Japan: highlights

Automobile CS initiative: providing dealerships feedback for ongoing improvement

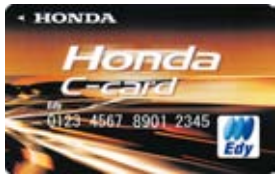
Aiming to establish lifelong relationships with satisfied customers, Honda conducts periodic customer satisfaction surveys. A sample of new automobile customers is sent a survey, the responses are compiled and analyzed, and suggestions for service enhancement are communicated to dealerships. In FY2008, to complement this initial stage survey, Honda began surveying customers before the periodic automobile inspection required by the Japanese government. Honda also has a similar customer satisfaction survey program in place for purchasers of pre-owned automobiles.

Automobile CS initiative: supporting customers through the Honda C-card

Seeking to enhance the experience of every customer, Honda offers 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 2008.

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.

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 Committee for UNICEF. In May 2008, Honda donated approximately 77.39 million yen—0.05% of total FY2008 Honda C-card purchases of 154.8 billion yen—bringing its total contributions to date to 589.96 million yen.


Operating Officer Hiroshi Kobayashi (right) presents a donation from Honda to the Japanese Red Cross at a May 2008 ceremony.

Motorcycle CS initiative in Japan: CS enhancement at Honda Motorcycle Japan Co., Ltd.

To respond to increasingly diverse customer needs and offer efficient and satisfying sales service, in August 2001, Honda established Honda Motorcycle Japan Co., Ltd., consolidating in one organization the motorcycle sales function in Japan.

Honda Motorcycle Japan implements many initiatives connected with customer satisfaction enhancement, including new product planning, marketing, advertising and motor sports–related projects. The company also assists in the development of dealership human resources, helping to ensure compliance with sales processes and enhance interactions with customers.

Coordinating with dealerships around Japan to offer the highest level of service technology, Honda Motorcycle Japan holds touring events, offers riding safety programs and implements a variety of other initiatives to enhance the Honda motorcycle fan's lifestyle.

● The expanding Honda Dream network

In March 2003, Honda launched the first Honda Dream dealership, a new type of added-value motorcycle dealership catering to the sports bike enthusiast. The network's slogan "Your bike is our bike" reflects Honda's mission of achieving the highest levels of customer trust and satisfaction through a continuously enhanced response to customer needs. In addition to offering customers purchasing bikes of

over 125cc displacement a special one-year extension to the Honda warranty, network dealerships issue the Honda Dream Owner's Card, entitling members to roadside service and a variety of privileges.

Honda Dream dealership in Tachikawa, Tokyo

Power products CS initiative in Japan: complaint reduction meetings

Since June 2006, associates in power products–related departments have held weekly complaint reduction meetings. At the meetings, associates assess all of the complaints received by the Customer Relations Center relating to power products and power products sales and service, reviewing the progress of each case until it is resolved. Associates also look for the root causes of complaints, determine issues to be addressed and establish interdepartmental measures to eliminate complaints over the long term.

This system has been implemented in the U.S., the UK, France, Germany and Italy with excellent results. Honda classifies power products–related complaints with worldwide relevance as global business issues and updates Honda organizations around the world on their status.

Enhancing the customer relations system

Customer Relations Center initiatives

The Customer Relations Center has a very 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.

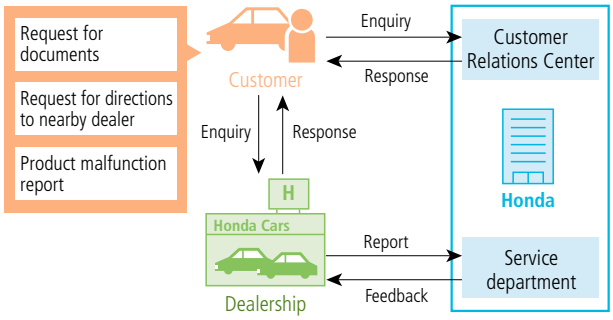
In February 2007 the center in Japan, which is accessible 24 hours a day, 365 days a year, increased staffing on weekends and holidays to offer an even higher level of service. As a result, our call acceptance rate rose from 80% in FY2007 to 98% in FY2008, with the number of enquiries handled increasing by 17,973 in the same period to a total of 227,287.

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 incorporated in the ongoing enhancement of our operations. A system is in place to allow directors and associates access to appropriate information, and customers' personal information is protected.

The Customer Relations Center also works with the Japanese government and consumer advocacy organizations to address a variety of enquiries and requests.

Customer Relations Center

Looking after our customers



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 status, 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.

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 2008 meeting in Japan attended by some 260 firms, Honda and its suppliers reaffirmed policies aimed at achieving ambitious global quality goals and enhancing cost competitiveness through structural corporate strengthening. This was done to help maintain stable product quality and supply in all motorcycle, automobile and power products 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 2008, 49 firms received awards in Japan.


Annual meeting with suppliers


Awards ceremony at suppliers' banquet

Strengthening compliance with purchasing policies

A variety of initiatives to ensure fair procurement

To ensure purchasing that is fair, honest and in keeping with Honda's three purchasing principles, Honda has prepared training and reference manuals that explain applicable laws and regulations, and detail standards of purchasing staff behavior. In addition, to maintain strict compliance with anti-trust laws, Japan's Act Against Delay in Payment of Subcontract Proceeds, etc., and other laws of special relevance to purchasing, newly hired associates receive special training during orientation and Honda associates review these important topics at periodic seminars.

Honda also holds seminars for suppliers to discuss its purchasing philosophy and initiatives in the context of actual business conditions, as well as laws and regulations relevant to the purchasing function. Further, to encourage compliance throughout the supply chain with the Guidelines for the Promotion of Fair Subcontracting Practices issued by Japan's Ministry of Economy, Trade and Industry, Honda strives to maintain transparency throughout the supply chain.

Cooperative ventures with suppliers

Enhancing quality in partnership with our suppliers

Faced with increasingly diverse customer needs and rising expectations for 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 development and purchasing experts 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 an appropriate 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.

Visiting the factory of a supplier

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 products manufacturing.

Using Honda's Life Cycle Assessment 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 report that 99% of our suppliers in Japan—a total of 407 firms—have been certified as of March 2008.

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 Life Cycle Assessment system is used to quantitatively assess the environmental impact associated with its business operations, including motorcycle, automobile and power products manufacturing, from production through disposal.

Associates

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.

Note: The data displayed on pages 61–67 represents aggregate values for Honda Motor and three main affiliates: Honda R&D, Honda Engineering and Honda Access.

Three principles of personnel management

1. Respecting independence

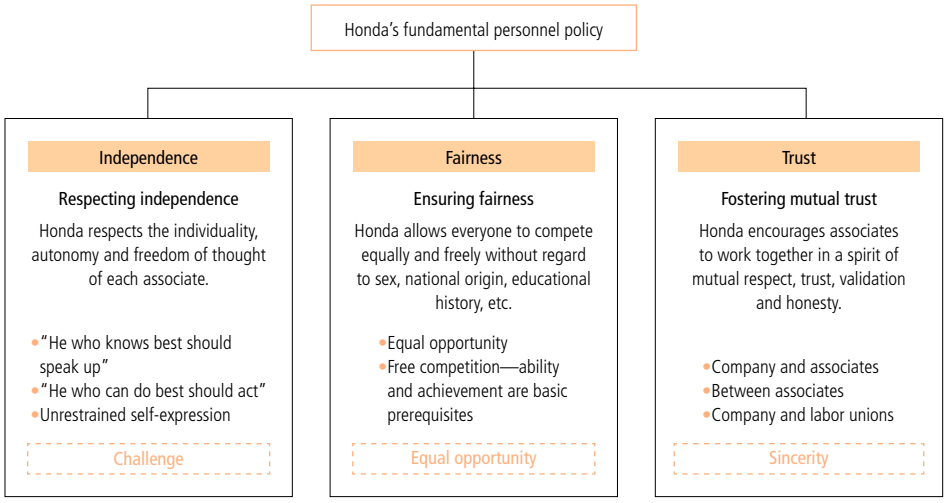
Honda expects associates to express their individuality and independence. As our founder said, "He who knows best should speak up, and he who can do best should act." In that spirit, today's associates are encouraged to think for themselves, take action and accept responsibility. Associates interested 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)*

	2004	2005	2006	2007	2008
Men	701	744	806	1,084	1,152
Women	107	111	121	170	180
Total	808	855	927	1,254	1,332

*New associates joining Honda in April of each year

Hiring of people in mid-career (FY)

	2005	2006	2007	2008	2009 (plan)
Men	91	241	551	732	—
Women	16	15	22	28	—
Total	107	256	573	760	740

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 in FY2008 stands at some 2.1%, or 975 individuals, 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 (by FY)

	2005	2006	2007	2008
Requested by associate	91	68	120	125
Requested by company	13	8	23	68
Total associates	104	76	143	193

Developing people's abilities

An approach based on on-the-job training

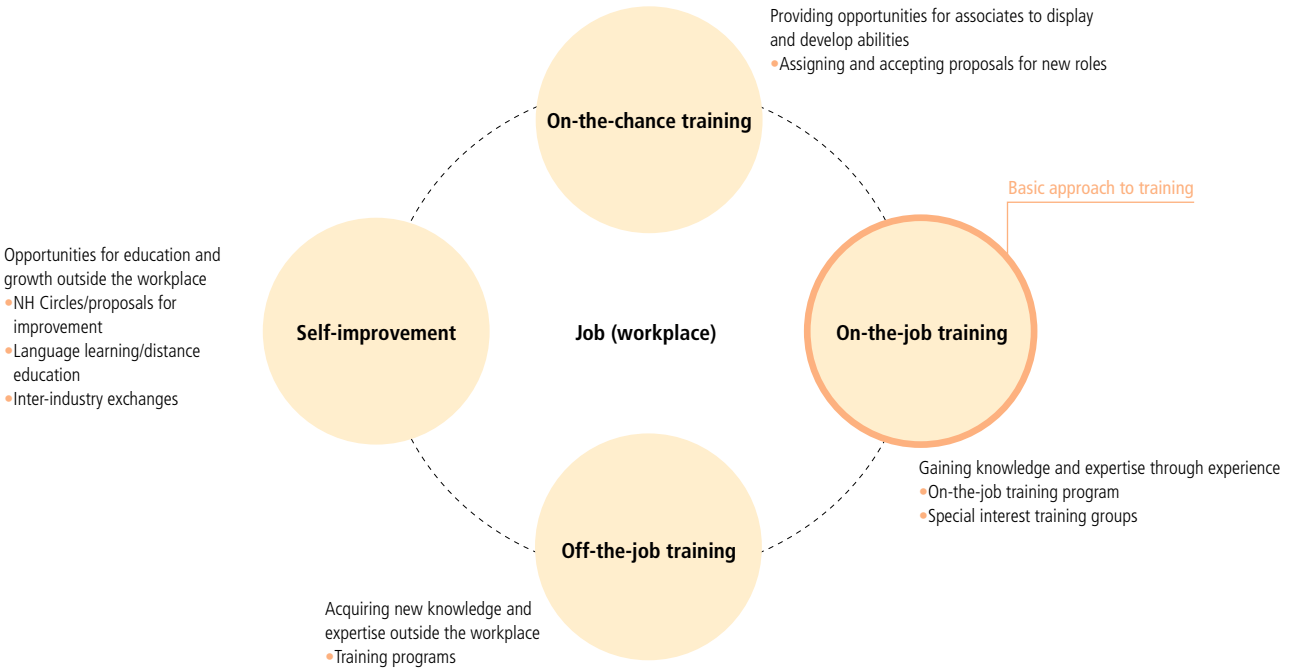
Honda's approach to personnel education is based on on-the-job training: building specialized skills and professional capacity through direct experience. Seeking to promote truly effective on-the-job training, Honda has designed programs finely tuned to match the technical and technological content and 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 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.

● 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)

Basic approach to personnel training



Motivational programs that encourage independence

Honda has instituted a variety of programs to maximize the motivation and independence of our associates, helping each individual grow by building on existing strengths.

● 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.

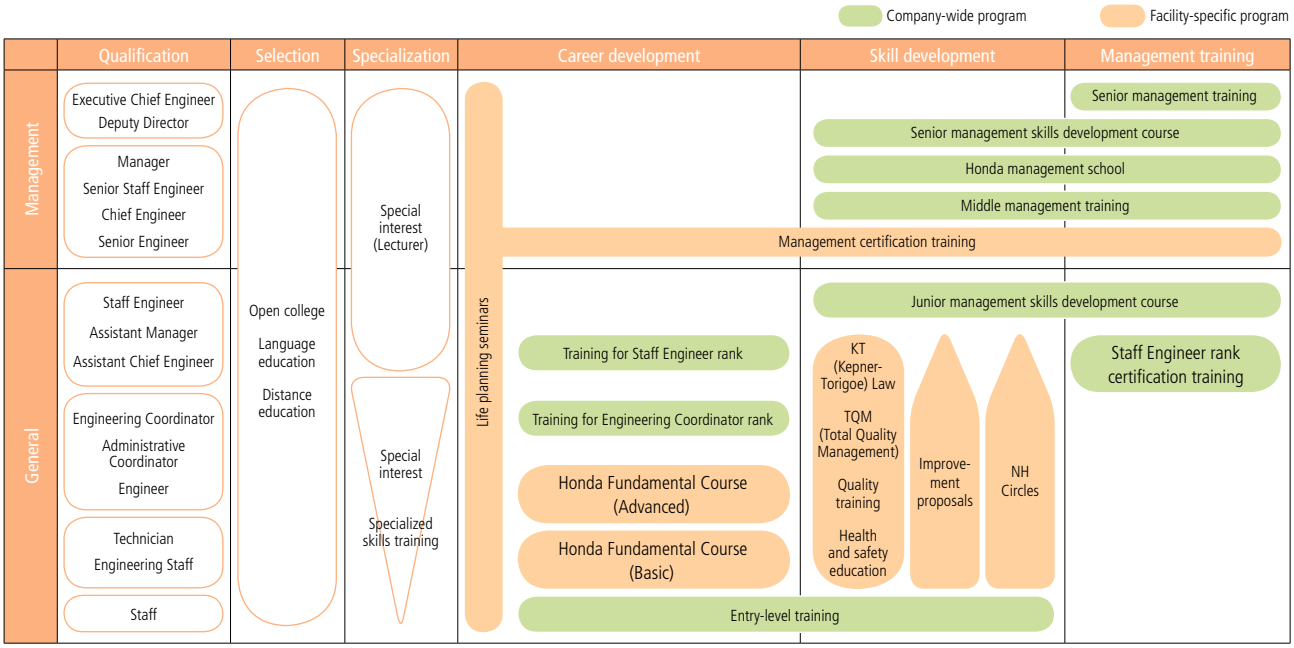
● Our Challenger Recruiting Program

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. From its inception in September 2005 up to the end of March 2008, the program has helped 528 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, associates and supervisors discuss appropriate steps for career development.

Off-the-job training at Honda—an overview



Independent associate initiatives

● 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.

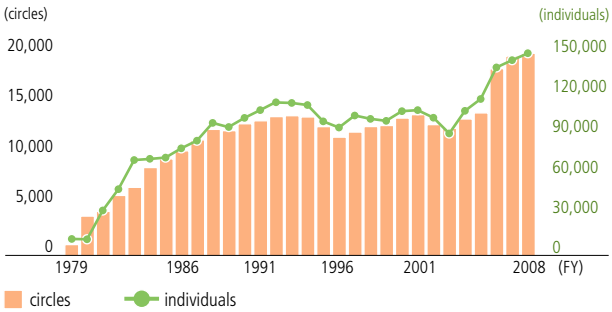
Based on the principle of respect for the individual, and cherishing independence, fairness and trust, NH Circle participants strive to make their working environment even more positive. The strengths and initiative of each associate are utilized to full advantage to realize everyone's unlimited potential 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 FY2008, there were NH Circles in 33 countries. Including suppliers, affiliates and dealers, 20,057 NH Circles were active in FY2008, involving some 150,053 individuals. The 2008 NH Circle World Convention will be held in Guangzhou, China, in autumn 2008.

NH Circle European Convention held in Hungary (September, 2007)

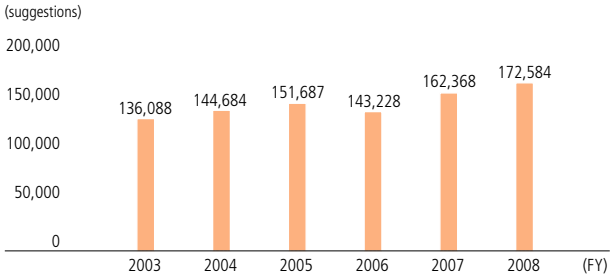
NH Circle participation



● 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 2007, approximately 8.19 million suggestions were contributed.

Suggestions for improvement received



Building healthy working environments

Keeping working hours reasonable and 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 FY2008 averaged 1,952 per associate and total working hours averaged 2,007. In the same year, associates averaged 19.2 paid vacation days, which puts Honda in the top tier of the automobile industry.

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

Balancing work and family life

Honda continuously strives to create an environment in which associates can balance work and family life. In April 2006, Honda extended parental leave until the end of April after a child's third birthday. In April 2007, Honda received certification for compliance with Japan's Law to Promote Measures to Support the Development of the Next Generation, and in June 2007 put in place a system to promote workplace diversity.

In April 2008, Honda began providing short-term childcare leave and providing time off even by hourly increments, making it even easier for parents to deal with a child's sudden illness or injury. Also, Honda began offering daycare services on national holidays that fell on company working days.

To raise awareness and create a workplace conducive to a balanced work and family life, Honda has provided handbooks to all associates detailing applicable initiatives and policies. Honda also provides training to managers that equip them to help foster the careers and personal development of their team members.

Going forward, 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.

Initiatives undertaken since the passing in April 2005 of Japan's Law to Promote Measures to Support the Development of the Next Generation

FY	Initiative
2006	• Parental leave period extended to 18 months after birth.
2007	• Parental leave period extended to end of April after child's third birthday. • Zero-overtime period extended to child's start of primary school.
2008	• System to promote workplace diversity established.
2009	• Short workday (4-7 hours) system to support parenting introduced. • Paid time off added to short-term child care leave system. • Daycare services offered on national holidays falling on working days. • Handbook concerning work and family life balance given to associates.

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

Our fundamental approach

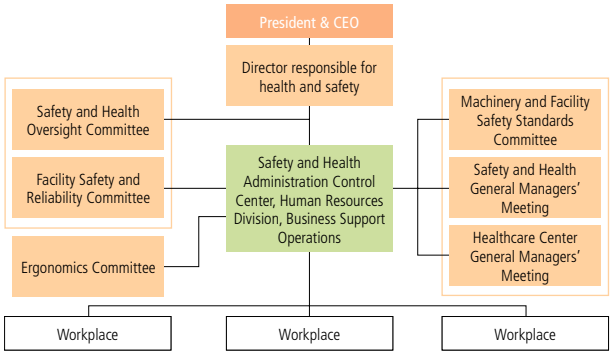
In the spirit of our founder's concept, "No safety, no production," and in accordance with the principle of respect for the individual, Honda considers the safety and well-being of all associates among its principal responsibilities.

Creating a safer workplace: occupational health and safety

We strive to ensure workplace safety, traffic safety and accident prevention with appropriate risk management policies and practices. Assessing risks, Honda is striving to maintain good occupational health and safety and raise awareness of the issue among associates.

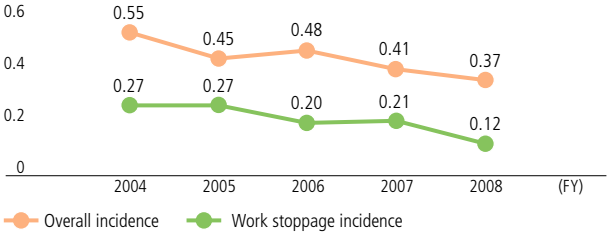
In FY2009 we are strengthening measures to ensure workplace safety, focusing on preventing accidents in the workplace, reducing the risk of fire caused by explosions and avoiding occupational illness. We're setting the bar high on workplace safety and applying the entire organization's resources to achieve the goal of good health for all.

Occupational health and safety promotion system



- **Safety and Health 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 Audit Office and the person responsible for overall health and safety in the workplace.
- **Facility 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 Safety and Health Administration Control Center.
- **Machinery and Facility Safety Standards Committee**
  Establishes and revises equipment safety standards in accordance with legal requirements and other related standards.
- **Safety and Health General Managers' Meeting**
  Deliberates on activities pertaining to overall occupational health and safety, including disaster prevention as well as traffic safety and health management, and determines specific policies.
- **Healthcare Center General Managers' Meeting**
  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.

Incidence of industrial accidents (overall incidence, work stoppage incidence)



Shareholders and investors

Honda's history on stock exchanges

Established in 1948, Honda Motor Co., Ltd. was listed on the Tokyo over-the-counter stock market in 1954. After being listed on the Tokyo Stock Exchange in 1957, the company was listed on all national exchanges in Japan. Overseas, American Honda Motor Co., Inc. issued American Depositary Receipts in 1962, and in 1977 was listed on the New York Stock Exchange. As Honda's overseas development proceeded, Honda affiliates 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). With the ongoing internationalization of financial transactions, the volume of transactions on the Swiss and Paris exchanges has declined, and in 2007 Honda therefore removed its listing from these exchanges. Honda also removed its listing from the Nagoya, Fukuoka and Sapporo exchanges in Japan in 2007 for the same reasons.

Protecting the rights of shareholders and investors

Our fundamental approach to investor relations

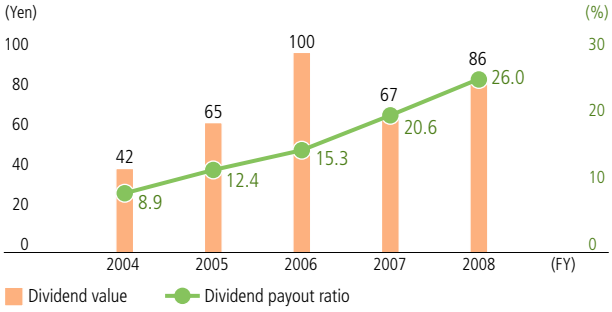
Honda believes that a company derives its reason for existence from increasing corporate value over the long term through relationships with a wide variety of stakeholders: customers, suppliers, associates, shareholders, investors and members of the local communities in which it exists.

Based on this philosophy, Honda continually strives to increase corporate value by maintaining a global perspective and expanding its operations worldwide. 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 continuing to build and maintain an atmosphere of trust and respect, we hope to receive a fair recognition of our corporate value by the market.

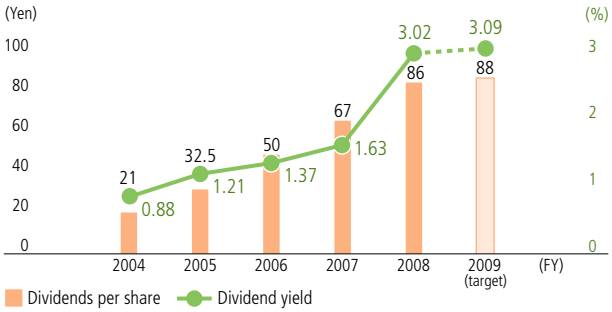
Profit distribution policy

With respect to the redistribution of corporate profits to shareholders—a key management issue—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%.

Dividend value and dividend payout ratio



Dividends per share: trend



Note: Regarding dividend yield
For fiscal years 2004–2008, dividend yield is based on the share value recorded on the last day of the respective fiscal year. The dividend yield projection for FY2009 is based on the share value recorded on March 31, 2008.
Note: Regarding dividends per share
The dividends per share values for fiscal years 2004–2006 are based on the post-share-split number of shares outstanding.

Major initiatives in FY2008

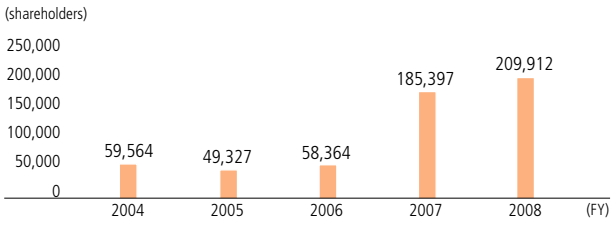
Honda investor relations today

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 hold quarterly meetings with representatives of the media, analysts and institutional investors, and post explanations of our financial results on our website. We also hold semi-annual meetings for principal overseas investors in Europe and North America to present our financial position and future management plans. These publications and presentation materials from financial results meetings can be found at the IR section of the Honda website (http://world.honda.com), which also contains news on the corporation's global business development.

Honda strives to encourage investment by individuals. To make our shares more accessible to private investors, a share split was executed in July 2006. Further, beginning in the third quarter of FY2007, Honda began issuing quarterly dividends in an effort to share profits with shareholders as expeditiously as possible. As a result of these initiatives, the number of individual Honda shareholders has tripled.

Number of Honda shareholders




Annual Report


Quality Report


Website

In February 2008, the Tokyo Stock Exchange presented Honda with the Award for Broadening of Individual Investor Shareholder Base, which recognizes companies who have made the stock market more accessible to individual investors and increased their number.

Communicating with shareholders

Honda considers its annual Ordinary General Meeting of Shareholders a vital opportunity to optimize communications with all its shareholders. We strive to present all company information as clearly as possible, 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. 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, and 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.


Factory tour

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 communication, we consider it essential to listen carefully and act proactively on the basis of what the markets are saying.

In 1954, when Honda was still selling motorized bicycles, Soichiro Honda audaciously declared the company would compete in the Isle of Man TT Races. In 1961, Honda stunned the world by sweeping the first five places in both the 125cc and 250cc competitions there.

Having only begun production of minicars in 1962, Honda next moved boldly in opening its own Formula 1 racing venue: Suzuka Circuit. Soon after, in 1964, Honda made its ambitious F1 debut in the German Grand Prix, and claimed its first victory at the Mexican Grand Prix in 1965.

Achieving growth by taking on challenges and never giving up. For Honda, that's the spirit of racing.

Since those early days, Honda has achieved many great victories and applied the advanced technology developed on the racetrack to its commercial products, continuously enhancing their performance, safety and environmental responsibility.

For Honda, participating in motor sports is about taking on challenges and chasing dreams with unswerving determination and strong teamwork. Going forward, Honda will continue to share this passion and excitement with customers throughout the world.

WEB For more information on Honda F1 and other racing endeavors, please visit:
http://world.honda.com/motorsports/

WEB For more information on Honda philanthropy, please visit:
http://world.honda.com/community/
To access Honda's Philanthropy Reports, please visit:
http://world.honda.com/community/report/report2008.html

Honda philanthropic initiatives

Our fundamental approach

Since the company's foundation, Honda has sought to contribute to society by creating quality products and technologies, and has sought to coexist harmoniously with the communities that host its operations. In the 1960s, while the company was still in a period of early growth, Honda began to launch philanthropic initiatives designed to strengthen ties with local communities. In the 1970s, Honda established foundations in Japan to foster broad-ranging research, education and cultural exchange and make the future brighter for society. Since then, Honda has proceeded to establish foundations and funds internationally.

In 1998, on the occasion of the 50th anniversary of the company's inception, with a vision of sharing joy with people around the world and being a company society wants to exist in every community, Honda acted to address worldwide expectations from a comprehensive and global perspective, creating the Honda Motor Philanthropy Office and establishing the basic principles that guide its philanthropy. Since then, in addition to previous efforts, Honda has begun many initiatives, contributing to the joy of people and to the well-being of societies around the world.

In 2006, with a view to taking its philanthropic initiatives to an even higher level, Honda defined the global directions of these initiatives and created a new symbol to capture their spirit. In fulfillment of the three main points of these global directions, Honda mobilizes people, advanced products and technologies, and a philosophy of respect for the individual to pursue initiatives that help people around the world enjoy life to the fullest and realize their true potential.

Honda philanthropy–vision

Honda enriches the joy of 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

This symbol captures the spirit of the Honda Group's worldwide philanthropic activities, which are designed to help create a future full of dreams.

Philanthropic highlights

Educational initiatives

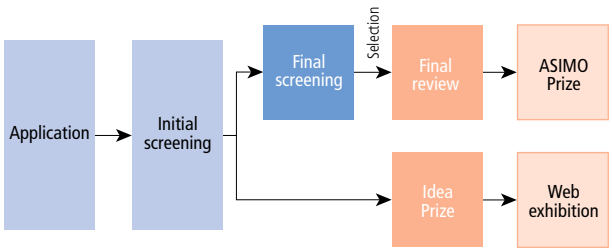
A company brought up on dreams, Honda wants to foster the dreams and creativity of the children who will create the future. Honda's educational initiatives help young people of a wide range of ages—from toddlers to college students—experience the joy of making things, the power of dreams and the satisfaction that comes from taking on big challenges.

Through a broad spectrum of initiatives, Honda will continue to help children bring out their potential, providing them opportunities to learn new things firsthand while challenging themselves to do their best.

The Children's Idea Contest: Encouraging children to discover the joy of dreaming and the delight of creating

An event that conveys the joy of dreaming and the delight of creating, the Children's Idea Contest asks entrants to draw a picture of something they imagine would be really cool and send it to Honda. In 2007, for the sixth such contest, 5,147 entries were received from elementary school children all over Japan. A panel of judges selected the top entries, which were created by 32 groups of students. The children were then invited to make models of their ideas and present them for final review. The grand prizewinners and the runners-up win a very special prize: a visit to their schools from ASIMO, the humanoid robot. The top entries that do not make it to the final review are displayed on Honda's philanthropy Web page, and the children who created them receive the Idea Prize. The Children's Idea Contest is also a cultural exchange: prizewinners from the Honda ASIMO Super Idea Contest in Thailand were invited to attend the final review and share in the joy of making things.

Contest outline



Participation

FY	Participants
2006	4,011 (4,500 contestants)
2007	3,414 (3,700 contestants)
2008	5,147 (5,750 contestants)

Participants in the Idea Contest final review


Grand prizewinner in the lower grades division

The Honda ASIMO Super Idea Contest in Thailand

NYPUM (National Youth Project Using Minibikes)

Established in the United States in 1969, the National Youth Projects Using Minibikes, or NYPUM for short, offers a wide variety of programs that deliver on the commitment to America's youth expressed in its mission statement: "NYPUM provides at-risk youth of America an opportunity to develop self-esteem, strong values and a sense of responsibility using the minibike as a motivational tool." Supporting NYPUM since its inception, as of March 31, 2008, Honda had donated $40 million in minibikes and program funding to the project. Among the more than 40 different programs NYPUM offers in communities across America, of particular interest are the NYPUM Rodeos, special events which bring kids from different NYPUM programs together to make new friends, practice sportsmanship, celebrate ethnic and cultural diversity and just have fun. Going forward, Honda will continue to support NYPUM and a bright future for American youth.

NYPUM activities

Honda Dreams Fund

In partnership with the United Nations Development Programme (UNDP) Malaysia, in January 2007, Honda Malaysia announced the inception of the Honda Dreams Fund, which annually provides full scholarships to 20 Malaysians 17-24 years of age who lack funds for higher education. Through the Fund, Honda seeks to foster human capital development in Malaysia by helping promising young persons achieve their dreams.

Based on entry forms, applicants were selected for the three-day "Dare to Dream" workshop at which fun and educational activities like "Flying Carpet" and "Traffic Jam" allowed the candidates to demonstrate teamwork skills and logical and creative thinking. The final candidates were determined by evaluation by UNDP Malaysia, Honda Malaysia, and a panel of NGOs that included the Human Rights Commission (SUHAKAM) and the All Women's Action Society.

The Honda Dreams Fund was officially launched at a ceremony held on April 25. In its inaugural year, the Fund received a large number of applications, from which 60 candidates were selected to participate in the workshop. From these, the 20 scholarship recipients were selected.

Honda Dreams Fund "Dare to Dream" workshop

Environmental initiatives

Honda is proactive in environmental conservation. From research and development to production and purchasing, and from distribution, sales and disposal 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. Considering sustainable coexistence with local communities and the protection of the natural environment integral to our global activities, we're implementing environmental conservation initiatives worldwide.

Honda Beach Clean-up Project—preserving barefoot walks on the beach for future generations

Honda's Beach Cleaner was designed to fulfill a dream of preserving pristine beaches for future generations. Applying its own innovative technology, Honda engineers worked through a process of trial and error to create the towable Beach Cleaner. Paired with a Honda ATV, the Beach Cleaner was ready to go to work in 2006, and a volunteer team of current and retired Honda associates formed a caravan that visits beaches throughout Japan at the request of local municipalities. In FY2008 associates from Honda Group companies also began to participate, and Honda also started loaning beach cleaning equipment to local municipalities. As of March 31, 2008, the team had beautified a total of 38 beaches.

Beach clean-up held in October 2007 at Fukude Asaba Beach

Before

After

- **Participation by Honda Group associates**

In October of 2007, 20 workers from the Showa Corporation participated in cleaning up the Fukude Asaba Beach in Iwata City, Shizuoka prefecture. In November, representatives of Honda Lock Mfg. Co., Ltd. helped form a team of 69 volunteers for the Tondahama beach clean-up near their facility in Shintomi Town, Miyazaki prefecture. Honda intends to continue facilitating collaborative Beach Clean-up projects with Group companies throughout Japan.

- **Loaning equipment to local municipalities**

In FY2008, Honda loaned Beach Cleaners and ATVs to nine local governments in various parts of Japan. In addition to the loan of the Beach Cleaner equipment, Honda will also provide ongoing support that includes training and guidance in safe vehicle operation and equipment maintenance.

Achievements

	FY2007	FY2008
Beaches cleaned	19	19
Municipalities borrowing equipment	—	9

645 90-liter bags of garbage collected in two days

Using the Beach Cleaner

Community initiatives

Since Honda's foundation, we have always sought harmonious co-existence as the expansion of our operations has brought us into contact with more communities and many countries. This wish to create close ties is represented in the basic principles of Honda philanthropy. Honda's facilities, dealerships and affiliates throughout Japan and all over the world are active in a wide range of activities that are tailored to the needs of their own local communities.

Touch the World: an international adventure

Launched in 1999, Touch the World takes advantage of the unique educational opportunities available thanks to the cooperation of embassies located in Tokyo's Minato City. Between three and five embassies participate in this program every year, providing children with the chance to experience cultures from around the world. The embassies of Algeria, Bosnia and Herzegovina, the Dominican Republic, and Kuwait participated in this 9th event in FY2008. Young visitors enjoyed events like the Mini World Tour—where, using special passports, they 'traveled' to booths representing different nations and exchanged greetings in each country's language—and World on Stage, which featured live performances by performers from around the world. The inquisitive children got to sing and dance together on stage, sample unfamiliar foods from different lands, and enjoy experiencing different cultures.

Participants

FY	Touch the World	Hello Embassies
2006	Approx. 1,100	52
2007	Approx. 1,300	45
2008	Approx. 1,500	52


Kuwait event


Touch the World event

Hello Embassies: asking foreign diplomats questions

The children participating in Touch the World are inspired to learn more about the participating countries. To foster their curiosity, an event called Hello Embassies is held every year during the school summer holidays. Children have the chance to visit the participating embassies, introduce themselves in foreign languages, ask a variety of questions they have prepared beforehand, and learn about other cultures through conversations with embassy personnel.


Visit to Embassy of Kuwait


Visit to Embassy of Dominican Republic


Visit to Embassy of Algeria

Traffic safety initiatives

Honda is promoting traffic safety through advanced technology and effective education. Putting advanced technology to practical use, Honda works to design vehicles that provide greater safety for everyone, including pedestrians and cyclists, while promoting traffic safety through education and training programs that match the needs of local communities. We're working to make our mobile society safer and more comfortable.

Traffic Safety Caravan

● A traffic safety classroom for little kids

One of Honda's top priorities is protecting children from traffic accidents. 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. Launched in the Tokyo area in 1999, the program has expanded to the Suzuka, Hamamatsu, Kumamoto and Tochigi areas, which host Honda factories. In FY2008, the Caravan visited 641 kindergartens and nursery schools in Japan.

Traffic Safety Caravan session

● Watching, listening, talking—learning by doing

The Traffic Safety Caravan features the participation of a professional drama troupe, whose members are experts at making learning fun and effective. The session begins with familiar stories being read aloud. Then, the traffic safety practice session begins, using an original set of materials created by Honda.* At this stage, the children go beyond listening and watching—they participate in fun quizzes and verbal interaction. After the children have learned some traffic safety rules by repeating the key words, they become active, adding gestures and body movement to reinforce the lesson. A pretend pedestrian crossing, complete with miniature traffic lights, is then set up in the room, and the children practice crossing the 'road.' Participating in the Traffic Safety Caravan program, children learn the basics of road safety as they have fun.

*Original traffic safety learning materials called "Ayatorii Hiyoko," designed for children aged 4 to 5

Facilities visited and children participating

FY	Facilities visited	Children participating
2006	340	46,186
2007	590	76,392
2008	641	76,401

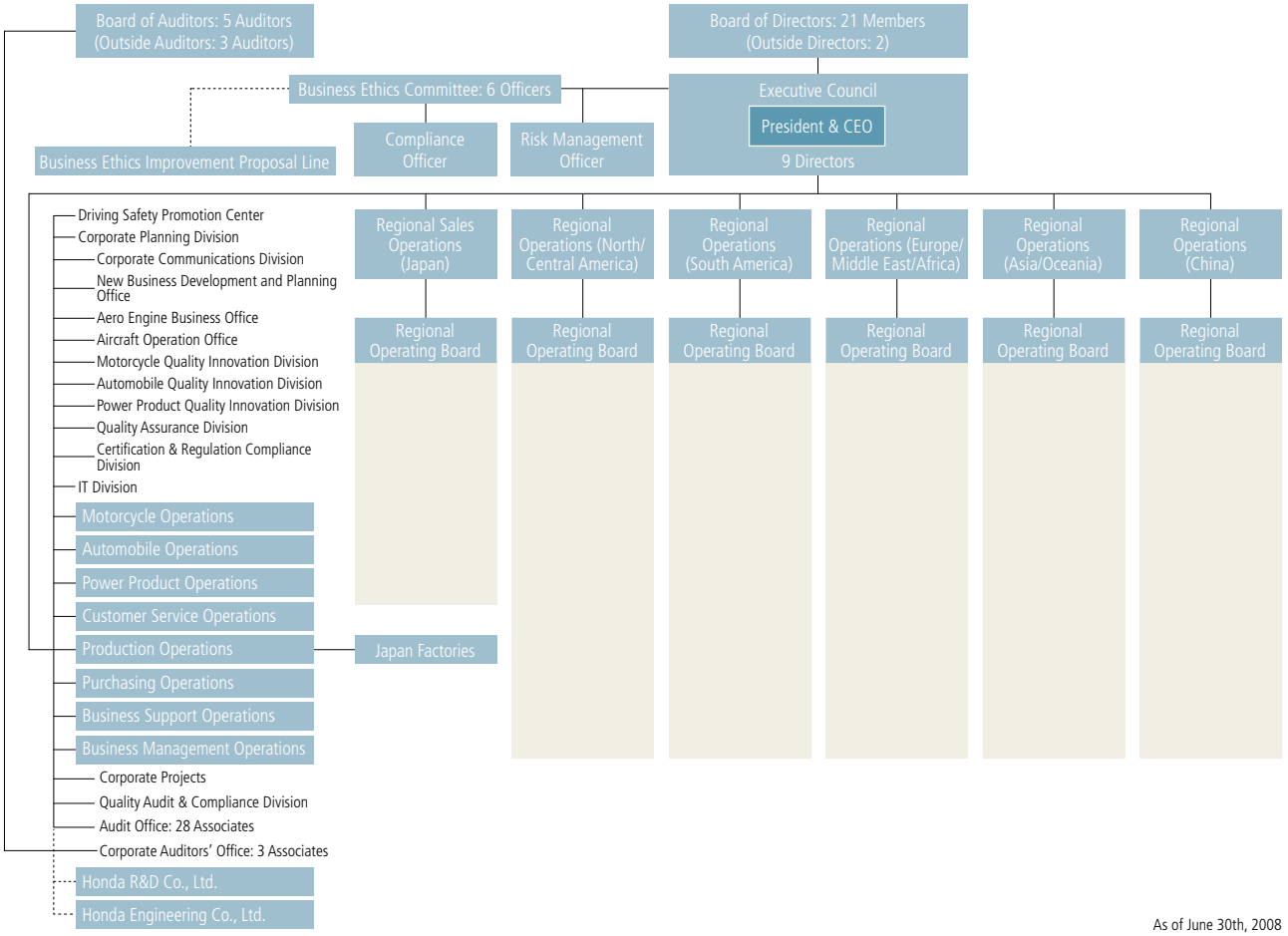
Corporate governance

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 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: Organization



As of June 30th, 2008

Corporate governance: policy

Management structure

● Board of Directors

The Board of Directors has 21 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 seven times in FY2008.

● Board of Corporate Auditors

The Board of Corporate Auditors consists of five 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. In FY2008 the Board of Corporate Auditors met 13 times.

● 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

Honda has appointed Azsa & Co. as its independent auditor for the purposes of Japan's Company Law and Securities and Exchange Law as well as the U.S. 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 Support Operations and Business Management 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.

● Executive Council

Honda has established an Executive Council, which consists of nine representative directors, including the president and vice president. 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 29 times in FY2008.

● 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.

● Honda Conduct Guideline

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

Honda Conduct Guideline

WEB Honda Conduct Guideline is 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 and reported to the Board of Directors and the Board of Auditors.

From the Honda Conduct Guideline

Compliance

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

I) Respect for the Law

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

● **What to do in case of unclear interpretation**
Whenever there is a doubt or unclear interpretation of the law, we will consult with the legal department, government bodies and/or outside experts.

● **What to do if the law has been violated**
Whenever a violation of the law or the risk of such an occurrence is noticed, we will immediately report to or consult with the supervisor or the legal department, or make a proposal to the Business Ethics Proposal Line.

● **Report/notification to government agencies**
We will properly make reports/notifications to government agencies as required by law.

II) Respect for Company Rules

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

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

● **What to do if rules have been violated**
Whenever a violation of a company rule or the risk of such an occurrence is noticed, we will report to or consult with the supervisor or make a proposal to the Business Ethics Proposal Line.

● **Report/notification**
We will properly make reports/notifications as required by company rules.

III) Respect for Social Norms

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

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 FY2008.

● 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

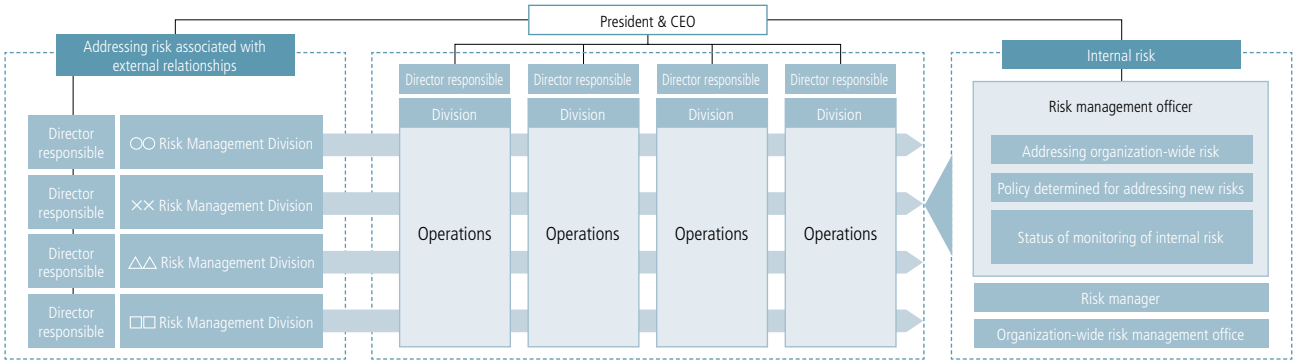
For each type of risk the company may incur, Honda specifies a lead department that develops risk management policies, systems and initiatives and helps other departments to prevent incidents and address them should they arise. The status of risk management is confirmed in each division each year with the goal of further enhancement in accordance with overall corporate governance policies. Should an incident occur that a department is not in a position to address individually or that could have a significant impact on the company as a whole, directors specified as risk management officers mobilize a company-wide response to minimize negative effects.

Protecting personal information and preventing disclosure of sensitive data

● The development of our privacy policy

Honda's Conduct Guideline, which was enacted in 2003 to guide the actions of associates, includes 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.

Risk management system



Corporate outline

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, 2008)

Automobiles

- Passenger vehicles
- Commercial vehicles
- Special-needs vehicles
- Utility vehicles

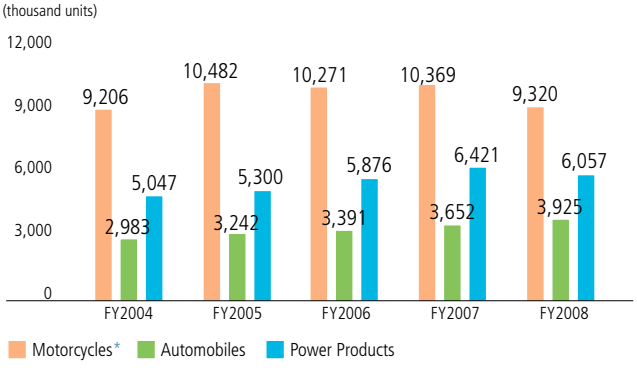
Motorcycles

- Scooters
- Sports motorcycles
- Commuter motorcycles
- ATVs

Power Products

- Power product engines
- Tillers
- Marine outboards
- Generators
- Lawnmowers

Sales by product segment

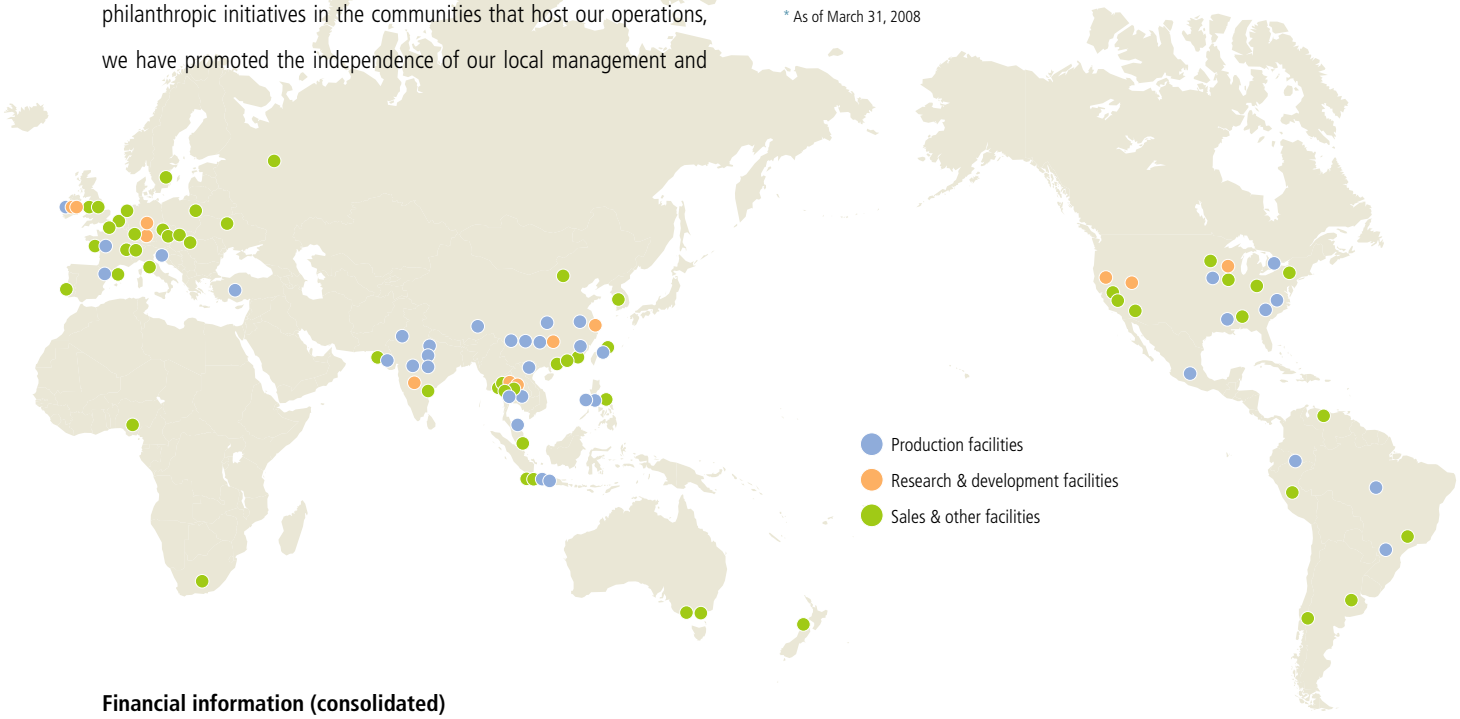


*Does not include production/sales of Honda-brand motorcycles overseas by equity-method affiliates with respect to which no parts manufactured by Honda or its affiliates have been supplied.

Global operations

At 67 production facilities in 24 countries and at 43 research and development facilities* in 13 countries, about 178,000 Honda associates help some 24 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 products 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, 2008



Financial information (consolidated)

		March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Sales and income (millions of yen)	Net sales	8,162,600	8,650,105	9,907,996	11,087,140	12,002,834
	Income before taxes	641,927	656,805	814,617	792,868	895,841
	Net income	464,338	486,197	597,033	592,322	600,039
Research & development expenditure (millions of yen)		448,967	467,754	510,385	551,847	587,959
Capital expenditures (millions of yen)		287,741	373,980	457,841	597,958	668,228
Sales by region (millions of yen)	Japan	1,628,493	1,699,205	1,694,044	1,681,190	1,585,777
	Overseas	6,534,107	6,950,900	8,213,952	9,405,950	10,417,057
	Total	8,162,600	8,650,105	9,907,996	11,087,140	12,002,834
Number of employees		131,600	137,827	144,785	167,231	178,960

HONDA

The Power of Dreams