

Section 3
Transportation,
Sales, and Administration

Honda
ECOLOGY

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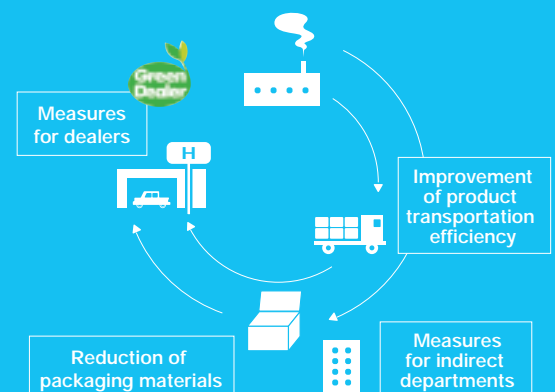
Delivering Products to Customers, Taking Considerations to Environmental Conservation at Every Stage

Honda is striving to reduce its environmental impacts at every stage of its activities, including the transportation of products to destinations, the marketing of products to customers, and the administration of its operations.

For example, at the transportation stage, we have reduced CO₂ emissions and the use of packaging materials by improving the efficiency of our distribution system.

At the marketing stage, we have launched the “Green Dealer Project” to encourage our dealers to contribute to environmental conservation, thereby pleasing our customers and local communities.

Furthermore, we are introducing environmental management systems to encourage our indirect departments, such as our offices, to all become involved in environmental activities.

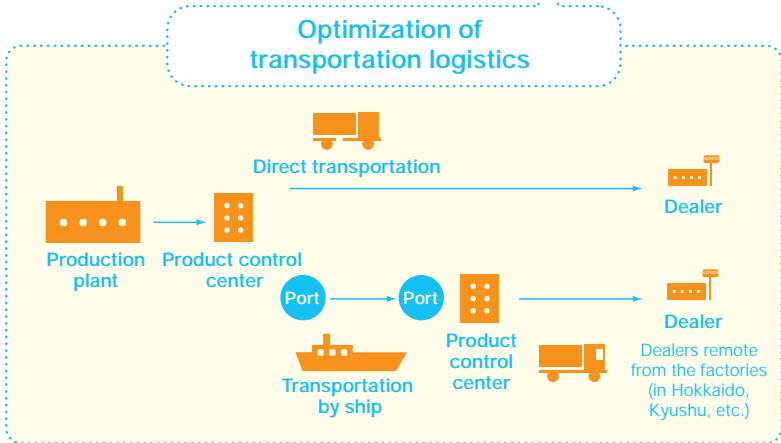
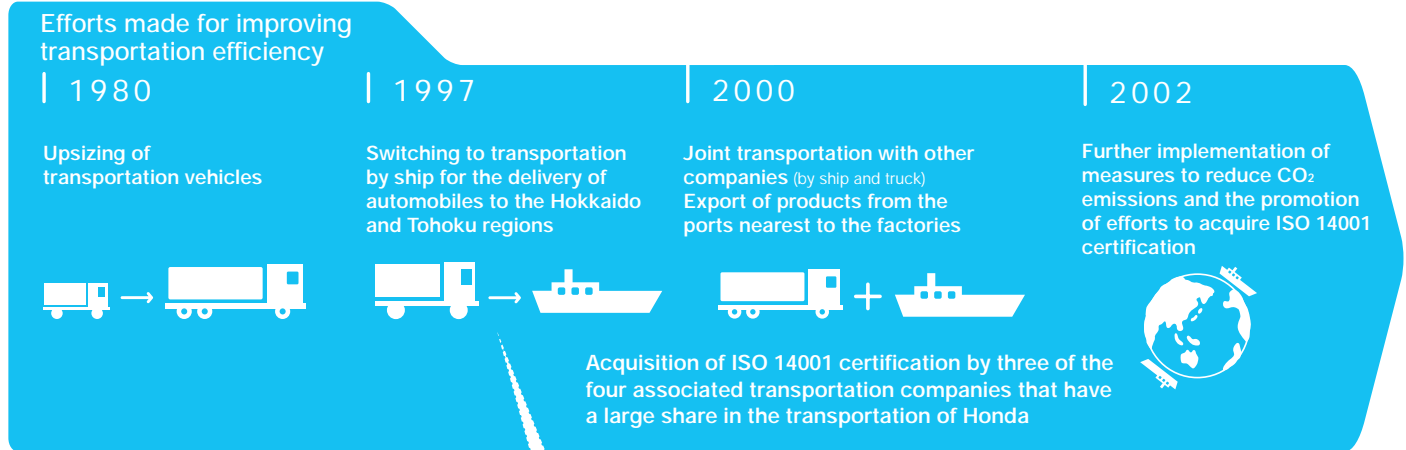




Pursuit of Highly Efficient, Environment-Friendly Transportation

Honda has been improving transportation efficiency by expanding the areas to which products are delivered by ship as well as by promoting joint transportation by multiple manufacturers. Also, we are implementing diversified measures for green logistics, including the introduction of ISO 14001-certified environmental management systems to associated transportation companies.

Transportation-related targets:
 To introduce environmental management systems to associated transportation companies
 To improve transportation efficiency



Expansion of measures to reduce CO₂ emissions
 = measures have been implemented

	1997	1998	1999	2000	2001
Expansion of the areas to which products are transported by ship					
Direct transportation from the factories					
Upsizing of the transportation vehicles					
Joint transportation with other makers					
Export from the ports nearest to the factories					

1 Improvement of transportation efficiency by reforming the entire transportation system

For the transportation of products, Honda has been improving efficiency by reducing the emission of CO₂ and other gases, reducing waste generated in the transportation activities by using recyclable packaging materials, and introducing environmental management systems. Recently, as one of the most important themes for transportation, we have been maximizing transportation efficiency by using different transportation methods in combination, taking into consideration their various advantages and disadvantages. For example, a ship can carry a large amount of products at one time and thereby the CO₂ emission per product can be kept to a low level. However, it takes more time to deliver products by ship. On the other hand, while a truck discharges more CO₂ per product, it

requires less time for delivery and is suitable for sending products to multiple destinations. Transportation efficiency can be improved by optimally combining different transportation methods based on such characteristics as these.

2 Reduction of energy loss through the optimization of transportation methods

In the past, products destined for Hokkaido were all shipped to Tomakomai Port and then delivered to each destination within Hokkaido by truck. Now, however, products destined for the eastern parts of Hokkaido are shipped to Kushiro Port to shorten the delivery distances by truck.

At the same time, we are aggressively promoting joint transportation by ship and truck with other companies. For example, we transport our own products to their destination, and then transport the products of another company on the return trip. At

Honda, as mentioned above, transportation efficiency has been improved by the shift to railways and ships and by mixed modes (optimal combination of transportation by truck with other transportation methods). Energy loss in transportation can be reduced by eliminating relay points. In the past, products were delivered from factories to dealers via sales offices. However, Honda is now promoting the direct shipping of products from factories to dealers to improve energy efficiency in transportation.

3 Cooperation with transportation companies to reduce environmental impact

Honda asks its associated transportation companies to promote environmental activities and to acquire ISO 14001 certification for their environmental management systems. In addition, we are replacing our trucks with low-emission vehicles and conducting surveys on diesel particulate filters (DPFs) and low-sulfur fuels. In cooperation with the transportation companies, we will continuously improve such activities to further reduce the environmental impact caused by the transportation of our products.



Reduction of Waste Generated in Transportation to Promote Resource Saving

Honda is reducing the use of packaging materials by encouraging the use of returnable containers in addition to the use of simple packages, review of packaging materials, and alteration of packaging specifications. Also for products exported overseas, we are aggressively introducing returnable containers, not only to the shipment from Japan but also to transportation between overseas areas.

Transportation-related targets:
Reduction of packaging materials

Efforts to reduce packaging materials (Japan)

1999

Introduction of returnable containers to the transportation of repair bumpers (PP returnable plastic cardboard containers)



2000

Shift to simple packaging (from individual packaging to the use of reinforced bubble wraps)

Introduction of a tabulation system to check the exact amount of packaging materials used

2001

Use of returnable containers in a greater number of parts



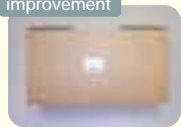
The Hosoe Plant producing outboard engines started the use of returnable containers for the domestic transportation of its products.

2002

Further reduction of packaging materials

Reduction of packaging materials (in domestic transportation)

Before improvement



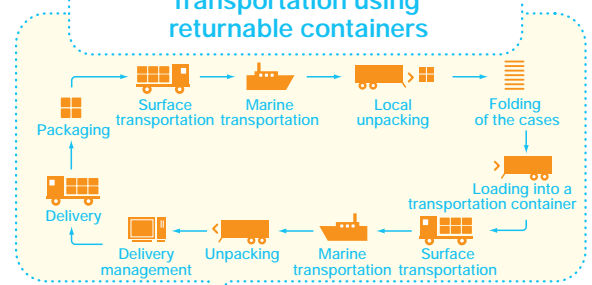
After improvement



Shift to simple packaging

Shift from the use of both cardboard and bubble wraps (vinyl packaging material encapsulating air bubbles) to the use of bubble wraps only

Transportation using returnable containers



Efforts to reduce packaging materials (Overseas)

1993

Starting the use of returnable external cases

1999

Starting the use of returnable internal cases: for the export of parts to the U.K.

Starting the recycling of vapor corrosion inhibitor (VCI) films and polyethylene sheets used as packaging materials: U.K.

2000

Promoting the reuse of packaging materials in KD (knock-down)* part-importing countries

2001

Development and application of new returnable internal cases for the export of parts to the U.K.

Expanded use of returnable external cases: Italy and Spain

Starting the use of returnable cases for exporting outboard engines

Using returnable cases for the export of completed motorcycles to Europe



Returnable external case

* KD shipments: export of knock-down (KD) parts for local assembly

1 Reduction of packaging materials by a shift to simple packaging

Honda has been making efforts to reduce the use of packaging materials. For example, cardboard, which is a representative packaging material, is now recycled. To reduce environmental impacts, however, it is also necessary to reduce the use itself. We are now reviewing packaging materials from various aspects, including proper strength and impingement protection methods, and are shifting towards much simpler packaging such as improved packaging pads. Montesa Honda Factory S.A. in Spain has introduced a system to transport motorcycles imported from Italy for sale without using packaging materials. This system is called the Non Packing Import (NPI) system and we intend to introduce it to other countries.

2 KD shipments using returnable cases

We are also using returnable cases for knock-down (KD) parts, which are manufactured in Japan and exported overseas for local assembly. We are exporting KD parts by using returnable external cases to 10 countries around the world, including the U.S. and Canada. In 2001, we newly developed returnable internal cases and have been using these to export KD parts to the U. K., thereby greatly reducing the amount of cardboard used for such exports. Further, Honda Europe N.V. has introduced returnable cases for motorcycles and has greatly reduced the use of packaging materials. The company is located in Belgium as Honda's base for supplying products to Europe and manages the import and export of automobiles, motorcycles, power products, and repaired parts.

3 Recycling and reuse of waste packaging materials

For the reuse of waste packaging materials, we are also working to recycle vinyl and film materials, which account for a major part of packaging materials used for transportation.

All of the shrink-wrap films used instead of ropes to bundle the packages to be sent to and within Japan are collected and recycled.

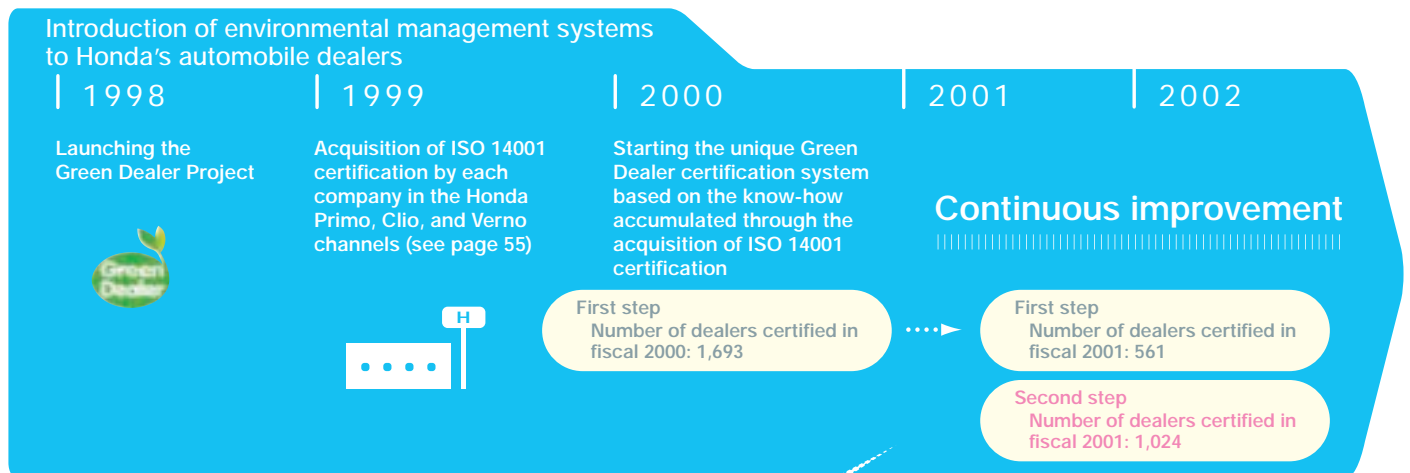
Moreover, for protecting the hoods and trunks of the automobiles to be sent from factories to customers, we have developed and are now using recyclable water-soluble films, which can be attached to the hoods and trunks without adhesives.

As another example of the careful measures that we are taking to promote recycling, we have discontinued the use of adhesive labels for vinyl bags. In the past, we printed the necessary information on the labels, which prevented the recycling of the vinyl bags, but now the information is printed directly onto the bags.

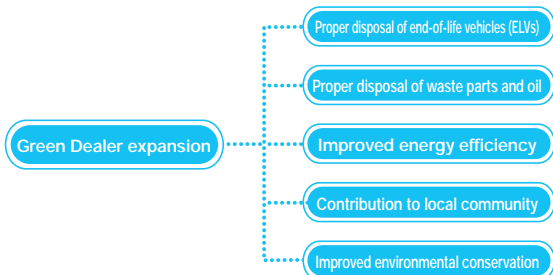
Advanced Dealer Activities to Please Customers and Local Communities and to Win Their Trust

Honda is implementing its unique environmental management system and the Green Dealer certification system to further sophisticate its environmental activities in its sales and service segments. Honda dealers are promoting steady environment conservation activities by continuously implementing improvement measures to become advanced dealers who can please their customers and local communities.

Environmental targets for dealers
Introduction of environmental management systems
Promotion of proper disposal of end-of-life products



Green dealer expansion concept



Flow of the Green Dealer certification system



1 From the acquisition of ISO 14001 certification to the implementation of the unique environmental management system

Honda has been promoting the acquisition of ISO 14001, which is the international standard for environmental management systems, to improve the environmental activities in its sales and service stages. In August 1999, the Planning Management Block, the Service Division of Japan, and the six service centers around the country received this certification for the first time in the automobile service industry in Japan. Honda Dealers have also been making aggressive efforts. In November 1999, Honda Clio Kyoto Co., Ltd. became Japan's first automobile dealer to acquire this certification. This was followed by Honda Verno Aichi Co., Ltd. in December and Honda Primo Tokyo Minami Co., Ltd. in January 2000. Based on the know-how accumulated through the activities necessary to obtain ISO 14001 certification, Honda has started the

Green Dealer certification system as part of its unique environmental management system. This system will be utilized extensively by Honda dealers to reduce the loads imposed on them in acquiring ISO 14001 certification and to reduce the environmental impacts of their activities.

2 Two-step improvement of environmental conservation activities

Honda dealers who have achieved compliance with relevant laws and environmental improvement are certified as "Good Green Dealers" (Step 1) and then certified as a "Best Green Dealer" if they meet the stringent criteria for further improved environmental efficiency. The certified dealers play their roles as advanced Honda dealers who contribute to environmental conservation and please customers and local communities. They continuously try to improve their activities based on the PDCA (Plan, Do, Check, and Act) cycle. Honda also publishes

various manuals and posters to make people more aware of the environment and thereby supports Honda dealers in obtaining Green Dealer certification. As of the end of March 2002, 2,254 dealers were certified as Good Green Dealers and 1,024 as Best Green Dealers.

3 Proper disposal of end-of-life products and CFC-12

Honda urges its dealers to issue manifests (to manage end-of-life vehicles) and is taking measures for the proper disposal of end-of-life parts and other materials. For example, we have aggressively exploited the CFC-12 recovery and destruction system which is used in automotive air-conditioning systems, established by the Japan Automobile Manufacturers Association and local governments, and completed a nationwide promotion in October 1998. Also for air bag inflators, we are cooperating with other manufacturers in the inflator recovery and disposal system examinations promoted by

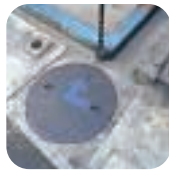


Examples of measures taken by "Green Dealers"



Honda VERNO
Shin Tokyo Co., Ltd.

Introduces two "Eco-Ice" ice-heat accumulating air conditioners (each equivalent to a 13-hp unit).



Honda VERNO Aichi Co., Ltd.
Countermeasures against oil emissions: As a precaution against oil emissions, displays the wastewater flow by arrows.



Honda VERNO Aichi Co., Ltd.

Drastic waste sorting: Waste is sorted clearly for both employees and customers to recognize the distinguished waste



Honda CLIO Kyoto
Co., Ltd.

"Environmental corner": Installed to make customers more aware of the environment



Honda PRIMO Tokyo-Minami
Co., Ltd.

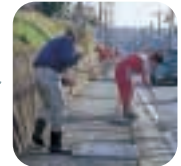
Honda VERNO Shin Tokyo Co., Ltd.

"Eco-Ice" effectively air-conditions the extensive void space by using electricity in midnight, which reduces the generation of CO₂.



Honda CLIO Minami-Sapporo Co., Ltd.

Drastic energy savings: Time in which electricity can be used is indicated on the lighting switches for energy saving



Honda CLIO
Shin Kanagawa Co., Ltd.

Neighborhood cleanup: All employees are engaged in neighborhood cleanup activities

the automobile industry.

4 Full consideration for the environment, including the implementation of energy saving and pollution preventing measures

Honda is promoting energy saving and pollution prevention measures in order to control and reduce the environmental impacts of its sales activities. For example, we have created a special environmental account book for our dealers to encourage them to control their energy consumption to attain their energy saving goals. In addition, we are introducing energy saving devices such as "Eco-Ice," which is an ice-heat accumulating air-conditioning system.

Honda also adopts a wide variety of environmental pollution prevention measures, including the proper disposal of waste parts and oil treated by Honda dealers. To prevent pollution as far as possible, some of the "Best Green Dealer" certified dealers have created risk control manuals as a precaution against the emission of waste oil. Honda collects such initiatives and introduces them in its environmental manuals or through its

information magazine, *GD Press*, to promote information sharing among dealers.

5 Aggressive contribution to society to become dealers that are admired by local communities

In order to expand its environmental conservation activities, Honda believes it necessary for the sales activities of Honda dealers, who have direct contact with customers, to be understood and recognized by the customers. We therefore ask our dealers to contribute to local communities, starting from activities that can be easily undertaken. For example, some are engaged in cleanup activities not only in and around their companies but also in the entire local community. Others are dispatching environmental information, including how to protect the environment by installing "environmental corners" within their stores to make local customers visiting the stores more aware of the importance of their environment. Also, the experimental "Eco Wagon" mobile seminars that enabled children to enjoy crafting and experience the natural environment, were highly evaluated by

participants. Honda intends to continue these activities and obtain even greater support from local people to expand its environmental conservation activities.

6 Activities targeting the dealers of Honda motorcycles and power products

Honda is expanding the Green Dealer system to the dealers of motorcycles and power products in addition to automobile dealers. For the dealers of Honda motorcycles, we will promote the Green Dealer system for the proper disposal of wasted motorcycles and parts and for the aggressive reduction of environmental impacts caused by their sales activities in line with the development of Honda Dream Shops. Honda Dream Shops are new style shops dealing with sports bikes and we are planning to establish 200 shops all over Japan by fiscal 2005. Also for dealers of Honda power products, we will establish a Green Dealer certification system in or after fiscal 2002 and encourage more dealers to participate in the system.



Full Consideration for the Environment in All Daily Business Activities

Honda also gives full consideration to environmental conservation at its offices and believes that it is most important to indirectly improve the environment by encouraging its factories, suppliers, and even its customers to contribute to environmental conservation by demonstrating good examples in its business activities conducted at its offices, including sales activities.

Environmental conservation objectives for our offices
Establishment and continuous improvement of environmental management systems



Introducing low-emission vehicles as company-owned vehicles

Honda aggressively introduced the government-certified low-emission vehicles for its own use.

Introduction of environmental management systems to office buildings

1998

Honda Head Office (Aoyama Building) starts activities for the acquisition of ISO 14001 certification.

1999

Head Office acquires ISO 14001 certification.

2001

All six regional offices acquire ISO 14001 certification.

2002

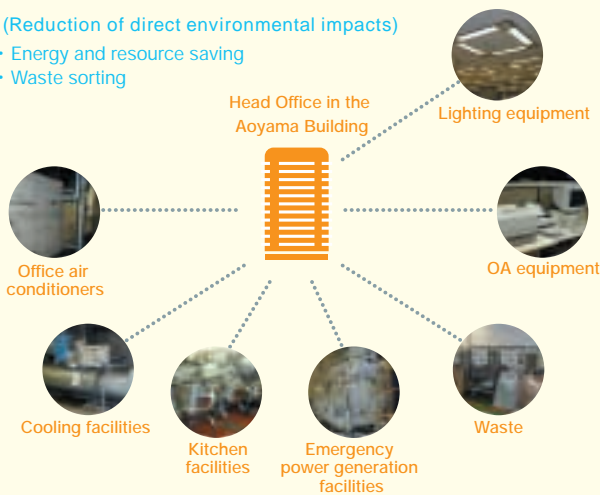
Head Office enters the second stage of ISO 14001 certification.

For the establishment and continuous improvement of environmental management systems

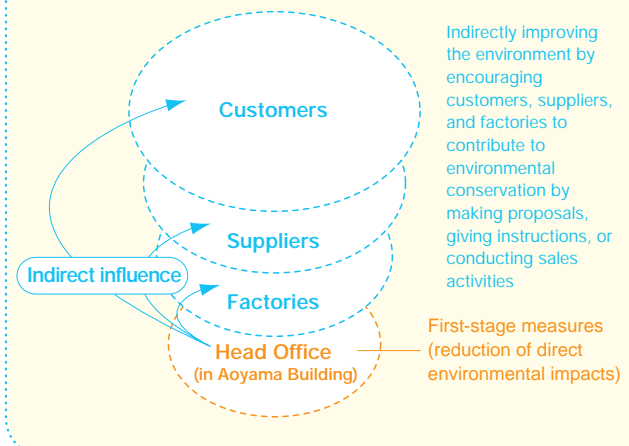
First-step measures

(Reduction of direct environmental impacts)

- Energy and resource saving
- Waste sorting



Second-step measures



1 Environmental measures at offices: acquisition of ISO 14001 by the Head Office and regional offices

Honda is implementing measures to give full consideration to the environment at its offices. For example, our Head Office in the Aoyama Building started to implement measures to reduce the environmental impact of its activities at the end of 1998 and obtained ISO 14001 certification during 1999. Subsequently, our six regional offices also obtained this certification in 2001. At the Aoyama Building, three years from the start of activities to obtain ISO 14001 certification, employees now conduct activities to reduce their direct environmental impact as a part of their daily business activities. The Head Office is planning to add more environmental aspects to its daily operations.

2 Waste sorting and recycling for resource saving

Each Honda office is also promoting the reduction of waste and resource saving. For example, at the Aoyama Building, employees sort their waste into 14 types, installing boxes to collect each one.

Energy saving is also promoted as one of our important environmental conservation objectives. For example, incandescent lamps in the corridors of each floor are being replaced with fluorescent lamps, only some lamps are switched on, and the ventilating fans of the underground parking space are turned on only when automobiles actually enter. At the Aoyama Building, wastewater from restrooms, kitchens, and cooling towers are collected and used for flush toilets to promote the conservation of water resources.

3 Introducing low-emission vehicles as company-owned cars as part of environmental conservation activities

As a part of the measures to reduce the environmental impact caused by corporate activities, Honda is introducing or replacing existing vehicles for its own use with government-certified low-emission vehicles, including those emitting extremely small amounts of harmful substances.