

HONDA

The Power of Dreams

Environmental Annual Report

Honda 2009



Environmental information disclosure

Honda discloses its environmental policies and practices in the CSR Report, in the Honda Environmental Annual Report and on its website (<http://world.honda.com/environment/>). The CSR Report outlines Honda's environmental initiatives in an easy-to-understand way. The Environmental Annual Report presents in greater detail Honda's fundamental policies and future direction with respect to the environment, as well as the results of the year's environmental initiatives. In addition to covering both general and specific environmental information, the website presents the history of Honda's environmental initiatives.

Starting this year, Honda is presenting the report in two parts: "Honda Environmental Annual Report 2009" and "Honda Environmental Annual Report 2009: Case Studies and Supplementary Information" are both available on the website, and "Honda Environmental Annual Report 2009" is also available in printed form.

As restructured, the printed Report will play an even stronger role in our Plan, Do, Check and Act (PDCA) process for environmental initiatives. The Case Studies and Supplementary Information document supplements the information contained in the printed Report, introduces additional initiatives in each domain and presents Substances of Concern output data for each Honda facility and product area. Honda produces the Honda Environmental Annual Report based on internal guidelines.

By disclosing a wide range of information, we hope to facilitate communication and feedback, thereby strengthening our environmental conservation initiatives going forward.



Global operations and marketplace

Advancing operations in six regions

Driven by its philosophy of building products close to the customer, Honda manufactures its products in six different regions worldwide. In FY2009 we delivered 23 million units to customers around the world. Always conscious of the environmental impact of its operations, Honda is working hard to take environmental responsibility to ever higher levels around the world.

In 2006 Honda became the world's first automaker to announce global CO₂ reduction goals for its products and production activities (see p12). It also implemented a proactive strategy to help stabilize climate change, taking efforts to even higher levels. As a global manufacturer, Honda strives to develop products with the lowest in-use CO₂ emissions manufactured at plants with the lowest per-unit CO₂ emissions. Honda Group companies worldwide continue to advance a wide range of initiatives for the reduction of environmental impact.



Annual sales in Honda's six regions by unit volume (FY2009)

Report structure

Covering initiatives in Japan and around the world, the Honda Environmental Annual Report 2009 aims to foster a deeper understanding of Honda's environmental initiatives.

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Report scope

Period covered

FY2009 (April 1, 2008–March 31, 2009) Note: The report also refers to activities conducted in FY2010.

Areas covered

Primarily Japan, with some coverage of other countries.

Organizations covered

The report primarily focuses on environmental initiatives undertaken in FY2009 by Honda Motor Co., Ltd. and the following major affiliates in Japan:

- Honda R&D Co., Ltd. • Honda Engineering Co., Ltd.
- Honda Motorcycle Japan Co., Ltd. • Honda Access Corporation

Information is also provided on the environmental impact of the business operations of Honda Motor Co., Ltd. and 149 other Honda Group companies in Japan. Some information is also included on the activities of 324 Honda Group companies in Japan and other countries that conduct final assembly of Honda products, as well as principal parts manufacturers.

For details, see p62–63.

Message from the President and CEO

Striving to be a company society wants to exist through leadership in environmental and energy technologies

Honda's direction and dedication to meeting global needs are steadfast

In FY2009, as the price of oil and other materials rose, the financial crisis that began in the United States set off a worldwide economic downturn with a negative impact on global business. At the same time, environmental issues demand our urgent attention, and this year's post-Kyoto Protocol negotiations are expected to result in strong new commitments to the reduction of CO₂ emissions.

In FY2009, despite these challenging circumstances, Honda delivered more than 23 million automobiles, motorcycles and power products to customers worldwide. Continuing to strengthen our product lineup and our global base of operations, we reaffirmed our commitment to the future of mobility society.

Honda's 10th three-year mid-term business plan, which began April 1, 2008, is focused on leading the way in solving environmental and energy problems through advanced technologies. Honda continues to work hard to introduce and popularize products that offer superior environmental performance and technologies for a sustainable future.

In this time of great change, Honda's direction remains steadfast, and the company is dedicated to solving environmental and energy problems and to offering products, creating technologies and engaging in activities that benefit our customers and society.

Honda's origins

Our customers expect new value for a new era. Since our very first product, the bicycle auxiliary engine, Honda has always taken the lead in offering customers products with the performance they need at a reasonable price. This tradition of pleasing customers and contributing to society continues to inform everything Honda does today.



Climate change is affecting ecosystems around the world, constituting an environmental problem of the greatest urgency. Striving to address this problem and support global environmental conservation, Honda is working to popularize products that offer low CO₂ emissions and contribute to sustainable development in harmony with the environment.

Concentrating management resources

Recognizing the increasing importance of reducing the use of energy and other resources, Honda is committed to supporting the next 100 years of mobility with original and appealing products that feature advanced environmental technologies. Honda has always grown stronger by overcoming challenges. We are ready for the even greater challenges that lie ahead.

Taking a long-term perspective and turning adversity into opportunity, Honda is staying the course. We're focusing ever more strongly on developing highly fuel-efficient products and conserving resources as we strive to bring joy into the lives of our customers.

Striving to be a company society wants to exist

We believe advances in two areas are key to success in this new era: electromotive technologies including gasoline-electric hybrid vehicles, and small cars and motorcycles. Honda will focus on developing technologies and products in these two areas to create breakthroughs for the future.

With the all-new Insight, Honda has further improved its original IMA hybrid system and implemented the Ecological Drive Assist System for enhanced real-world fuel economy. Providing appealing features at a price that brings hybrid technology within the reach of more customers than ever before, the Insight embodies Honda's philosophy of creating new value for our customers.

Honda is also strongly focused on the needs of cus-

tomers in newly emerging countries. Honda continues to enhance its competitiveness by developing a range of compact automobiles. We will strive to achieve a dramatic improvement of environmental performance for motorcycles and power products through development of a battery-powered electric motorcycle and a new model of our compact household cogeneration unit, as we aim for lower CO₂ emissions in all of our corporate activities.

Applying advanced creativity in everything we do, Honda is pursuing the goal of developing products with the lowest in-use CO₂ emissions through corporate activities with the lowest possible CO₂ emissions, realizing the dream of continuing to deliver new value to customers. In this way, we will continue to satisfy customers and strive to be a company society wants to exist.

Honda Environmental Annual Report 2009

The Honda Environmental Annual Report presents the results of our global environmental initiatives for the past fiscal year. We hope its publication will lead to greater appreciation of the worldwide scope of our environmental initiatives. As awareness of environmental issues reaches unprecedented levels, Honda is committed to offering customers throughout the world mobility that is convenient, enjoyable and sustainable. We warmly welcome readers to share with us their opinions about Honda's activities as outlined in this Report.

President and CEO
Chairman, Honda World Environmental Committee



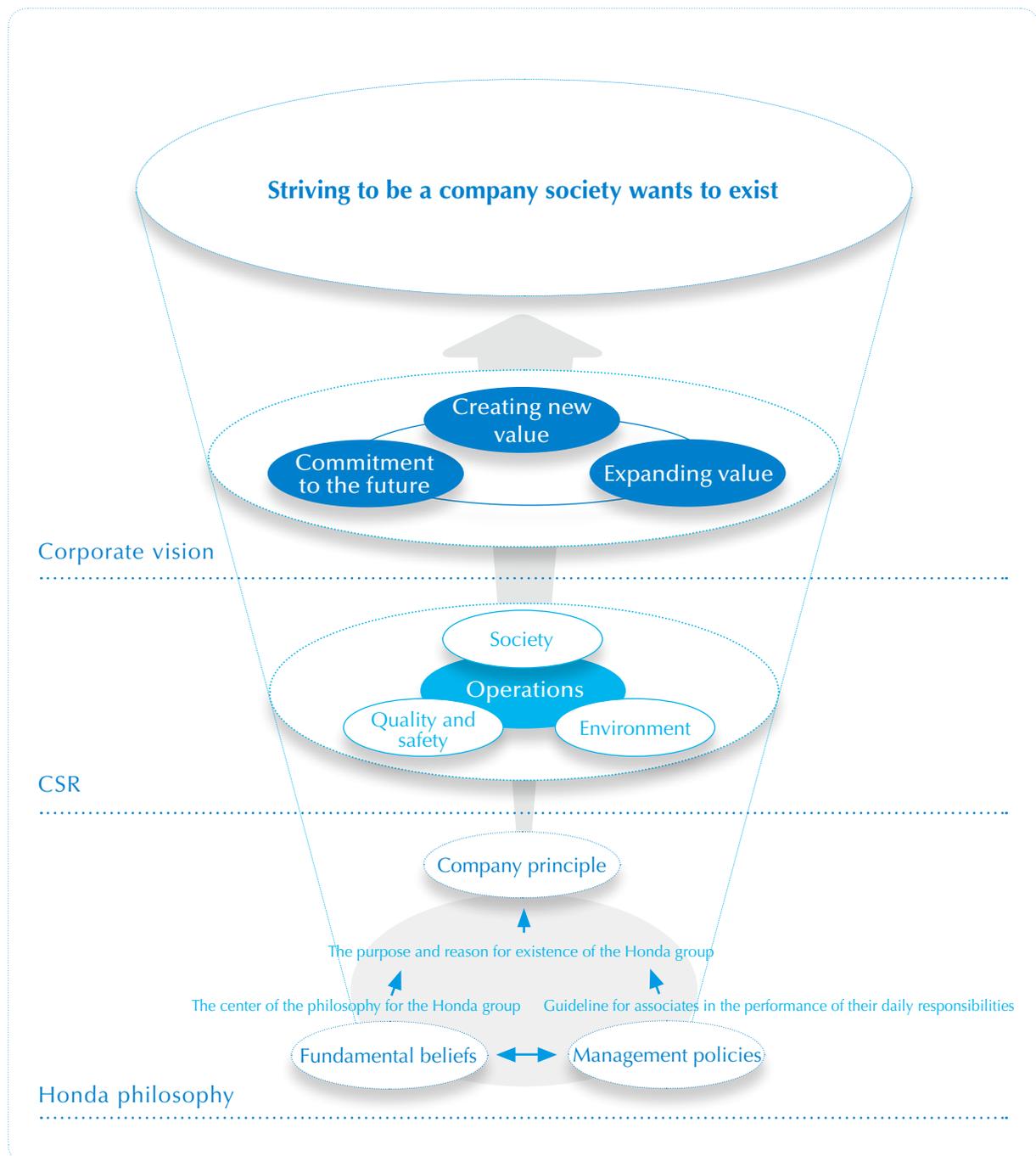
Takanobu Ito

Honda philosophy and corporate vision

Honda formulated its vision statement, "Striving to be a company society wants to exist," based on the Honda philosophy. In order to realize this vision, we have established three directions: creating new value, expanding value and commitment to the future. All of Honda's environmental activities are an expression of the Honda philosophy of respect for the individual and the Three Joys (buying, selling, and creating).

Creating new value means applying innovative ideas to create new value that anticipates changing needs and gives shape to dreams. Expanding value means helping people realize their dreams by contributing to local communities wherever we are active around the globe. Commitment to the future means working to improve safety for everyone while also minimizing our burden on the environment and consumption of the earth's resources.

Honda is accelerating its efforts to preserve the global environment by applying these principles, enhancing the Three Joys, and working globally to create a better world for future generations. By proactively engaging with our customers and other citizens around the globe, we hope to share joy and become a company whose existence is valued by more people than ever before.



*For further information, see Honda CSR Report 2009

Honda Environment Statement

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 automaker 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 1992, we released the Honda Environment Statement to clearly define our approach to environmental issues, which is central to everything we do. In 1999, we set specific numerical targets for cleaner emissions and higher fuel efficiency in all of our product categories, all of which were achieved by their target date of 2005. In 2006, Honda became the world's first automaker to announce voluntary targets for reduction of CO₂ emissions by FY2011.

Honda Environment Statement

As a responsible member of society whose task lies in the preservation of the global environment, the company will make every effort to contribute to human health and the preservation of the global environment in each phase of its corporate activity. Only in this way will we be able to count on a successful future not only for our company, but for the entire world.

We should pursue our daily business interests under the following principles:

1

We will make efforts to recycle materials and conserve resources and energy at every stage of our products' life cycle from research, design, production and sales, to services and disposal.

2

We will make every effort to minimize and find appropriate methods to dispose of waste and contaminants that are produced through the use of our products, and in every stage of the life cycle of these products.

3

As both a member of the company and of society, each associate will focus on the importance of making efforts to preserve human health and the global environment, and will do his or her part to ensure that the company as a whole acts responsibly.

4

We will consider the influence that our corporate activities have on the local environment and society, and endeavor to improve the social standing of the company.

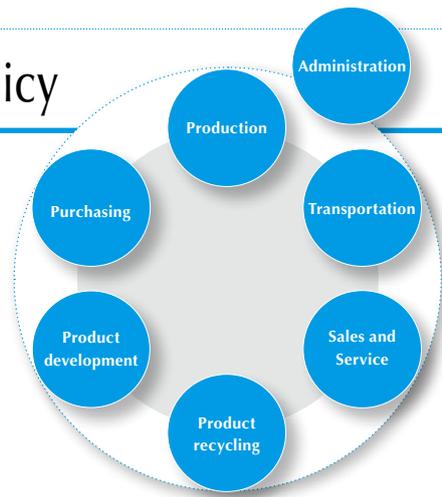


Established and announced in June 1992

Global environmental management policy

Honda is aware of its responsibility for the environmental impact generated by its corporate activities and the 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 system, which is used to measure, assess and analyze environmental impact.



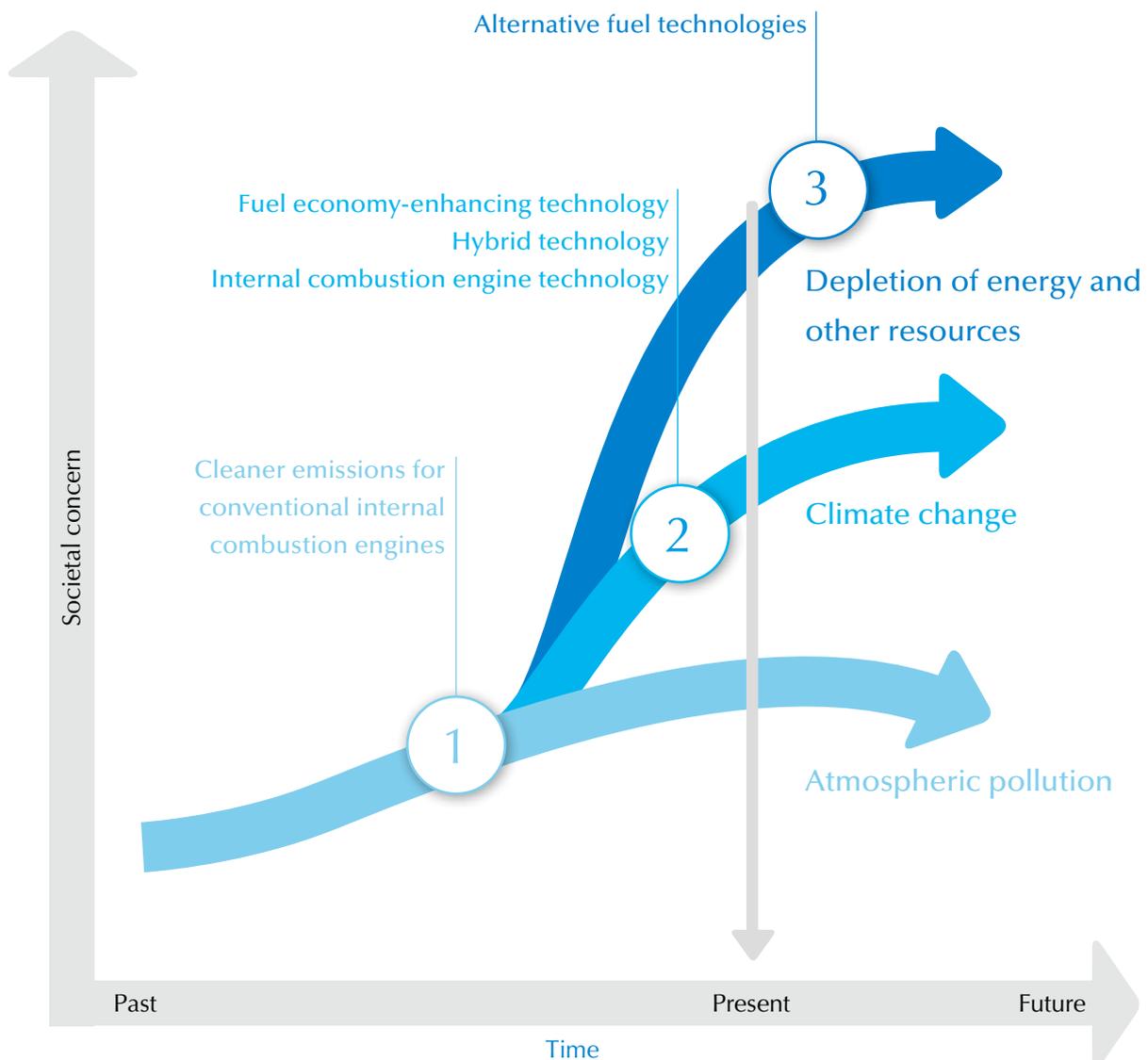
| Domain | Concerns | Environmental impact | Major initiatives |
|----------------------------|--|--|---|
| Product development | CO ₂ Exhaust emissions Noise | Global environmental issues Global warming Ozone depletion Resource depletion | <ul style="list-style-type: none"> • Exhaust emissions reduction • Fuel economy improvements • Noise reduction • Enhanced recyclability |
| Purchasing | CO ₂ Waste | Air pollution | <ul style="list-style-type: none"> • Green purchasing |
| Production | Wastewater Exhaust emissions Noise Chemicals | | <ul style="list-style-type: none"> • Green Factories |
| Transportation | CO ₂ Waste | | <ul style="list-style-type: none"> • Green logistics |
| Sales and Service | CO ₂ Removed parts Fluorocarbons Waste | Waste Water pollution | <ul style="list-style-type: none"> • Green Dealers (automobiles, motorcycles and power products) |
| Product recycling | CO ₂ End-of-life products | Soil pollution Noise | <ul style="list-style-type: none"> • Recovery, recycling and reuse of parts • Technical support for the proper disposal and recycling of end-of-life products |
| Administration | CO ₂ Waste | Local environmental issues | <ul style="list-style-type: none"> • Green offices |

Honda's approach to environmental issues

The following graph provides a visual illustration of Honda's approach to some of the environmental issues that face us. Honda has long been aware of the need to tackle issues related to atmospheric pollution, developing such combustion technologies as the CVCC engine (introduced in 1972) to comply with the U.S. Clean Air Act—the world's most stringent emissions regulations at the time. Honda has since continued to develop its catalytic converter and other clean-emissions technologies, with the result that, over the past 40 years, vehicles emissions have been reduced to 1/1,000 of 1970 levels, when the U.S. Clean Air Act became law. Honda believes that, as the use of vehicles with outstanding emissions performance becomes more widespread, the effect of vehicles on the world's atmosphere will be further mitigated.

Mobility is indispensable to improving the quality of people's daily lives, and as a company, Honda is aware that it is of utmost importance to address the issues of climate change and the depletion of energy and other resources in all of its corporate activities. Honda is addressing climate change—thought to be caused by the sudden rise in atmospheric concentrations of CO₂, CFCs, and other greenhouse gases—through the introduction of hybrid and other fuel economy-enhancing technologies that reduce CO₂ emissions from Honda vehicles, while at the same time reducing CO₂ emissions throughout the entire spectrum of its corporate activities. Honda is also addressing concerns over resource depletion by developing technologies to support a sustainable society, including fuel cell technologies as embodied in the FCX Clarity, engaging in solar cell development, researching biofuels and developing energy-saving technologies.

Honda is pursuing the goal of developing products with the lowest in-use CO₂ emissions through corporate activities with the lowest possible CO₂ emissions, realizing the dream of continuing to deliver new value to customers.



Global environmental management system

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

Organization

In December 1991 Honda created what is now referred to as the Japan Environmental Committee, whose role is to play a central part in addressing environmental issues in Japan. Subsequently, the organizational framework was extended to Honda's other five regions. In March 1995 the World Environmental Committee was established to create and promote global plans in keeping with the company's 3-year midterm business plans. Continuing its focus on issues common to the global organization, the company initiated the Green Factory project¹ in 1997 and the LCA Project in 2000. The Green Factory Promotion Center² was established in 2004 to intensify environmental initiatives in the production domain and to advance the Green Factory initiative.

Based on midterm policies determined by the Executive Council, environmental action plans are developed by individual departments. These plans are then discussed and approved by Regional Environmental Committees. Next, individual departments take responsibility for implementation based on the commitments specified in their plans. Results are evaluated by Regional Environmental Committees, and, on the basis of their guidance, plans and targets are developed in each of Honda's six regions, completing the PDCA³ cycle at the regional level. Issues considered to be global in scope are referred to the World Environmental Committee, which is chaired

by the President and CEO in his role as Chief Environmental Officer. The deliberations of the World Environmental Committee are reflected in mid-term policy statements.

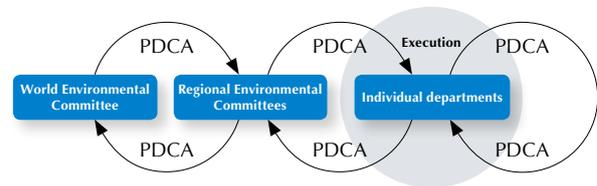
A hallmark of Honda environmental initiatives is that planning and execution are not delegated to specialists; rather, associates in all departments are directly involved. All associates are engaged with environmental issues as part of their duties.

¹ In addition to the Green Factory initiative, energy conservation and waste reduction measures are being implemented at Honda factories worldwide.

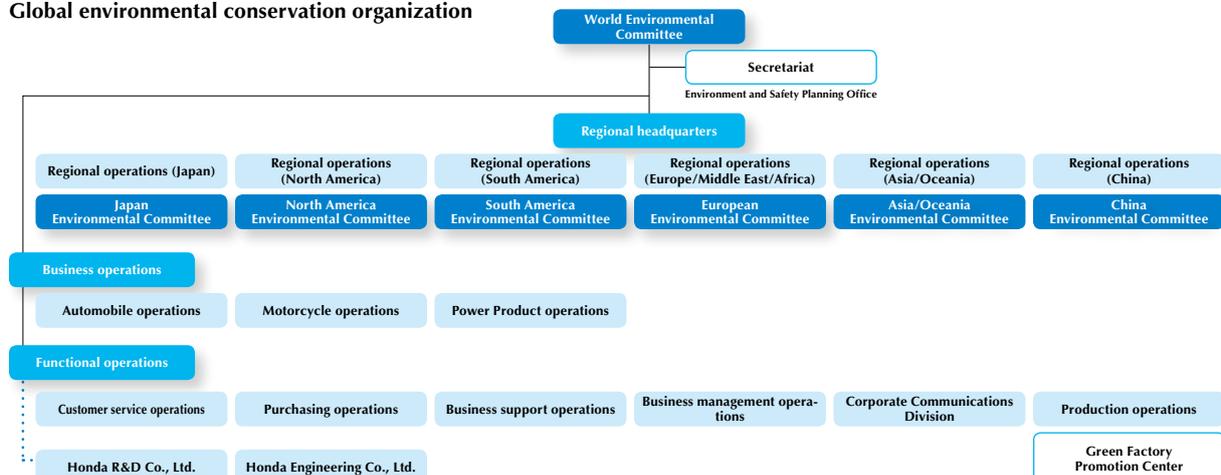
² The Green Factory Promotion Center oversees environmental initiatives in the production domain, supervising and coordinating environmental measures implemented at Honda factories. The Center serves as a secretariat for internal environmental audits conducted by Honda factories and monitors the administration of environmental management throughout the organization.

³ The Plan, Do, Check, Act cycle.

Environmental preservation based on the PDCA cycle



Global environmental conservation organization



Environmental management at Honda facilities

Along with the establishment of organization-wide environmental management, Honda's facilities are introducing environmental management systems to continuously improve their ability to protect the environment and more thoroughly mitigate the environmental impact of SOCs. Honda has been proactive in acquiring environmental management ISO 14001 certification for its production and other facilities.

All of Honda's production facilities in Japan had acquired certification by FY1998. As part of the Green Office initiative, the Honda Motor headquarters building in Aoyama acquired ISO 14001 certification in FY2000, as did the new Wako building in FY2006. Honda is also working toward certification of major facilities worldwide. In Europe, Honda is promoting compliance with the EU's Eco-Management and Audit Scheme (EMAS).

Honda will continue working to acquire and retain

ISO 14001 and EMAS certification throughout the Honda Group. In pursuing these initiatives, Honda will continue to apply the PDCA cycle in order to reduce the environmental impact of all operations.

ISO 14001 certification extends beyond production, and 160 Honda affiliates have received certification worldwide. The adjacent chart provides details on ISO/EMAS certification at Honda manufacturing facilities.

Note: For additional information, see p39 of Case Studies and Supplementary Information
[URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

ISO 14001/EMAS-certified manufacturing facilities



Environmental risk management

Compliance with laws and regulations

All Honda facilities strive for improved environmental conservation based on the Honda Environment Statement and have introduced environmental management systems. All Honda facilities also abide by Honda's own voluntary standards, which are more stringent than national or regional laws and regulations.

In April 2003, Honda established the Honda Conduct Guideline and is implementing it worldwide. In the guideline, compliance is defined as "compliance with laws, company rules and social norms," while environmental conservation is defined as the "proper processing of waste and pollutants," "efficient use of natural resources

and recycling," and "legally required measurements, recording and reporting." Upon the introduction of the guideline, a director was nominated as compliance officer, and Honda has continued to work to strengthen compliance and risk management frameworks under the supervision of the director in charge of each part of the organization.

Emergency protocols

In anticipation of accidents and emergencies that could cause environmental pollution, each factory and department has clearly defined procedures for the prevention of pollution.

2010 CO₂ reduction targets and progress

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

Currently, there is a significant gap between developed and developing countries in terms of the 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.

Honda is working to further develop its technology to reconcile the threat of global climate change with the growing demand for mobility. Our overall goal is to manufacture products with the lowest in-use CO₂ emissions at plants with the lowest CO₂ emissions per unit of production.

Concepts used in establishing targets

The Honda LCA System

In March 2002, Honda established the Honda LCA System in Japan to measure the environmental impact of products from manufacturing to disposal. Applying this system, Honda is working to reduce environmental impact.

One of the key elements Honda is monitoring is CO₂ emissions. Based on emissions measurements, Honda is setting targets for production, purchasing, sales and service, administration, transportation and other domains, and implementing effective initiatives to reduce emissions.

Product life cycle assessment (LCA)

In FY2007, Honda introduced a new product LCA system to represent the volume of CO₂ emissions associated with the life cycle of a single vehicle, from the procurement of raw materials to disposal. The adjacent graphs display calculations for major automobile and motorcycle models introduced in the past year.

The results provide confirmation of the importance of the use stage in reducing CO₂ emissions. Using this system, Honda can more accurately assess the volume of CO₂ emissions for all aspects of a vehicle's life cycle, reinforcing reduction efforts.

LCA system calculations show that 78% of CO₂ emissions are generated in use of Honda products, 6% in their production. Honda targets for reduction of product and production-related CO₂ emissions can thus be considered to cover more than 80% of total emissions.

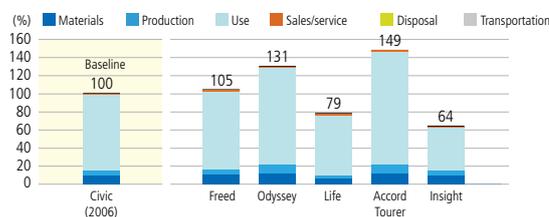
Enhancing product and production efficiency

To address the issue of climate change, Honda has led the industry in establishing worldwide CO₂ emission reduction targets and implementing initiatives to attain them.

Believing that the internal combustion engine will remain the principal source of mobility power until at least the year 2020, Honda views fuel efficiency and fuel economy enhancement as a key issue. Stringent regulations such as Corporate Average Fuel Economy (CAFE)

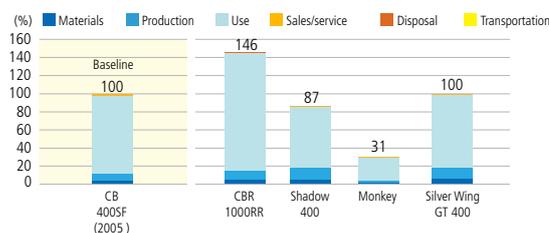
standards have been introduced in the U.S., Europe and other regions to mandate fuel economy improvement for automobile fleets. Recognizing the need for global initiatives, Honda is moving from measuring regional fuel economy averages to measuring global fuel economy averages, and from fuel economy averages based on vehicle categories to average targets for its entire worldwide vehicle lineup. Honda is also committed to further improving the efficiency of its worldwide manufacturing processes and reducing CO₂ emissions. To this end, in 2006, Honda established global targets for average per-unit CO₂ emissions in manufacturing and is working steadily to reach these targets.

LCA results for major automobile models released in FY2009 (Japan)



Note: Calculations are based on a total vehicle mileage of 100,000 km.

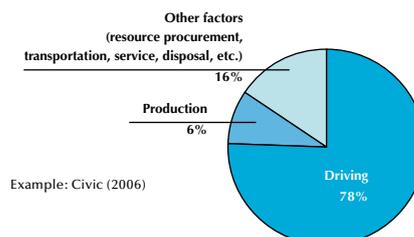
LCA results for major motorcycle models released in FY2009 (Japan)



Note: Calculations are based on a total vehicle mileage of 50,000 km.

CO₂ emissions over the life cycle of a vehicle

(as assessed with the Honda LCA system)



2010 CO₂ reduction targets and progress (baseline: 2000)



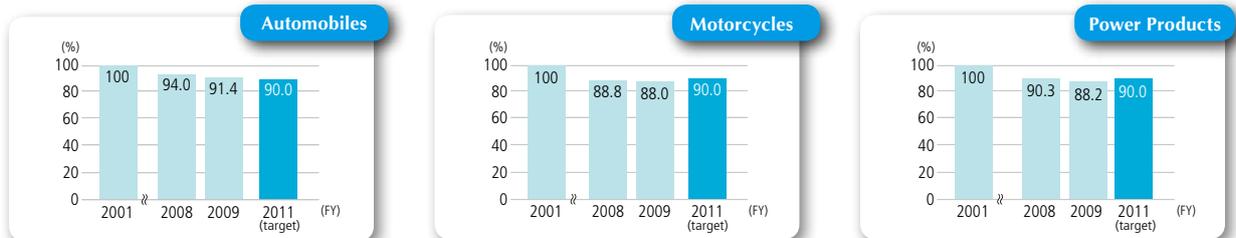
• **Target scope:**

- Automobiles:** Japan, North America, Europe/Middle East/Africa, Asia/Oceania, China, South America (more than 90% of worldwide sales)
- Motorcycles:** Japan, North America, Europe, Thailand, India, China, Indonesia, Vietnam, Brazil, Philippines, Malaysia, Pakistan (more than 90% of worldwide sales)
- Power Products:** All sales in all regions (excluding marine outboards)
- Production:** All manufacturing by Honda Motor and 75¹ other Honda Group companies worldwide engaged in the assembly of products and major components

¹ Vietnam Auto Parts Co.Ltd., Honda Manufacturing of Indiana LLC have been added.

FY2009 results (in progress)

Product CO₂ reduction

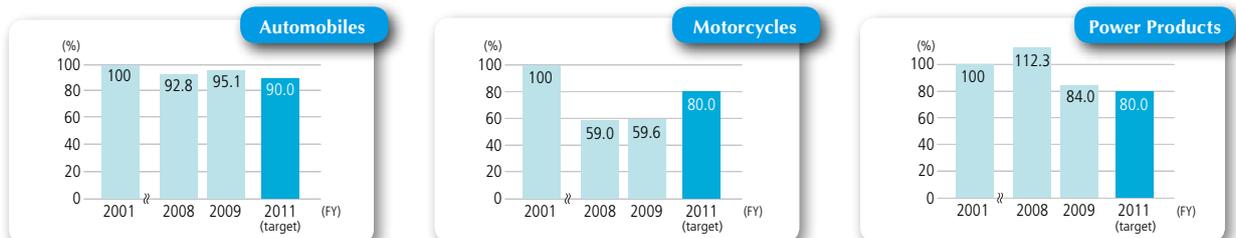


Due to a shift toward smaller automobiles and enhanced engine efficiency, Honda has reduced the CO₂ emissions of its automobiles.

Having already attained its FY2011 target, Honda has further reduced CO₂ emissions since FY2008 by implementing PGM-FI on small motorcycles and expanding the use of low-friction engines.

Honda has reduced average CO₂ emissions by increasing the percentage of mid-sized and hand-held engines sold and further enhancing fuel efficiency.

Production CO₂ reduction



Per-unit CO₂ emissions have increased due to a decrease in production caused by the worldwide economic downturn.

Honda has attained and gone beyond its per-unit production emissions target by combining production lines for greater efficiency and optimizing production facilities.

Honda has reduced per-unit production emissions by combining production lines for greater efficiency and optimizing production facilities.

Global environmental impact



Honda is promoting its Green Factory initiative worldwide, with the goal of creating production facilities that are the pride of the communities in which they operate. In our non-production activities as well, we are promoting energy conservation and waste-reduction initiatives on a global basis.

Energy consumption (FY2009)

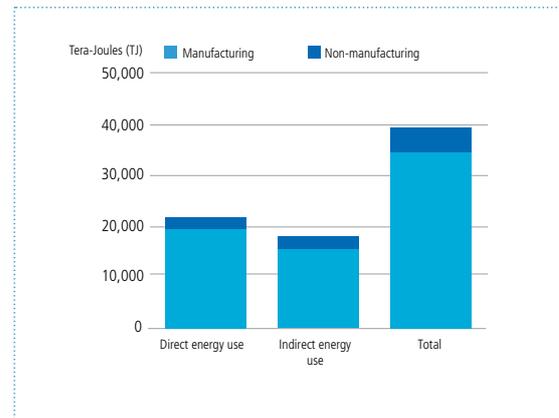
Companies covered:

Honda Motor Co., Ltd., subsidiaries and affiliates: **324**

Manufacturing companies: **100**

Non-manufacturing companies: **224**

- **Direct energy consumption:**
Energy produced by covered companies (mainly derived from combustion of fossil fuels)
- **Indirect energy consumption:**
Intermediate energy not produced by covered companies, but consumed as a result of their operations (mainly purchased electrical power)



- Purchased electricity has been converted to Joules using the world standard of 3.6 (GJ/MWh).
- Calculations based mainly on energy from fixed sources.

CO₂ emissions (FY2009)

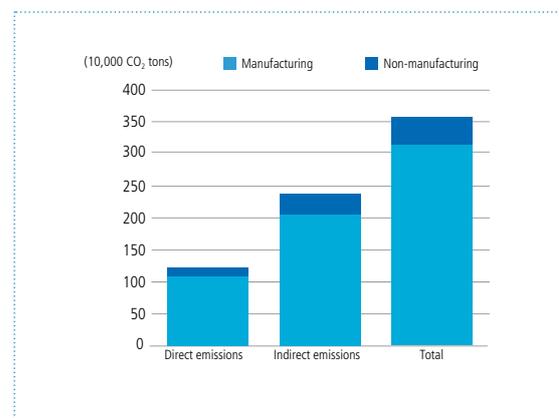
Companies covered:

Honda Motor Co., Ltd., subsidiaries and affiliates: **324**

Manufacturing companies: **100**

Non-manufacturing companies: **224**

- **Direct emissions:**
CO₂ emitted as a result of use of energy supplied by covered companies (through combustion of various fossil fuels)
- **Indirect emissions:**
CO₂ emissions that are a result of covered company operations, but emitted during the production of intermediate energy not supplied by the covered companies (mainly CO₂ emissions from purchased electrical power)



- CO₂ emissions from purchased electrical power are calculated using country-specific conversion factors based on "CO₂ Emission from Fuel Combustion" (2008 edition, IEA statistics).
- Calculations based mainly on energy from fixed sources.

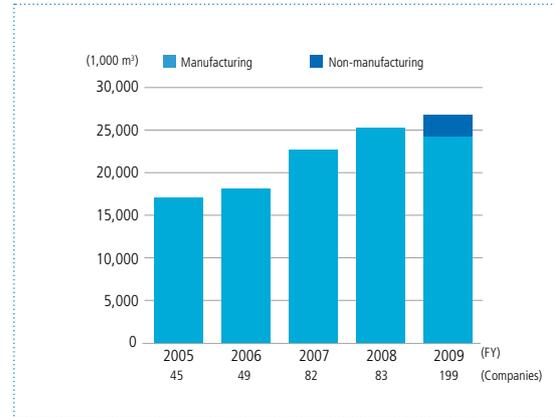
Water consumption

Companies covered:

Honda Motor Co., Ltd., subsidiaries and affiliates: **198**

Manufacturing companies: **97**

Non-manufacturing companies: **101**

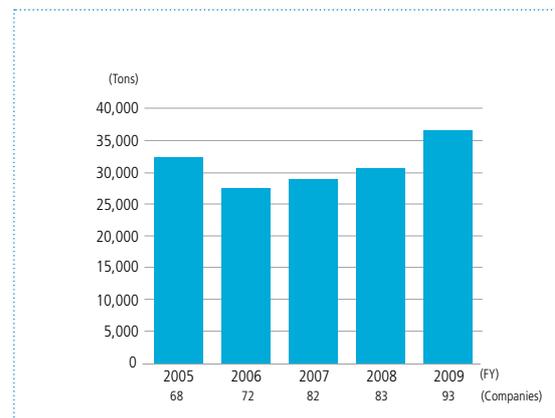


Non-manufacturing companies included as of FY2009.

Landfill waste

Companies covered:

Honda Motor Co., Ltd., manufacturing-related subsidiaries and affiliates: **92**



- Overseas landfill waste also includes other landfill waste.
- Japan figures represent final disposal amount.

Manufacturing-related energy and water consumption, and waste by region

(FY2009)

| Issue | Region | North America | South America | Europe | Asia/Oceania | China |
|------------|-----------------------------------|---------------|---------------|---------|--------------|---------|
| | Number of companies covered | 9 | 2 | 8 | 23 | 10 |
| Energy use | Electricity (MWh) | 1,072,016 | 220,831 | 160,693 | 457,855 | 457,414 |
| | Natural gas (GJ) | 4,984,335 | 193,399 | 824,350 | 578,252 | 509,939 |
| | Petroleum gas (GJ) | 65,958 | 231,396 | 0 | 943,388 | 425,783 |
| | Oil-based fuels, other (GJ) | 344,151 | 129,262 | 1,214 | 2,352,826 | 392,806 |
| Waste | External landfill disposal (tons) | 11,532 | 1,865 | 1,185 | 674 | 21,190 |
| | Recycled volume (tons) | 197,767 | 48,032 | 36,956 | 152,013 | 78,060 |
| Water use | Tap water (1,000 m³) | 1,794 | 136 | 662 | 3,412 | 2,722 |
| | Groundwater (1,000 m³) | 1,837 | 995 | 0 | 2,806 | 64 |
| | Rainwater (1,000 m³) | 191 | 0 | 1 | 3 | 0 |

See p30 for Japan environmental impact reduction results.

Product development/corporate activities

Honda is striving to research and develop new environmental and energy technologies and bring them to market as quickly as possible. We contribute to the sustainability of our mobility society by reducing the environmental impact of our products and addressing the transportation needs of our customers. Honda is also working to lessen its environmental impact worldwide. We will continue to proactively engage in environmental initiatives for the benefit of local communities and future generations.



Featured initiatives

Automobiles

Advances in Honda's IMA hybrid system

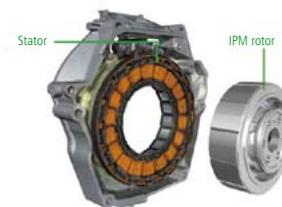
The new Insight features the Honda Hybrid System, combining a 1.3-liter i-VTEC engine with IMA (Integrated Motor Assist). The system features a simple configuration, in which the engine acts as the main power source with electric motor assist. This configuration allows the motor and battery to be made more compact. The 1.3-liter engine delivers both outstanding fuel economy and powerful torque. Innovations such as VCM (Variable Cylinder Management), which allows all cylinders to be idled during deceleration and other low-load conditions, the use of a plateau honing process for smoother cylinder walls and low-friction piston rings all contribute to improving engine fuel economy. The newly designed ultra-slim DC brushless motor is sandwiched between the engine and the transmission. The motor features a flat-wire stator with more windings, increased coil density and a slimmer magnet that together make the motor approximately 22% thinner and 15% lighter than its predecessor.

In the nickel metal hydride (Ni-MH) battery that supports the motor assist mechanism, per-module output has been increased by over 30%, allowing the number of modules to be decreased from eleven to seven. This allows the battery box to be made some 31% smaller and 35% lighter than the previous model without affecting motor output or capacity.

The weight of the new Insight has been reduced to 1,190 kg (G, L types), thanks to its compact body and the hybrid system's simple, lighter and more compact design. It has also been made more affordable. Fuel economy is rated by Japan's Ministry of Land, Infrastructure, Transport and Tourism at 26.0 km/L when driven in JC08 mode and 30 km/L when driven in 10-15 mode, while the U.S. EPA (Environmental Protection Agency) rates it at 40 mpg in the city and 43 mpg on the highway.



Honda Hybrid System



Stator/IPM rotor



Battery box & module

Ecological Drive Assist System (Eco Assist)

Fuel economy during everyday driving is significantly influenced by such factors as seasonal and road conditions and driving habits. While driving conditions may be difficult to influence, the effect on fuel economy of non-optimum driving habits can be reduced. That's why Honda has developed its new Ecological Drive Assist System, included as standard equipment on all Insight models. The system, which automatically regulates the car's engine, motor, CVT, and climate control system, includes three functions: ECON mode, which optimizes settings for maximum fuel economy; the Eco Guide function, which assesses acceleration and braking practices in real time, changing the speedometer background color in three stages to indicate the level of fuel-efficiency depending on the driving style; and the Eco Scoring function, in which the number of 'leaves' shown on the Multi-Information-Display indicates the level of fuel-efficient driving performance.



Ecological Drive Assist System (Japan market)



FCX Clarity's compact, high-output V Flow FC stack

The new FCX Clarity fuel cell vehicle was introduced in the U.S. in August 2008, and then in Japan in November 2008. Perhaps the ultimate clean vehicle, the FCX Clarity emits no carbon dioxide in operation and is powered by the Honda's original V Flow FC Stack. Whereas in a conventional fuel cell configuration the hydrogen and oxygen flow horizontally, the V Flow FC Stack features a vertical gas flow ("V Flow") cell structure in which gravity facilitates more efficient drainage, preventing water from collecting on the generating surface for more stable electrical generation. More efficient flow also allows the flow channels to be made thinner. The use of wave flow-channel separators improves hydrogen and air dispersion over the generating surface to achieve electricity generating performance approximately 10% greater than straight flow channels while at the same time reducing stack weight by some 30%. These design innovations allow the V Flow FC Stack to be made lighter and more compact than the previous model, with a 50% improvement in output density by volume and a 67% increase in output density by mass.

In FY2009, Honda began making the FCX Clarity available to customers, leasing six vehicles in the United States and two in Japan.

Honda V Flow FC Stack



Motorcycles

Electric scooter

Honda has been working on the development of next-generation power sources for motorcycles. In 1994, Honda developed the CUV ES, an electric scooter leased to government institutions. The Moped-EV, a more advanced prototype designed to function as an easy-to-use electric scooter for urban commuting, was unveiled in 2004, bringing development of a production model one step closer to reality. Honda is currently developing a battery-powered, zero-emission electric scooter scheduled for release in 2010.

Moped-EV electric scooter (unveiled in 2004)



World's first flexible-fuel motorcycle

In March 2009, Honda began sales of the flex-fuel CG150 TITAN MIX in Brazil, where bio-ethanol made from sugar cane processing waste is widely available. This motorcycle features Honda's proprietary Mix Fuel Injection, the world's first flexible-fuel system for motorcycles, which allows users to mix gasoline and ethanol in any proportion. In developing this system, Honda was successful in keeping increases in both vehicle weight and price to a minimum.

A main feature of the technology is that its original fuel delivery system is highly durable in contact with ethanol. Also significant is the PGM-FI fuel injection system that uses the signal of the O₂ sensor—a preexisting technology that helps monitor exhaust content—to calculate the percentages of ethanol and gasoline in the tank and optimize fuel injection for any mixture of the two fuels. In addition, depending on the concentration of ethanol in the fuel mix, an alcohol indicator lights up, helping the rider choose a fuel mix that is conducive to engine startup in cold weather.

This technology enables the rider to freely choose the ethanol-to-gasoline ratio while complying with Brazil's new Promot3 emission standards (equivalent to Europe's Euro 3 emission standards). Contributing to reduced CO₂ emissions and a lower environmental burden, the system also helps customers help reduce operating costs, since ethanol tends to be inexpensive in Brazil.

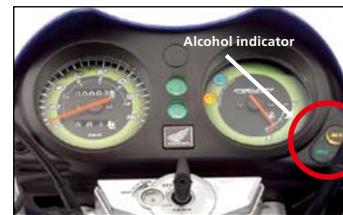
E10 compatibility for motorcycles established worldwide

In the mid 1990s, Honda began preparing to offer motorcycles that use E10 fuel (10% ethanol, 90% gasoline) in certain countries. In recent years, the use of E10 has been adopted in more and more countries, and since 2000 Honda has been developing and manufacturing E10-compatible motorcycles with a view to offering them worldwide. Since January 1, 2009, all Honda locations worldwide have offered E10-compatible motorcycles.

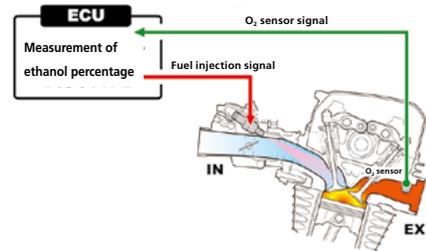
Note: Development and manufacturing target: Engines, rubber and resin materials, fuel tank coatings



CG150 TITAN MIX ESD
(Brazil model)



Instrument panel



Overview of Mix Fuel Injection System

Power Product initiatives

Micro household cogeneration unit

In November 2008, American Honda Motor Co., Inc. introduced the all-new Micro-sized Combined Heat and Power (MCHP) Deluxe cogeneration unit in the U.S. The unit features a new automatic backup power feature (a residential standby generator) that can provide backup electricity in the event of a power failure and with a maximum power output of 1.8 kilowatts in back up and boost modes. The ultra-quiet unit features highly efficient energy-management technologies. In the freewatt system offered by U.S. firm Climate Energy, LLC, the unit is combined with a furnace to produce heat at a 30% reduction in both cost and CO₂ emissions as compared to traditional heating systems.



MCHP Deluxe

Global topics in product development

All-new Insight launched in Japan, North America and Europe

To meet the global need for environmentally responsible and energy-efficient products and deliver high-fuel economy vehicles to even more customers around the world, Honda decided to develop a new hybrid vehicle offering fun-to-drive performance and superior utility at a reasonable price. The result is the all-new Insight dedicated hybrid, introduced in February 2009 in Japan and in March in North America and Europe. In the Insight's lightweight, compact and simple hybrid system, the gasoline engine serves as the main power source while the electric motor provides power assist as needed. Placing the IPU (battery and Power Control Unit) beneath the rear cargo area (instead of inside the rear seatbacks as before) allows for a larger cargo area.



New GX690 and GXV690 engines with enhanced fuel economy and reduced emissions

For the U.S. power equipment market, Honda introduced a new line of compact general purpose engines including the GX690 (horizontal shaft) and GXV690 (vertical shaft) engines, which combine high output with enhanced environmental performance. These 2-cylinder, OHV engines feature an integrated cylinder and head with enhanced cooling performance. Thanks to Digital Capacitor Discharge Ignition (CDI), they offer a compression ratio of 9.3:1—extremely high for air-cooled engines. Enhanced induction and volumetric efficiency and enhanced combustion made possible by the compact combustion chamber all contribute to an output of 16.6 kW—the highest among engines of equal displacement. Meeting the U.S. Environmental Protection Agency's Phase 3 emission standards without the use of a catalytic converter, the GX690 and GXV690 offer 10% lower fuel consumption, while the high-capacity cooling fan and compact 3-chamber muffler help reduce noise by 1.5 dB, compared to previous-generation models (GX670, GXV670).



Honda and Vaillant Group jointly develop micro household cogeneration systems

Honda signed a cooperative agreement with heating and air conditioning specialist Vaillant Group (headquarters: Remscheid, Germany) to codevelop household micro-cogeneration systems for the European market. For the systems, Honda will develop the micro-cogeneration units, and Vaillant will contribute the central heating and water heating units. In combination, these units will allow a household to greatly reduce its CO₂ output. Since the German government is promoting the use of cogeneration, expectations are high for the widespread popularization of household micro-cogeneration systems. The goal is to increase the share of electricity created by cogeneration in Germany from approximately 12% as of February 2008 to 25% by 2050.



Honda expands offering of PGM-FI-equipped motorcycles in ASEAN region

In March 2008, A.P. Honda Co., Ltd., Honda's joint venture distributor of motorcycles in Thailand, announced it would equip all Honda motorcycles sold in Thailand with PGM-FI. An electronic fuel injection system that simultaneously enhances output and fuel economy, PGM-FI has been available on Honda motorcycles in Thailand since August 2003. Equipping all Honda motorcycles with this technology will help further reduce the burden on the environment. In FY2009, the technology was newly introduced on the Cub-type CZ-i and Wave 100i motorcycles and on the Air Blade-i scooter; in addition, the Click-i became Thailand's first motorcycle equipped with an automatic transmission to feature PGM-FI technology. Going forward, Honda plans to introduce these models throughout the ASEAN region.



Global topics by operational domain

Production • Green Factories initiatives in North America

In FY2009, Honda opened two new Green Factories in North America. In October 2008, Honda Manufacturing Indiana, LLC, Honda's seventh automobile plant in North America, began commercial production of Civic Sedans as a zero-waste-to-landfill facility. The use of waterborne primer and basecoat painting processes help further reduce the plant's environmental footprint.

In September 2008, Honda of Canada Mfg., located in Alliston, Ontario, began operating its new engine plant to produce Civic engines. All of the aluminum used in the production of these engines is recycled material—a first for a Honda engine plant. In addition, the plant is Honda's first in North America to directly receive molten aluminum, eliminating re-melt for a large reduction in CO₂ emissions. Thanks to its high-efficiency heat treating furnace and zero-waste-to-landfill status, the plant is 30% more energy efficient and produces 15% less CO₂ than a plant of comparable size.



Transportation • Rail transport and smart trucking enhance efficiency in North America

American Honda Motor Co., Inc. performs 81% of domestic transport by rail—the highest percentage of any automobile manufacturer in the United States. To further raise this percentage, Honda of America Mfg., Inc. enhanced the rail transport infrastructure at its Marysville and East Liberty automobile plants in Ohio. By adopting new containers and rationalizing track layouts, the company is also expecting to reduce CO₂ emissions by 24.7 tons per year.

American Honda makes extensive use of trucks certified under the SmartWay® program of the U.S. Environmental Protection Agency, and 61% of truck-transported Honda and Acura vehicles in FY2009 were carried by EPA Smartway-certified vehicles. In March 2009, American Honda deployed the automobile industry's first Class 8 hybrid diesel-electric truck into its fleet that distributes Honda and Acura service parts in the United States.



Production • Green Factories initiatives in Brazil

One of Honda's main automobile production affiliates in South America, Honda Automoveis do Brasil Ltda., is engaged in a variety of environmentally responsible initiatives. In FY2009, with a view to further reducing CO₂ emissions, the company introduced a high-efficiency compression system to supply compressed air to a wide range of production processes and a natural light system and human presence sensors to achieve more-energy-efficient use of lighting. In the area of training and associate development, the company began publishing an environmental newspaper for associates and began showing videos about environmental issues. In addition, the company began holding regular meetings for associates to report on and learn about current environmental initiatives. To promote these and other activities to local residents, Honda Automoveis do Brasil Ltda. holds special events at which children and adults alike can enjoy learning more about environmental issues.



Production • New paint technologies reduce VOC emissions in Spain

From 2007 to 2008, motorcycle manufacturing and sales affiliate Montesa Honda S.A. of Barcelona, Spain, introduced a new system of applying paints that dramatically reduced emissions of VOCs (volatile organic compounds). In 2005, Montesa introduced a waterborne paint system for frames and forks and more recently completed the project by applying the system to plastic parts and fuel tanks. As a result, Montesa has complied with the VOC emission standards established by the European Union in 1999 and reduced overall VOC emissions by more than 70%.



Transportation/Recycling • Recycling begins for protective plastic bumper packaging in Belgium

Automobile parts manufacturing affiliate Honda Belgium Factory N.V. began recycling protective plastic packaging for bumpers that it formerly incinerated. After baling the material, the company transports it to a recycling partner that transforms the material into thin plastic sheets. As a result of this initiative, Honda has eliminated incineration of the material, recycled a total of 47 tons of waste foam, saved 250 euros per ton of material and made bumper packaging a significantly safer process.



Production • Green Factories initiatives in Asia

In October 2008, Honda Automobile (Thailand) Co., Ltd. began production at its second factory with the Accord as the facility's first product. This factory is Honda's first in the Asian/Oceania region to employ a special waterborne painting process that helped the plant immediately attain initial target VOC (volatile organic compound) emissions of 27 g/m². A high-efficiency bell-shaped spray applicator increases process speed while reducing wasted paint, and each applicator includes an air-processing unit to recycle atomized paint. Other green advances in the factory include 100% recycling of water with zero effluent, and a solar generation system. As a result, the company expects to attain CO₂ emissions per automobile produced that are 10% lower than the 2005 level. In August 2008, Honda Vietnam Co., Ltd. began operating a new factory in Vinh Phuc Province near Hanoi that produces scooters and Cub-type 125cc motorcycles. Aiming to create a people-friendly, environmentally responsible factory, the company is engaged in a variety of initiatives that help reduce the facility's burden on the environment.



Transportation • Marine transport of automobiles begins in Guangzhou

Going beyond conventional truck transport of automobiles, Guangzhou Honda Automobile Co., Ltd. had built a rail yard next to its factory to take advantage of the higher efficiency and lower environmental burden of rail transport. In 2009, Guangzhou Honda began weekly shipments of automobiles via waterways using specialized automobile transport ships to three northeastern provinces, with trucks transporting the automobiles from the ports to the dealerships. This new transport method is not only more environmentally responsible, it reduces secondary transport distances and reduces transport losses, resulting in enhanced customer satisfaction.



Sales and Service • Dongfeng Honda certifies first Green Dealer in China

In December 2008, Dongfeng Honda Automobile Co., Ltd. certified a Beijing dealership as the first dealer certified under its new Green Dealer program, which enhances the environmental management practices of Honda dealers to help protect human health and conserve the environment. With legal compliance and pollution prevention as the main goals, the program grades each dealer in such categories as environmental education, energy conservation and management of waste, wastewater, exhaust and noise. While attaining Honda Green Dealer certification, the Beijing dealer also earned ISO 14001 certification.



Awards • Honda wins environmental awards in China

In July 2008, the Ministry of Environmental Protection of the People's Republic of China conferred on Dongfeng Honda Automobile Co., Ltd. the Second National Environmentally Friendly Project Award for the company's project to expand automobile production capacity to 120,000 units per year, recognizing the project success in mitigating environmental burden. Dongfeng Honda is the first non-government-owned company, the first manufacturing company and the first automobile industry company to win the award. In December 2008 in Hubei Province, for the first time, Honda won the Corporate Award for Excellence in Environmental Conservation at the Fifth Baosteel China Environmental Awards, which are sponsored by the China Environmental Protection Foundation. Later, in March 2009, the City of Guangzhou recognized Guangzhou Honda Co., Ltd. as an Environmentally Friendly Company.



Initiatives in Japan

In FY2009 Honda produced 6 million units at its five manufacturing facilities in Japan. After assessing the environmental impact of its operations, and in accordance with the 2006 announcement of its global CO₂-reduction targets for 2010, in 2007 Honda announced its environmental impact reduction targets for FY2011 for Japan. Striving to achieve its worldwide environmental conservation goals, Honda is taking the initiative and working ever more proactively.



Environmental management systems in Japan

Organization

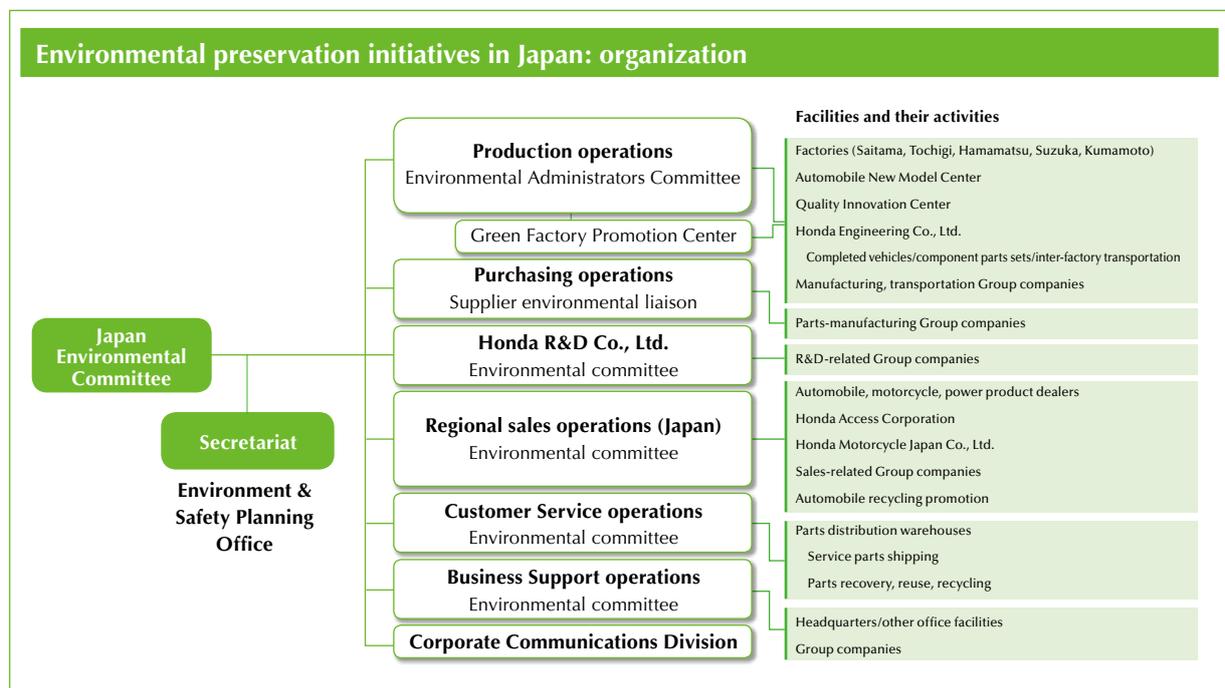
In December 1991 Honda established the Japan Environmental Committee to ensure that environmental initiatives undertaken in Japan are executed to the highest standards and that Honda maintains leadership in the field. Operating officers and administrators from the production and purchasing domains, Japan Regional Operations, Customer Service, Business Support and Honda R&D participate in the committee. In addition, the committee establishes divisional committees or liaisons in each department to promote product and parts recycling and the reduction of environmental impact from factories, transportation and Group companies.

As it works to address social concerns about the environment, the committee proposes midterm policies and targets while monitoring the progress of individual departments. In addition, the committee proposes measures to respond to interdepartmental issues and strives to main-

tain and enhance environmental initiatives in Japan, ensuring that they are executed to the highest standards.

Individual departments and operations set targets based on midterm environmental policies and targets established by the Japan Environmental Committee. Each department reviews its PDCA cycle for reduction in environmental impact of internal institutions, group companies and transportation. It also reviews environmental operations and policies.

Since FY2006, Honda has been strengthening initiatives in affiliated groups, including Japanese financial companies. In FY2008 a new environmental office was established within Japan Regional Sales Operations and efforts were intensified to reduce the environmental impact of the internal institutions and Group companies that make up the sales domain, including automobile dealers throughout Japan.

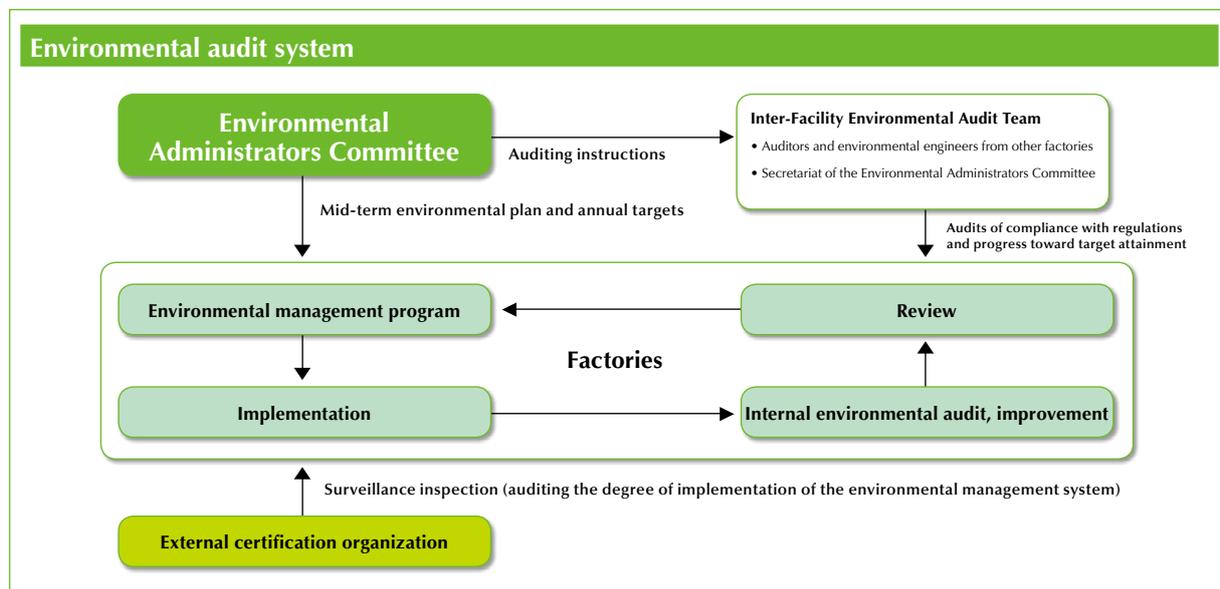


Environmental audits

Environmental initiatives at facilities in Japan are implemented in accordance with an environmental management program based on annual targets and the Mid-term Environmental Plan determined by the Environmental Administrators Committee. To verify that the environmental management systems are appropriately implemented and continuously improved, internal environmental audits and renewal/surveillance inspections by external certification organizations are conducted at Honda facilities. The internal environmental audits conducted in FY2009 led to six citations, one major recommendation, 239 other recommendations and 166 findings. The external surveillance inspections conducted in FY2009 led to six

citations, 4 other recommendations and 42 findings. In all cases, Honda responded promptly with corrective action. Engineers and auditors are dispatched by the Environmental Administrators Committee to visit other facilities to confirm their compliance and the level of progress made in achieving their environmental conservation targets. The Inter-Facility Environmental Audit is conducted by engineers and auditors from other factories in accordance with instructions provided by the Environmental Administrators Committee. In FY2009 these audits were conducted from July to September 2009.

Note: In these peer audits, one factory audits another. Similar peer audits are exchanged by nonproduction facilities and divisions within non-production facilities.



Environmental risk management

Product recalls

As necessary, Honda conducts product recalls in accordance with the guidelines of the Quality Committee. In FY2009, Honda notified Japan's Ministry of Land, Infrastructure, Transport and Tourism of one environment-related product recall. Details are below.

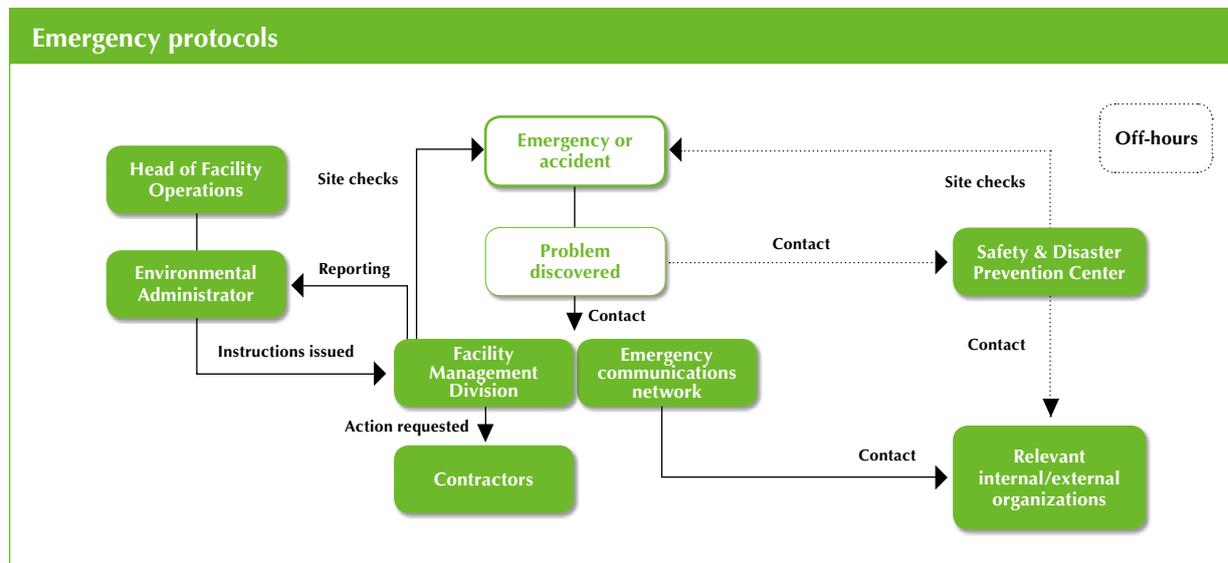
FY2009 product recalls

| | |
|---|---|
| Name | Fit |
| Type | DBA-GE8, DBA-GE9 |
| Vehicles affected | 21,177 units (vehicles manufactured 10/9/2007 to 6/13/2008) |
| Defect | Due to a problem in the engine control computer program that detects a deterioration in the exhaust system catalytic converter, it is possible for O ₂ concentrations to rise during the detection process. As a result, NO _x emissions will rise and exhaust emissions may exceed permitted parameters. |
| Improvement | The engine control program should be replaced in all designated vehicles. |
| Measures to inform users and automobile overhaul factories of the defect | <ul style="list-style-type: none"> • Users: Notified automobile users of the defect by mail. • Automobile overhaul factories: Published a notice in the bulletin issued by the Japan Automobile Service Promotion Association. • Affixed a No. 2151 sticker near the door striker on the driver's door aperture on repaired automobiles. |

Emergency protocols

In anticipation of accidents or emergencies that could cause environmental pollution, each factory and department has clearly defined procedures for the prevention or mitigation of pollution. Emergency drills and training

events are held regularly in Japan to increase emergency preparedness. There were no environment-related emergencies in FY2009.



Compliance with laws and regulations

There were no environment-related lawsuits filed against Honda in FY2009. Honda received four complaints or requests about noise and other disturbances relating to the construction of new facilities or products. Honda responded promptly and reminded all suppliers and personnel of their responsibility to be proactive in resolving such issues and preventing their recurrence.

Honda Conduct Guideline
 [URL] <http://world.honda.com/conductguideline/>

Other issues

Seeking to coexist in harmony with local communities everywhere, Honda is currently promoting its Green Factory initiative. Honda has always been proactive in environmental conservation, seeking to earn the ever-greater trust of host communities. While continuing to monitor soil and groundwater, Honda has increased the number of observation wells at factory sites and can confirm that substances of concern have been contained within Honda facilities.

For further information, please see Case Studies and Supplementary Information p41.
 [URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Environmental accounting

Honda is engaged in identifying the cost of environmental conservation efforts, with the following objectives:

- Environmental accounting is to be used in support of management decision-making in environmental affairs.
- Environmental accounting provides society a means of evaluating Honda's actions.

The table below shows the environmental conservation costs incurred by Honda in FY2009. Investment in a waterborne paint system at the Suzuka Factory is the chief reason for the rise in pollution prevention costs from the previous fiscal year.

Costs and effects of environmental conservation initiatives in FY2009

| Category | Outline of main initiatives | Investment (million yen) | Expenses (million yen) | Effects |
|--------------------------------|--|-----------------------------|---------------------------|------------|
| Business area costs | Pollution prevention costs | 6,637 | 2,157 | Production |
| | Global environment conservation costs | 2,225 | 513 | |
| | Recycling costs | 106 | 1,285 | |
| Upstream/downstream costs | <ul style="list-style-type: none"> • Green purchasing (balance) • Collection, recycling, reuse and proper disposal of products manufactured and sold • Industry organization and other membership fees | 938 | 1,238 | |
| Management costs | <ul style="list-style-type: none"> • Associate environmental training • Implementation, operation and acquisition of certification for environmental management systems • Monitoring and measurement of environmental impact • Management of organizations responsible for environmental conservation | 0 | 1,164 | |
| Research and development costs | <ul style="list-style-type: none"> • Research and development on products contributing to environmental conservation • Research, development and design for reduction of environmental impact throughout the product life cycle | 19,697 | 174,511 | |
| Philanthropic initiative costs | <ul style="list-style-type: none"> • Environmental improvement measures, including ecosystem protection, greenification and natural landscape conservation • Support and distribution of information to local citizens • Donations to and support of organizations engaged in environmental conservation • Disclosure of environmental information | 0 | 218 | |
| Environmental damage costs | <ul style="list-style-type: none"> • Recovery of polluted soil | 0 | 5 | |

1) Scope of calculations:

- Companies covered:
Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd.
- Domains covered:
All domains impacting the life cycle of Honda products
- Period: April 1, 2008, to March 31, 2009

2) Due to the difficulty in certain situations of deriving precise figures, some figures are estimates

3) Some calculations are based on reference materials, particularly guidelines and guidebooks published by Japan's Ministry of the Environment

4) Costs are quoted on a cash-flow basis with depreciation costs excluded

5) For further information on the effects of initiatives, please refer to other sections of this Report

Environmental education

Environmental management; environmental education

Every factory and office develops plans for education and education programs on the basis of their environmental management system and holds regular education events for all personnel, operators engaged in environmentally sensitive operations and internal environmental auditors.

As part of Honda's training curriculum for all new hires, environmental education programs are provided to ensure that associates recognize their responsibilities for environmental conservation as an integral part of their duties. As a responsible corporate citizen, Honda provides training on the company's environmental and safety policies to new associates to help deepen their environmental awareness and recognition of the importance of the responsibilities of a mobility manufacturer. Immediately after joining Honda, new associates visit Honda plants to

receive presentations about Honda's environmental philosophy and initiatives, and to get hands-on experience in environmental measures implemented in automobile and motorcycle manufacturing.

Small group initiatives

At NH Circle Conventions associates give presentations on environmental issues, conservation of energy and other resources, and recycling. Winning presentations are publicized as good examples for all associates. As the severity and global scope of environmental problems become more obvious, Honda is striving to make associates more aware of the environment and encouraging them to act voluntarily in an environmentally responsible manner in their professional and personal lives.

FY2011 Japan targets and progress



To further strengthen environmental impact reduction initiatives at Honda facilities, Honda announced new targets to be achieved by FY2011. Having established ambitious targets for each stage in the product life cycle, Honda is engaged in a wide variety of initiatives to reduce its environmental impact.

Further reduction targets announced in 2007

Working to protect the environment since the 1960s

Honda has been implementing proactive measures to help resolve environmental challenges since the 1960s, when concerns about air pollution began to grow. In the 1990s Honda strengthened its organizational structure to reflect its commitment to the environment and published the Honda Environment Statement to define its approach. Honda has continued to strengthen initiatives in accordance with this statement. In 1999, Honda defined specific environmental targets, primarily for cleaner exhaust emissions and higher fuel economy, and implemented the measures necessary to achieve them by the end

of FY2006. In 2006, Honda became the world's first automaker to announce voluntary targets for reduction of CO₂ emissions by FY2011. 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 FY2008. In June 2007, Honda announced new environmental reduction targets for its Japan operations. A leader in environmental conservation, Honda is setting high standards and working ever harder to attain them.

Reducing environmental impact: targets for FY2011

In FY2008 Honda announced its environmental impact reduction targets for FY2011 for Japan, and is seeking to reduce CO₂ emissions produced in transportation, reduce the output of substances having a negative environmental impact and increase the cyclical use of resources. Honda established voluntary targets in eight separate categories: CO₂ emissions, VOC (volatile organic compound) emissions, landfill waste, waste, water use,

use of packaging materials, ASR recycling rate and motorcycle recycling rate (see adjacent table).

The company announced targets for reducing environmental impact from all products and production operations by FY2011 as part of its overall strategy for the reduction of CO₂ emissions worldwide announced in May 2006. Honda is intensifying efforts to attain these targets.

| Issue | Scope | Item | Target | | |
|-----------------------|--|----------------------------|---|----------------------------------|-----------------|
| Energy/global warming | Production | CO ₂ emissions | 30% reduction (baseline: FY1991) ² | Unit energy consumption | |
| | Transportation ³ | CO ₂ emissions | 10% reduction (baseline: FY2007) | As % of revenue | |
| SOCs | Production | VOC ⁴ emissions | 35% reduction (baseline: FY2001) | Per area painted | |
| Recycling | Total of corporate activities ⁵ | | Landfill waste | Zero waste for all facilities | |
| | Production ¹ | | Waste | 10% reduction (baseline: FY2001) | As % of revenue |
| | | | Water consumption | 30% reduction (baseline: FY2001) | As % of revenue |
| | Transportation ⁶ | | Use of packaging materials | 45% reduction (baseline: FY2001) | As % of revenue |
| | Vehicle recycling | Automobiles | ASR recycling rate | 70% or more ⁷ | |
| Motorcycles | | Recycling rate | 95% or more (by FY2016) ⁸ | | |

1 Five Honda Motor production facilities

2 Targets for production announced in 1998

3 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.)

4 Primarily SOC's such as organic solvents included in paints and thinners that may cause photochemical oxidation

5 The primary 48 organizations involved in manufacturing and research and development (including academic institutions and Honda Motor Co., Ltd.)

6 Transportation of parts and component parts sets; export of completed motorcycles

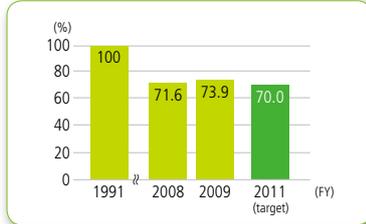
7 95% recycling defined as recycling of entire automobile

8 Scale as used in former MITI Used Automobile Recycling Initiative

FY2009 results (in progress)

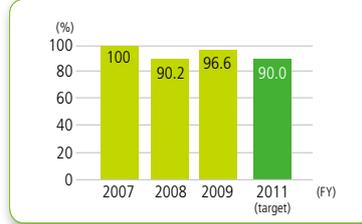
Production CO₂ reduction

(Units of energy used)



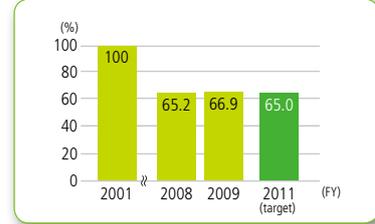
CO₂ emissions in transportation

(As % of revenue)

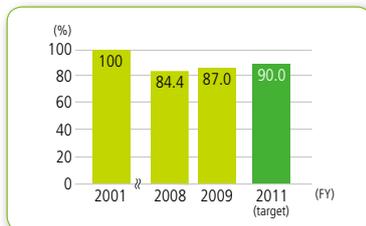


VOC emissions in production

(Per automobile painted)



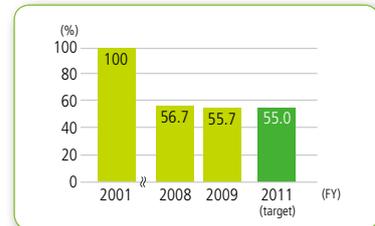
Waste in production



Water use in production



Use of packaging materials in transportation

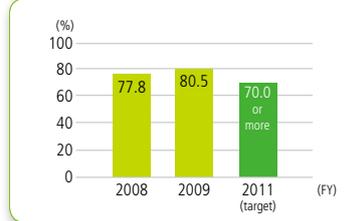


Landfill waste

Zero waste for all facilities
(48 companies)

ASR recycling rate

(Automobiles)



Recycling rate

(Motorcycles)



Note: The FY2008 figures for waste in production and use of packaging materials in transportation have been adjusted.

Strategies for achieving targets

| Item | | Strategy | See |
|-----------------------|---|---|------------|
| 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. | P.40 |
| | | Reduction of CO ₂ emissions at dealers through use of environmental accounting | P.46 |
| | | Conversion from trucking to marine/rail transport, reduction of transport distances, improvements in fuel economy resulting in reduction in CO ₂ emissions | P.44 |
| Alternative energy | Proactive introduction of Honda-designed solar panels | P.41 | |
| SOCS | VOC | Shift to waterborne paints, increase in operational efficiency and reduction of losses for reduced VOC emissions | P.43 |
| Recycling | Disposal | Zero landfill waste at factories and 32 manufacturing suppliers (by FY2008) | P.38, P.42 |
| | | Introduction of returnable containers, conversion to simpler packaging and other means of reducing the volume of packaging materials | P.45 |
| | | Increased use of authorized recycling facilities, expansion of full recycling | P.48 |
| | Water use | Recycling of forging coolant, use of rainwater, etc. | P.42 |

Note: Designed as a Green Factory that recycles resources and energy for greatly reduced CO₂ emissions per automobile produced, the new Yorii automobile plant was slated to begin operations in 2010, but the production start date has been postponed for at least one year.

Results of FY2009 initiatives and targets for FY2010

| Major objectives | | | Strategies | FY2009 Targets |
|--|-----------------------------|--|--|--|
| Product development | Automobiles | Exhaust emissions | Increase availability of low-emission vehicles | Further increase availability of ULEVs and SULEVs ¹ |
| | | Fuel economy improvements | Implement technologies for better fuel economy | Further improve fuel economy |
| | | Development of alternative energy products | — | Development of alternative energy products |
| | Motorcycles | Exhaust emissions | Expand implementation of fuel injection technology | Continue to improve emissions performance |
| | | Fuel economy improvements | Implement technologies for better fuel economy | Expand implementation of fuel efficiency technologies beyond scooters |
| | Power Products | Exhaust emissions | Comply with pending regulations | Further expand compliance with regulations |
| Fuel efficiency improvements | | Implement technologies for better fuel efficiency | Further improve fuel efficiency | |
| | | Development of alternative energy products | — | Further expand implementation of alternative energy technologies |
| Purchasing | Green purchasing initiative | | Reduce SOCs in suppliers' parts and materials | Promote reduction of lead |
| | | | Promote environmental impact management by suppliers ² | Ensure that suppliers reduce CO ₂ emissions Ensure that suppliers reduce landfill waste Ensure that suppliers reduce per-unit waste generation by 1.1% (baseline: FY2008) Reduce supplier per-unit water use |
| | | | Promote introduction of environmental management systems by suppliers | Promote ISO 14001 or alternative certification for non-certified suppliers |
| Production | Green factory initiative | | Improve energy efficiency | Per-unit energy consumption: 27% reduction (baseline: FY1991) CO ₂ emissions: 494,000 CO ₂ tons |
| | | | Zero landfill waste | Maintain zero landfill waste |
| | | | Reduce waste (byproducts) | Control waste generation |
| | | | Reduce VOC emissions | VOC emissions (automobiles): 34.0 g/m ² |
| Transportation | Green logistics initiative | | Implementation of environmental management systems with transport partners | Continue implementation of environmental management systems with three main partners |
| | | | Improve transportation efficiency | CO ₂ emissions: 90.29 g CO ₂ /tkm (per ton per km transportation of complete automobiles) |
| | | | Reduction of packaging used in component parts sets | Reduce component parts set packaging by 43% (baseline: FY2001) |
| Sales and Service | Automobiles | Green Dealers initiative | Promote implementation of environmental management at dealers | Automobile dealer (affiliates) per-unit CO ₂ emissions: 1% reduction (baseline: FY2008) |
| | Motorcycles | | Promote implementation of environmental management at dealers | Motorcycle dealer (affiliates) per-unit CO ₂ emissions: 1% reduction (baseline: FY2008) |
| | Power Products | | Promote environmental conservation at dealers | Power Products dealer (affiliates) per-unit CO ₂ emissions: 1% reduction (baseline: FY2008) |
| Recycling | Automobiles | Improve recyclability | Increase recyclability rate | Minimum 90% recyclability for all newly introduced or redesigned vehicles Maximum 1% chloride in ASR for all newly released or redesigned models |
| | | | Develop technologies for proper disposal and recycling of end-of-life products | Continue to maintain recycling systems |
| | Motorcycles | Improve recyclability | Increase recyclability rate | Increase recyclability rate |
| | | | Develop technologies for proper disposal and recycling of end-of-life products | Adopt waste plastic recycling and engine recovery to improve recycling rates |
| | Power Products | Improve recyclability | Increase recyclability rate | Increase recyclability rate |
| | | Increase parts recovery, reuse and recycling | Promote remanufacturing and reuse | Expand range of vehicles using recycled parts (consider 6 models of remanufactured power steering) ⁴ |
| Administration | Green office initiative | | Promote integration of environmental impact management at offices | CO ₂ emissions for the Honda Group (17 companies and 28 facilities): 38,188 tons ⁵ Landfill waste generated by the Honda Group (17 companies and 28 facilities): 1,894 tons ⁵ |
| | | | | |
| Principal Honda Group companies in Japan | Honda R&D | Green laboratories | Update to energy-conserving and -efficient equipment | Total CO ₂ emissions: 162,000 tons Per-unit CO ₂ emissions: 12% reduction (baseline: FY2001) |
| | | | Reduce waste (byproducts) | Per-unit waste generated: 31% reduction (baseline: FY2001) Total waste generated: 6,900 tons |
| | Honda Engineering | Green laboratories | Energy conservation patrols perform assessments, shut down unused equipment and advance company-wide initiatives | Total CO ₂ emissions: 25,274 tons Per-unit CO ₂ emissions: 10.2% reduction (baseline: FY2001) |
| | | | Reduce waste oil output, improve press materials yield | Per-unit waste generated: 2% reduction (baseline: FY2007) Waste generated: 1,907 tons |
| | Honda Access | Cleaner transport, greener offices | Update old HVAC equipment to more efficient equipment, maintain optimal office temperature | Total CO ₂ emissions: 1,613 tons Per-unit CO ₂ emissions: 8% reduction (baseline: FY2001) |
| | | | Use returnable cases in transportation to reduce packaging materials waste | Per-unit waste generation: 21% reduction (baseline: FY2001) Waste generated: 365 tons |
| | | Convert to simpler parts packaging to reduce weight and volume | Packaging: 64.7% per-unit reduction (baseline: FY2001) Packaging materials used: 1,018 tons | |

¹ Ultra-low-emission vehicle (ULEV) defined as having emissions 50% lower than FY2006 standards; super ultra-low-emission vehicle (SULEV) defined as having emissions 75% lower than FY2006 emission standards

² 32 target suppliers

³ FY2010 target figures for CO₂ and VOC emissions are higher than those for FY2009 results due to changes in business conditions and to increased production and launch of new businesses

⁴ Remanufactured parts have been assembled from reused parts

⁵ Starting in FY2010, 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, Japan Techno, 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 17 companies and 28 facilities. In addition, the target scope of FY2009 office domain targets has been adjusted from 16 companies and 27 facilities to 17 companies and 28 facilities.

Honda strives to reduce its environmental footprint by setting ambitious targets for environmental conservation in every domain and in every stage of the product life cycle.

○ Attained △ ≥ 95% × < 95%

| FY2009 Results | Status | FY2010 Targets | See |
|---|--------|--|-----------------|
| 8 additional models (12 types) approved | ○ | Further increase availability of ULEVs and SULEVs ¹ | P.34 |
| Average fuel economy improved 25.4% (baseline: FY2001) | ○ | Further improve fuel economy | P.33 |
| Leasing of FCX Clarity fuel cell vehicle begun | ○ | Further expand compliance | P.35 |
| Fuel injection implementation on scooters completed | ○ | Expand fuel injection implementation to products other than scooters | P.36 |
| PGM-FI implemented on the VTR | ○ | Expand low-friction engine implementation | P.36 |
| Continued to comply with CARB Tier 3 emission standards for power products | ○ | Further expand compliance | — |
| Improved fuel efficiency through new snow removal function and engine rpm control | ○ | Further improve fuel efficiency | P.37 |
| Expanded sales of cogeneration units | ○ | Continue expansion of product offerings/sales | P.37 |
| Eliminated solder lead in some parts completed | ○ | Promote compliance with SOC guidelines | P.39 |
| Reduced per-unit CO ₂ emissions by 6.4% (baseline: FY2001) | ○ | Ensure that suppliers reduce per-unit CO ₂ emissions | P.39 |
| Ensured suppliers continue to reduce landfill waste | ○ | Continue to maintain zero landfill waste by suppliers | |
| Ensured suppliers reduced per-unit waste generation by 1.5% (baseline: FY2008) | ○ | Ensure suppliers reduce per-unit waste generation | |
| Increased per-unit water consumption by suppliers by 6.4% (baseline: FY2008) | × | Reduce supplier per-unit water use | |
| All targeted companies achieved ISO 14001 or equivalent certification | ○ | Item eliminated; initial goal achieved | P.38 |
| Reduced per-unit energy consumption 26.1% (baseline: FY1991) | △ | Reduce per-unit energy consumption 28.5% (baseline: FY1991) | P.41, 42 |
| CO ₂ emissions: 427,000 CO ₂ tons | ○ | CO ₂ emissions: 438,000 CO ₂ tons | |
| Maintained zero landfill waste | ○ | Maintained zero landfill waste | P.42 |
| Increased use of scrap | △ | Increase use of scrap | P.42 |
| VOC emissions (automobiles): 32.6 g/m ² | ○ | VOC emissions (automobiles): 32.6 g/m ² ³ | P.43 |
| Continued attainment of goals | ○ | Item eliminated; initial goal achieved | P.44 |
| CO ₂ emissions: 87.61 g CO ₂ /tkm (per ton per km transportation of complete automobiles) | ○ | CO ₂ emissions: 89.37 g CO ₂ /tkm (per ton per km transportation of complete automobiles) | P.44 |
| Reduced component parts set packaging by 44.5% (baseline: FY2001) | ○ | Maintain component parts set packaging at or below FY2009 levels. | P.45 |
| Automobile dealer (affiliates) per-unit CO ₂ emissions: 15.9% reduction (baseline: FY2008) | ○ | Automobile dealer (individual affiliates) per-unit CO ₂ emissions: 1% reduction (baseline: FY2009) | P.46 |
| Motorcycle dealer (affiliates) per-unit CO ₂ emissions: 1.1% reduction (baseline: FY2008) | ○ | Motorcycle dealer (individual affiliates) per-unit CO ₂ emissions: 1% reduction (baseline: FY2009) | P.46 |
| Power Products dealer (affiliates) per-unit CO ₂ emissions: 4.2% reduction (baseline: FY2008) | ○ | Power Products dealer (individual affiliates) per-unit CO ₂ emissions: maintain FY2009 levels | P.46 |
| Minimum 90% recyclability for all newly introduced or redesigned vehicles | ○ | Minimum 90% recyclability for all newly introduced or redesigned vehicles | P.49, 50 |
| Maximum 1% chloride in ASR for all newly released or redesigned models | ○ | Maximum 1% chloride in ASR for all newly released or redesigned models | |
| Maintained recycling systems for automobiles and motorcycles | ○ | Continue to maintain recycling systems Automobile bumper recycling | P.50, 51 |
| Maintained minimum recyclability of 95% in all models | ○ | Maintain minimum recyclability of 95% in all models | P.51 |
| Implemented waste plastic recycling in some facilities, began engine recovery and aluminum recycling | ○ | Maintain stable operation of system | P.51 |
| Maintained minimum recyclability of 95% | ○ | Increase recyclability rate | — |
| Considered expanding range of vehicles using recycled parts | ○ | Expand recyclable parts and recycling activity | P.49, 50 |
| CO ₂ emissions for the Honda Group (17 companies and 28 facilities): 35,585 tons ⁵ | ○ | CO ₂ emissions for the Honda Group (all facilities in 17 companies): 1% reduction (baseline: FY2009) ⁶ | P.52, 53 |
| Landfill waste generated by the Honda Group (17 companies and 28 facilities): 1,798 tons ⁵ | ○ | Landfill waste generated by the Honda Group (all facilities in 17 companies): 1% reduction (baseline: FY2009) ⁶ | |
| Total CO ₂ emissions: 158,000 tons | ○ | Total CO ₂ emissions: 162,000 CO ₂ tons | P.55 |
| Per-unit CO ₂ emissions: 10% reduction (baseline: FY2001) | × | Per-unit CO ₂ emissions: 6% reduction (baseline: FY2001) | |
| Per-unit waste generated: 23% reduction (baseline: FY2001) | × | Per-unit waste generated: 30% reduction (baseline: FY2001) | |
| Total waste generated: 7,200 tons | △ | Total waste generated: 6,600 tons | |
| Total CO ₂ emissions: 21,989 tons | ○ | Total CO ₂ emissions: 21,210 CO ₂ tons | P.56 |
| Per-unit CO ₂ emissions: 12.6% reduction (baseline: FY2001) | ○ | Per-unit CO ₂ emissions: 11.2% reduction (baseline: FY2001) | |
| Per-unit waste generated: 8.1% reduction (baseline: FY2007) | ○ | Per-unit waste generated: 3% reduction (baseline: FY2007) | |
| Waste generated: 1,882 tons | ○ | Waste generated: 1,984 tons | |
| Total CO ₂ emissions: 1,385 tons | ○ | Total CO ₂ emissions: 1,596 CO ₂ tons | P.57 |
| Per-unit CO ₂ emissions: 16% reduction (baseline: FY2001) | ○ | Per-unit CO ₂ emissions: 9% reduction (baseline: FY2001) | |
| Per-unit waste generation: 27% reduction (baseline: FY2001) | ○ | Per-unit waste generation: 25% reduction (baseline: FY2001) | |
| Waste generated: 247 tons | ○ | Waste generated: 257 tons | |
| Packaging: 62.5% per-unit reduction (baseline: FY2001) | × | Packaging: 64.9% per-unit reduction (baseline: FY2001) | |
| Packaging materials used: 978 tons | ○ | Packaging: 888 tons | |

Environmental impact in Japan

Honda is promoting its Green Factory initiative with the goal of creating production centers that are the pride of the communities in which they operate. We are also promoting energy conservation and waste-reduction initiatives in all areas of operation, through the introduction of environmentally responsible logistics, sales, administration and other programs.



Energy consumption (FY2009)

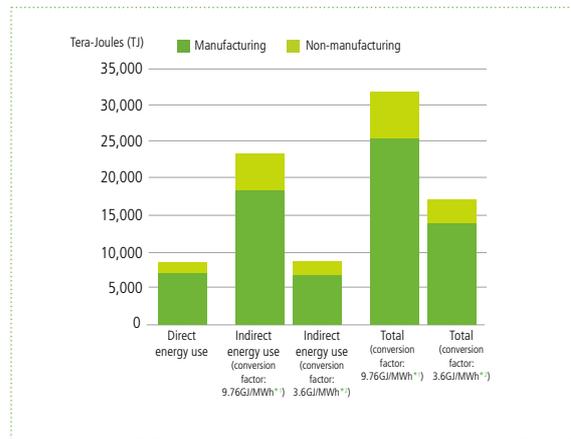
Companies covered:

Honda Motor Co., Ltd., subsidiaries and affiliates: **149**

Manufacturing companies: **48**

Non-manufacturing companies: **101**

- **Direct energy consumption**
Energy produced by covered companies (mainly derived from combustion of fossil fuels)
- **Indirect energy consumption**
Intermediate energy not produced by covered companies, but consumed as a result of their operations (mainly purchased electrical power)



- Calculations based mainly on energy from fixed sources.
- Calculation of purchased energy:
*1 The energy conversion factor of 9.76 GJ/MWh is in accordance with Japan's Rationalization in Energy Use law. Electricity used is converted to its fossil fuel equivalent.
*2 The energy conversion factor of 3.6GJ/MWh is applied to point-of-use electrical power.

Greenhouse gas emissions (FY2009)

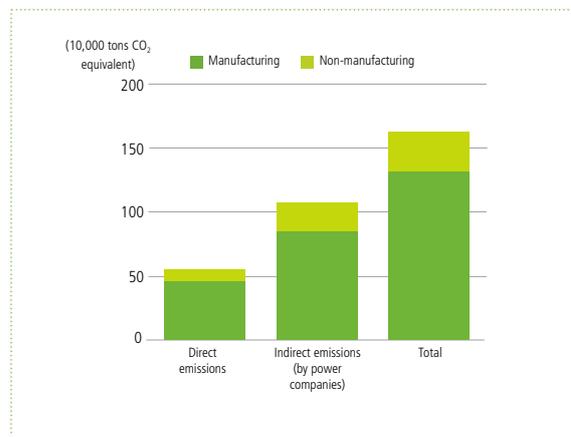
Companies covered:

Honda Motor Co., Ltd., subsidiaries and affiliates: **149**

Manufacturing companies: **48**

Non-manufacturing companies: **101**

- **Direct emissions**
Greenhouse gas emitted as a result of use of energy supplied by covered companies (mainly CO₂ emitted through combustion of various fossil fuels)
- **Indirect emissions**
Greenhouse gas emissions that are a result of operations of covered companies, but emitted from sources external to these operations.



- Mainly CO₂ emissions from purchased power. CO₂ emissions from purchased power are individually calculated by each power company according to the latest coefficients.
- Other greenhouse gases are converted to their CO₂ equivalent.
- Calculations based mainly on CO₂ emissions from fixed energy sources.

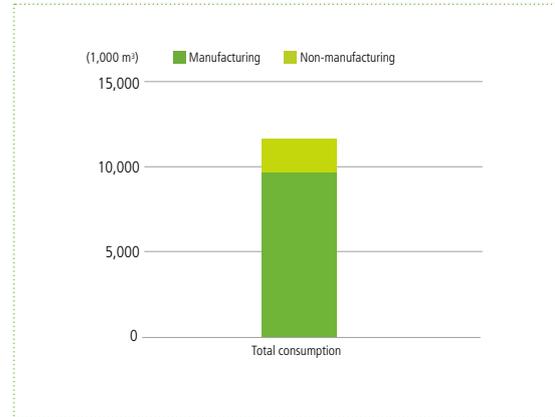
Water consumption (FY2009)

Companies covered:

Honda Motor Co., Ltd., subsidiaries and affiliates: **91**

Manufacturing companies: **45**

Non-manufacturing companies: **46**



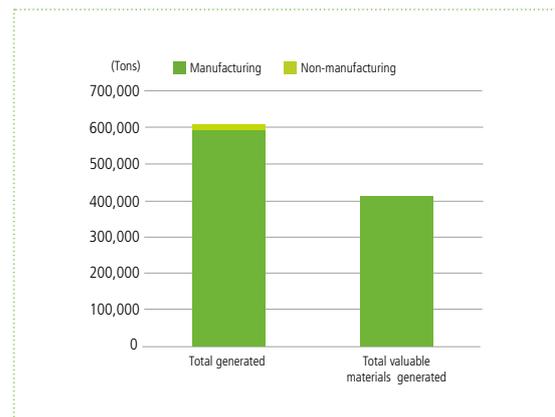
Waste (FY2009)

Companies covered

Honda Motor Co., Ltd., subsidiaries and affiliates: **95**

Manufacturing companies: **48**

Non-manufacturing companies: **47**



Other emissions (FY2009)

Companies covered—VOCs¹

Honda Motor Co., Ltd., manufacturing-related subsidiaries and affiliates: **38**

Companies covered—PRTR emissions²

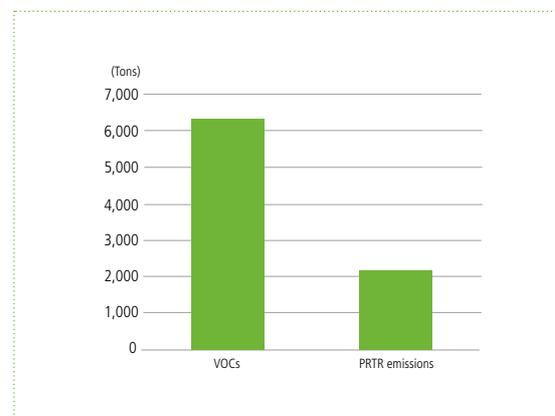
Honda Motor Co., Ltd., manufacturing-related subsidiaries and affiliates: **32**

¹ VOCs (Volatile Organic Compounds)

VOCs mainly consist of organic solvents contained in paints and adhesives. VOCs remain toxic for a long period of time, causing depletion of the ozone layer in the stratosphere and causing photochemical smog in the troposphere. For these reasons, their use is regulated in many countries.

² PRTR emissions

Emissions of substances treated under the PRTR (Pollutant Release and Transfer Register) system, which is based on Japan's Law Concerning the Reporting of Specified Chemical Substances Released into the Environment and the Promotion of Improvements in their Management.

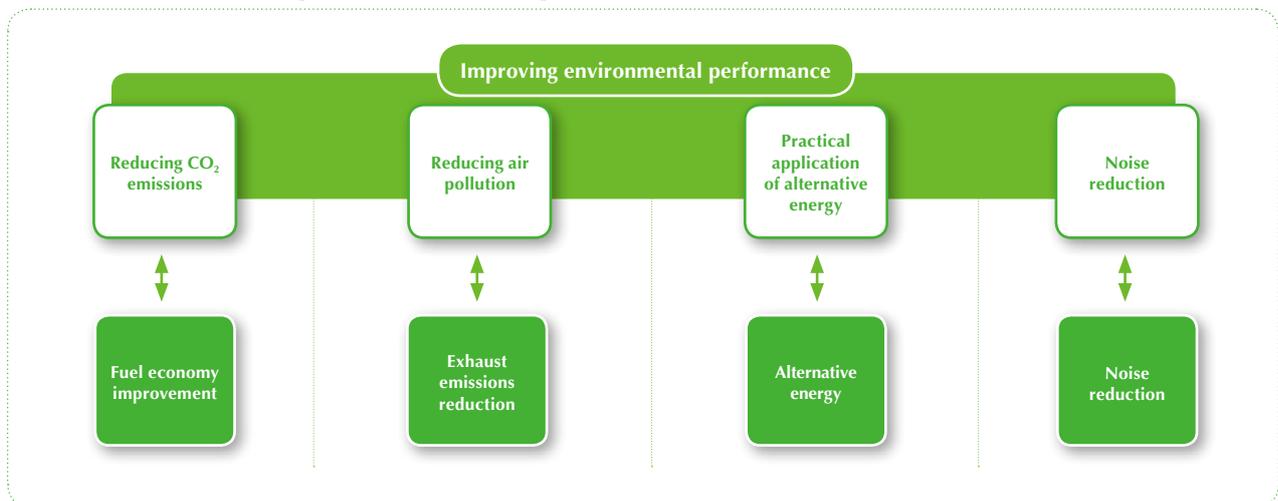


Product development

Honda prioritizes initiatives that focus on the product use stage, where the greatest reductions in the environmental impact of a product during its life cycle can be achieved. We are committed to attaining ambitious voluntary targets, including those for cleaner exhaust emissions, higher fuel economy (to minimize CO₂ emissions), and practical applications of alternative energy, striving for the harmonious coexistence of human beings, the environment and our products.



Major initiatives in product development



Annual targets and results

| | FY2009 targets | FY2009 results |
|-----------------------|---|--|
| Automobiles | <ul style="list-style-type: none"> • Further increase availability of ULEVs and SULEVs • Further improve fuel economy • Development of alternative energy products | <ul style="list-style-type: none"> • 8 additional models (12 types) approved • Average fuel economy improved 25.4% (baseline: FY2001) • Leasing of FCX Clarity fuel cell vehicle begun |
| Motorcycles | <ul style="list-style-type: none"> • Continue to improve emissions performance • Expand implementation of fuel efficiency technologies beyond scooters | <ul style="list-style-type: none"> • Fuel injection implementation on scooters completed • PGM-FI implementation on the VTR |
| Power Products | <ul style="list-style-type: none"> • Further expand compliance with regulations • Further improve fuel efficiency • Further expand implementation of alternative energy technologies | <ul style="list-style-type: none"> • Continue to comply with CARB Tier 3 emission standards for power products • Improved fuel efficiency through new snow removal function and engine rpm control • Expanded sales of cogeneration units |

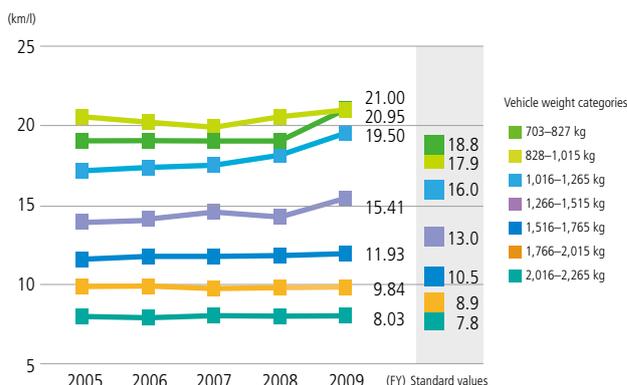
• The new regulations introduced by Japan's MLIT, created to encourage automakers to provide low-emission vehicles, established two categories of vehicles with particularly low HC and NOx emissions: ultra-low-emission vehicles (ULEV) with emissions 50% lower than the levels required under the 2005 exhaust emission standards, and super ultra-low-emission vehicles (SULEV) with emissions 75% lower than the levels required by the 2005 standards.

Automobiles

Fuel economy

Honda has introduced a range of technologies to improve fuel economy and reduce CO₂ emissions that contribute to global warming. In FY2009, by introducing the all-new Insight hybrid vehicle and other vehicles with enhanced fuel economy, Honda has attained levels mandated by 2010 fuel economy standards for all weight categories. Average FY2009 fuel economy is 25.4% higher (baseline FY2001).

Trends in corporate average fuel economy by category for vehicles complying with Japan 2010 fuel economy standards



Types complying with 2010 fuel economy standards and units shipped¹

In accordance with an amendment to Japan Rationalization of Energy Use law, fuel economy standards for 2010 were announced.

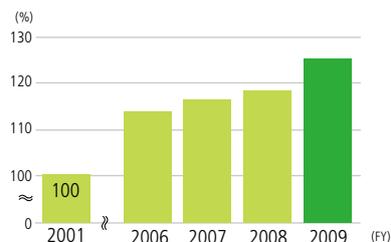
Honda is striving to expand the lineup of vehicle types that exceed these standards. Of the vehicles sold in FY2009, eight models (13 types) attained for the first time the 2010 fuel economy standards. A total of 20 models (54 types) have now attained the standards. Also, five models (5 types) were newly certified as meeting the 2010 fuel economy standards +5% requirement. Further, four models (4 types) were newly certified as meeting the 2010 fuel economy standards + 10% requirement. One model (1 type) was newly certified as meeting the 2010 fuel economy standards +15% requirement, three models (3 types) were newly certified as meeting the 2010 fuel economy standards +25% requirement. A total of 573,443 vehicles—approximately 98.8% of all Honda vehicles sold in Japan in FY2009—attained these standards.

¹Shipping figures reported to Japan's MLI T and Ministry of Economy, Trade and Industry

Standard Eco Drive assist devices

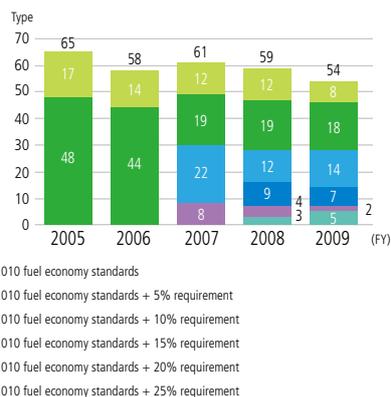
In addition to real-time displays relating to actual fuel consumption, in a wide range of vehicles, Honda offers ECON Mode, which optimizes air conditioning use and other functions to enhance fuel economy. In FY2009, Honda continued to expand implementation of fuel economy enhancement technologies, achieving 88.6% inclusion on passenger automobiles in Japan—a 7.3% increase from the previous fiscal year.

Improvement in corporate average fuel economy¹ (FY2001=100%)

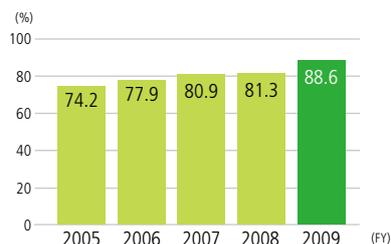


¹Average fuel economy for Japan-market vehicles

Trend in the number of types attaining 2010 fuel economy standards



Trend in vehicles with Eco Drive assist devices as standard equipment



Exhaust emissions

Trend of total HC and NOx emissions; types complying with 2005 exhaust emission standards

Honda continues to prioritize cleaner exhaust emissions from gasoline vehicles. Honda is working to reduce the levels of CO, HC and NOx contained in exhaust emissions. In FY2009, Honda achieved its target of reducing HC exhaust emissions 88.1% and NOx emissions 84.0% (baseline: FY2001). As early as FY2004, Honda complied with the 2005 exhaust emission standards for all models and has since expanded the number of models certified as ULEV and SULEV. In FY2009, Honda released eight models (11 types) certified as SULEV and one model (1 type) certified as ULEV. Honda currently offers a total of 25 models (57 types) certified as SULEV or ULEV. Going forward, Honda will expand the lineup of vehicles earning these certifications and make automobile exhaust emissions even cleaner.

Models and sales results for certified low-emission vehicles

Honda has endeavored to expand the number of models that comply with the 2005 exhaust emission standards and are certified by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as low-emission vehicles. Six models introduced in FY2009—Accord, Accord Tourer, Life, Odyssey, Freed and Insight—were certified as SULEV. Sales of vehicles that comply with the 2005 emission standards of Japan's MLIT and certified as low-emission vehicles totaled 550,395 units in FY2009, accounting for 94.9% of Honda's total unit sales in Japan (94.6% of passenger car unit sales).

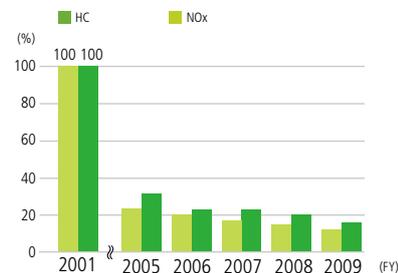
Low-emission vehicles released in FY2009

(certified under Japan's MLIT 2005 standards)

Super ultra-low-emission vehicles (SULEV) (emissions 75% lower than 2005 regulations): 6 models

Accord
Accord Tourer
Life
Odyssey
Freed
Insight

Trend of total HC and NOx emissions in Japan (baseline: FY2001)



Note 1: Since a new low-emission vehicle certification program under the 2005 exhaust emission standards was introduced in FY2004, total FY2004 emissions of HC and NOx of models subject to the 2000 exhaust emission standards, and of older models, are calculated based on the 10-15 mode. For models subject to the 2005 exhaust emission standards, HC and NOx emissions are calculated based on the new test mode introduced with the 2005 regulations. Further, for those models subject to the 2005 exhaust emission standards, total emissions of HC are calculated as non-methane hydrocarbon (NMHC).

Note 2: Covers total emissions in Japan, excluding emissions from transport trucks and light transport trucks

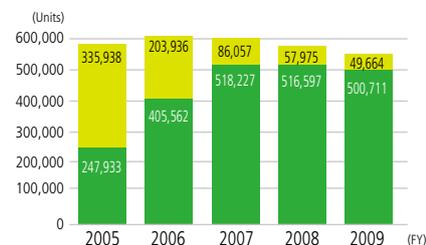
Types complying with exhaust emission standards or earning special certification

- Complies with 2005 regulations
- Ultra-low-emission vehicles (emissions 50% lower than 2005 regulations)
- Super ultra-low-emission vehicles (emissions 75% lower than 2005 regulations)



Sales trend

- Ultra-low-emission vehicles (emissions 50% lower than 2005 regulations)
- Super ultra-low-emission vehicles (emissions 75% lower than 2005 regulations)



Note: Only vehicles certified as ultra-low-emission vehicles under the 2005 exhaust emission standards are included

Alternative fuel vehicles

The new FCX Clarity fuel cell vehicle was first made available for lease in Japan in November 2008. Leases in Japan and the United States over three years are projected to total approximately 200 vehicles, with two non-corporate lease agreements concluded in Japan at the end of March 2009. The FCX Clarity has played a prominent role in a variety of environmental initiatives, including serving as an environmental showcase vehicle at the G8 Lake Toya Summit held in Hokkaido in July 2008. The vehicle leased by the Japanese Ministry of the Environment makes the rounds of elementary schools nationwide as part of the Ministry's effort to promote fuel cell vehicles and increase awareness of future possibilities in mobility. Honda began the Honda Fuel Cell Automobile Classroom at Welcome Plaza Aoyama in the Honda Aoyama Building to deepen understanding among children about the future of mobility.



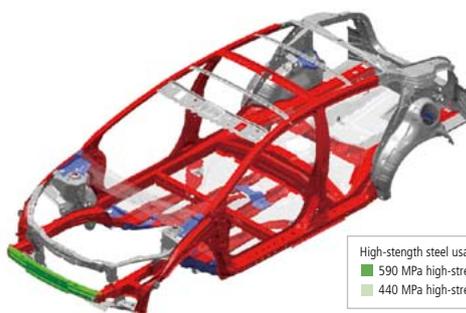
FCX Clarity

Designing the 3R's (reduce, reuse, recycle)

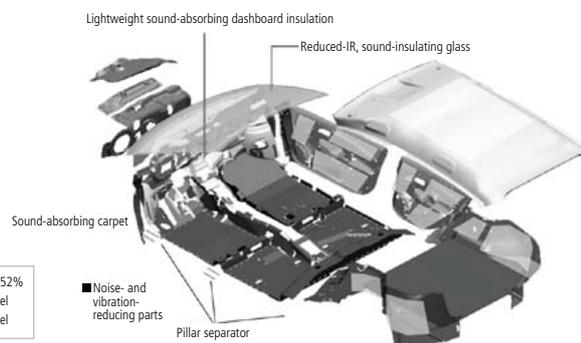
Insight: reducing by design

Honda is making every effort to make its body frame, engine, transmission and other metal components smaller and lighter. Honda is also pursuing innovations in material selection and composition of non-metal parts to make them even more lightweight.

The new Insight features a body composed of over 52% high-strength steel by weight, further contributing to its lightweight, high-rigidity design. It also incorporates light, high-performance sound absorbing materials in the roof, carpets and dashboard insulator to achieve both lighter weight and a quieter interior.



High-strength steel used in the Insight



Sound insulation materials used in the Insight

Motorcycles

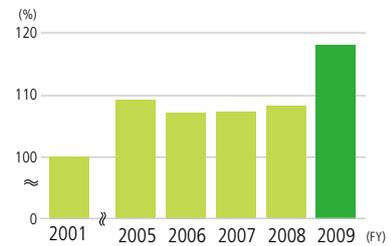
Fuel economy

Honda introduced a large number of new models in FY2009, all of which have reduced CO₂ emissions and improved fuel efficiency thanks to reduced engine friction and the application of PGM-FI technology.

In FY2009, average fuel economy was improved by equipping most Japan-manufactured models with more fuel-efficient PGM-FI (Programmed Fuel Injection). All scooter models produced for use in Japan are now equipped with PGM-FI. Because PGM-FI uses computer control to deliver the optimum amount of fuel in response to a variety of driving conditions, it achieves a 7–11% improvement in fuel efficiency compared to a carburetor equipped with a mechanical fuel delivery system.

Honda has also expanded the use of engine friction reduction technologies. In the Monkey, innovations such as a cylinder offset (relative to the crankshaft) and roller-type rocker arms help reduce internal engine friction.

Average fuel economy improvement for Japan-market motorcycles (FY2001=100%)



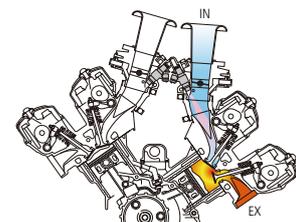
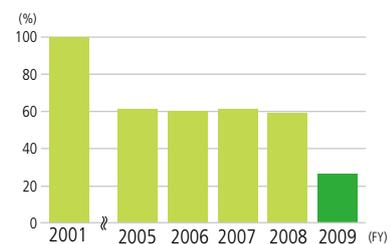
Exhaust emissions

Along with precise fuel regulation, PGM-FI promotes cleaner exhaust emissions. In FY2009 Honda introduced several new models, including the 50cc Monkey, the 400cc Shadow Classic and Custom, a full model change for the Silver Wing GT 400cc scooter, and the CBR1000RR super sports bike featuring the world's first electronic Combined ABS (combines anti-lock braking and front/rear wheel brake force distribution) designed for use in a sports bike. All of these models are equipped with PGM-FI and catalytic converters in the exhaust pipes or mufflers to promote cleaner exhaust emissions and conform to Japan motorcycle exhaust regulations for 2007.

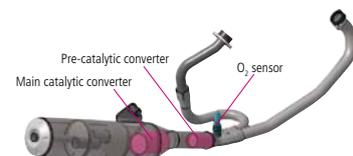
The new VTR road sports model released in March 2009 features a 250cc V-twin engine newly equipped with PGM-FI for improved environmental performance. The use of two catalytic converters in the exhaust system along with an O₂ sensor to help regulate fuel injection volume based on exhaust-gas oxygen concentration contribute to a reduction of three exhaust components—carbon monoxide (CO), hydrocarbons (HC), and nitrous oxides (NO_x)—to just 1/5 that of the previous model.¹

¹Honda calculations (Japanese domestic secondary mode)

Average HC+NO_x reduction for Japan-market motorcycles (FY2001=100%)



Intake and exhaust port cross-section (new VTR)



Catalytic converter and O₂ sensor (new VTR)



VTR

Power Products

Fuel efficiency

The Yukios SB800, a small, lightweight, easy-to-operate snow thrower released in December 2008, is equipped with the Honda GXV50 air-cooled, 4-stroke, single-cylinder OHV engine, an easy-handling engine with stable output. The Yukios displays fuel economy significantly superior to its predecessor and is capable of clearing 750 sq. m¹—roughly equivalent to a 50-car parking lot²—on a single 1-liter tank of gas. Engine rpm is automatically lowered when the operator releases the throttle lever, reducing unnecessary fuel consumption to achieve improved economy.

In March 2009, Honda released the Pianta FV200, a gas-powered mini-tiller designed to run on home-use butane gas canisters. Its engine emits approximately 10% less CO₂ during operation than a gasoline-powered engine of the same displacement. As with the Yukios, engine rpm is automatically lowered when the throttle lever is released, for improved fuel economy. Furthermore, the butane gas mixture contained in the fuel canisters emits less CO₂ during combustion than conventional gasoline.



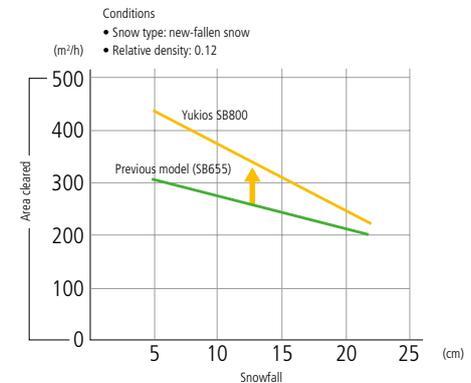
Yukios SB800

¹Honda calculations based on average fuel consumption during operation

²Honda calculations based on snow removal from a paved surface when the snow is 20 cm deep; area of each parking space: 2.5 m x 6 m = 15 m²

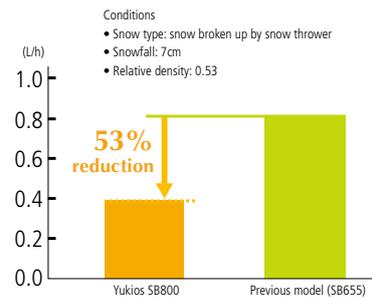
Yukios SB800 operating efficiency

(Honda calculations)



Yukios SB800

Fuel consumption rate comparison



Other initiatives

Alternative fuels

Honda is working to implement production technologies for turning non-edible cellulosic material such as the stems and leaves of plants into bioethanol. Honda R&D Co., Ltd is planning to build a new Kazusa-branch facility for its Fundamental Technology Research Center at the Kazusa Akademia Park¹ in Kisarazu, Chiba, Japan. The testing facility will be constructed on a 5,000 m² lot. Honda determined that a new facility was required in order to meet the need for accurate evaluations as a step toward practical application of the technology.

¹Kazusa Akademia Park is a research and development zone combining research, academia, production and resort functions

Striving for environmentally responsible purchasing of materials and parts

Purchasing

An automobile is made of some 20,000 to 30,000 parts, many purchased from suppliers, whose cooperation is essential to the effort to minimize environmental impact throughout the product life cycle. The Honda Green Purchasing Guidelines were formulated to help ensure that the purchasing of materials and parts is conducted in accordance with Honda's principles of environmental conservation. Honda is also encouraging suppliers to achieve ISO 14001 certification. Strengthening ties with trusted partners, Honda is working proactively to achieve environmentally responsible purchasing.



Principal purchasing initiatives



• Specific examples of purchasing initiatives are given in Case Studies and Supplementary Information, available at the following URL: <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Annual targets and results

FY2009 targets

- Promote reduction of lead
- Ensure that suppliers reduce CO₂ emissions
- Ensure that suppliers reduce landfill waste
- Ensure that suppliers reduce per-unit waste generation by 1.1% (baseline: FY2008)
- Ensure that suppliers reduce per-unit water consumption
- Promote ISO 14001 or alternative certification for non-certified suppliers

Policies target 32 supplier companies

FY2009 results

- Eliminated solder lead in some parts completed
- Suppliers reduced per-unit CO₂ emissions by 6.4% (baseline: FY2001)
- Suppliers continue to maintain zero landfill waste by suppliers
- Per-unit waste production by suppliers reduced by 1.5% (baseline: FY2008)
- Increased per-unit water consumption by suppliers by 6.4% (baseline: FY2008)
- All targeted companies achieved ISO 14001 or alternate certification

Policies target 32 supplier companies

Purchasing—environmental management

Green purchasing guidelines

Honda has established its own independent green purchasing guidelines and is working with its suppliers to promote parts and materials procurement practices that have a reduced environmental impact. The green purchasing guidelines were formulated in FY2002 in an effort to proactively implement environmentally responsible purchasing of parts and materials (see adjacent outline of guidelines). Honda is sharing targets and action items with suppliers with the goal of attaining a range of targets by FY2011.

Honda green purchasing guidelines: outline

| | Category | Action | Target |
|------------|---|---|---|
| Products | Handling of SOCs, proportion included in parts | Volume of SOCs contained in product (part/material) | Action in accordance with Honda SOC guidelines |
| Production | Monitoring environmental impact of suppliers | Volume of CO ₂ emissions | FY2011: 6% reduction (baseline: FY2001) |
| | | Volume of landfill waste | FY2008: zero landfill waste (attained) |
| Policy | Status of environmental management systems at suppliers | ISO 14001 certification status | FY2006: certification for all suppliers in Japan (attained) |

Promoting ISO 14001 certification for suppliers

As a result of the Honda initiative, all targeted companies had achieved ISO 14001 or alternate certification by FY2009.

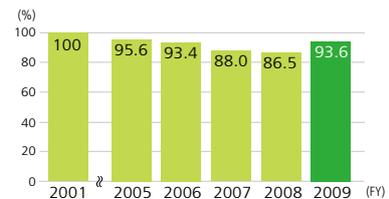
Reducing the environmental impact of suppliers¹

¹Policies target 32 supplier companies

CO₂

A variety of policies were implemented among 32 targeted suppliers in an effort to reduce CO₂ emissions, resulting in a per-unit reduction of 6.4% for FY2009 from the FY2001 baseline. Amid reduced rates of operation due to the worldwide economic slowdown in the latter half of FY2009, production facilities at all 32 suppliers proactively reduced electricity consumption through such steps as identifying and shutting down idled equipment.

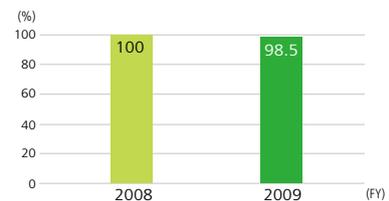
Per-unit CO₂ emissions



Waste

Per-unit waste production among suppliers during FY2009 was reduced 1.5% from FY2008 levels, surpassing the 1.1% reduction target. This reduction was achieved through the introduction of policies aimed at improving materials yield rates. All suppliers also continued to maintain landfill rates at zero.

Per-unit waste production



Water

As with CO₂ emissions, Honda took proactive steps to reduce water consumed during down time in FY2009. As a result, water consumption by suppliers was reduced 10.4% from FY2008 levels, although per-unit consumption increased by 6.4%.

Per-unit water consumption



Handling of SOCs

Honda is reducing its use of four metals considered to have a particularly harmful impact on the environment—lead, mercury, hexavalent chromium, cadmium—in its production of motorcycles, automobiles and power products in Japan. In FY2009, Honda implemented a more detailed classification system in its SOC guidelines aimed at promoting further reduction of solder lead, while completely eliminating solder lead from some parts.

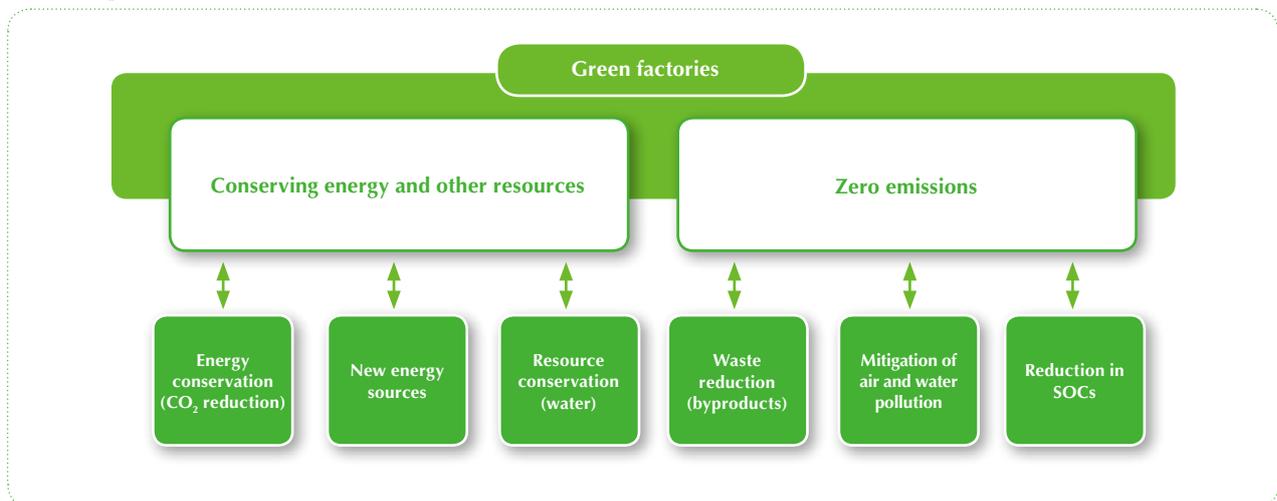
Making Honda factories even more environmentally responsible

Production

Honda is working to minimize the impact of its manufacturing operations on the global environment, and seeking to improve working environment for associates and enhance cooperation with local communities. Through these efforts, we strive to give local communities reason to be proud to host our factories. These are the goals of our worldwide Green Factory initiative.



Major production initiatives



Specific examples of production initiatives are given in Case Studies and Supplementary Information, available at: [URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Annual targets and results

FY2009 targets

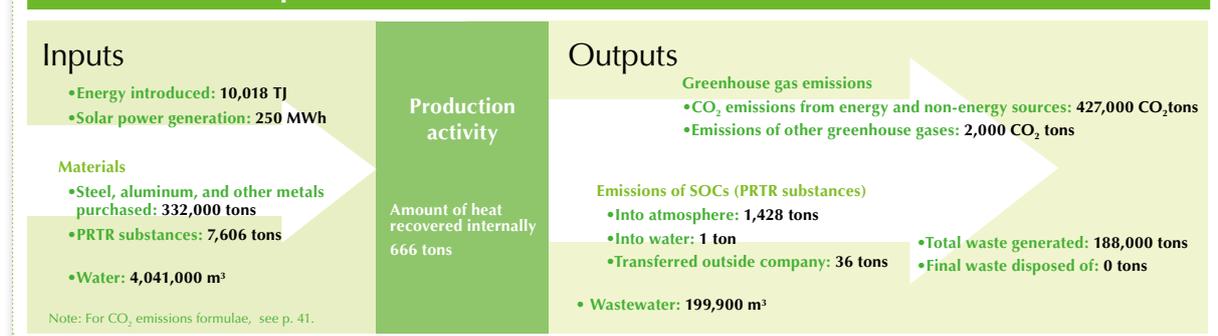
- 27.0% reduction in units of energy used (baseline: FY1991)
- CO₂ emissions: 494,000 CO₂ tons
- Reduction in waste output
- VOC emissions (automobiles): 34.0 g/m²

FY2009 results

- 26.1% reduction in units of energy used (baseline: FY1991)
- CO₂ emissions: 427,000 CO₂ tons
- Increase use of scrap
- VOC emissions (automobiles): 32.6 g/m²

Note: Covers five factories in Japan: Saitama, Tochigi, Hamamatsu, Suzuka and Kumamoto.

Flow of materials in production in FY2009



Reducing greenhouse gas emissions (energy efficiency)

Energy conservation initiatives

CO₂ emissions attributable to use of energy in the production domain totaled 427,000 tons, 13.6% lower than the target of 494,000 tons and 10.9% lower than the previous fiscal year's total of 479,000 tons. Although this reduction was partly due to the decrease in production resulting from the worldwide economic downturn, Honda also introduced high-efficiency compressors to save energy, made energy use more transparent to facilitate conservation and introduced green roofs to reduce the use of air conditioning. The target was a 27.0% reduction in units of energy used (baseline: FY1991), yet the actual result was a 26.1% reduction. Going forward, Honda will continue to implement initiatives that reduce energy consumption and enhance energy efficiency with a view to reducing CO₂ emissions.

Greenhouse gas emissions

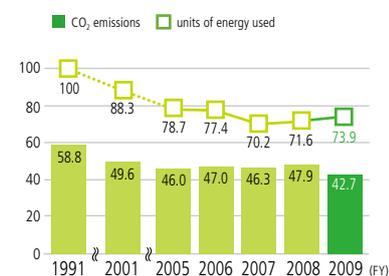
In FY2009, greenhouse gases emitted in the production domain totaled the equivalent of 429,000 CO₂ tons, for a 11.1% decrease from the previous fiscal year. Of these 429,000 CO₂ tons, 427,000 tons were from energy consumption and non-energy consumption sources of CO₂ emissions and 2,000 tons were from emissions of other greenhouse gases.

Note: Greenhouse gas emissions (CO₂, CH₄, N₂O, HFC, PFC and SF₆) calculated according to guidelines provided by Japan's Ministry of the Environment.

Introduction of new energy sources

In FY2009, Honda installed a new 12 kW solar power generation system at the Tochigi Factory and generated 66,600,000 kWh of electricity using solar generation, natural gas cogeneration and other alternate energy sources. The percentage of total energy generated using alternate energy sources, however, remained at approximately 9% of total FY2008 consumption.

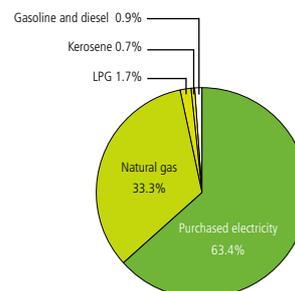
CO₂ emissions and units of energy used



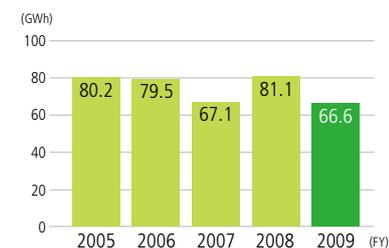
CO₂ emissions formulae

| | |
|------------------------|--|
| Electricity | 0.378 CO ₂ tons/MWh |
| Natural gas (13A 46MJ) | 2.330 CO ₂ tons/1,000 Nm ³ |
| Natural gas (13A 45MJ) | 2.277 CO ₂ tons/1,000 Nm ³ |
| Kerosene | 2.489 CO ₂ tons/kl |
| Diesel | 2.619 CO ₂ tons/kl |
| Gasoline | 2.322 CO ₂ tons/kl |
| LPG | 3.000 CO ₂ tons/ton |

Energy consumption (CO₂ equivalents)



Power generation from new energy sources



Resource conservation

Water conservation

Water used in the production domain was reduced 23.3% from FY2001 levels to 4,041,000 m³. The per-unit water consumption index was reduced 25.0% from FY2001 levels. In addition, Honda used 76,000 m³ of rainwater.

Reduction in waste

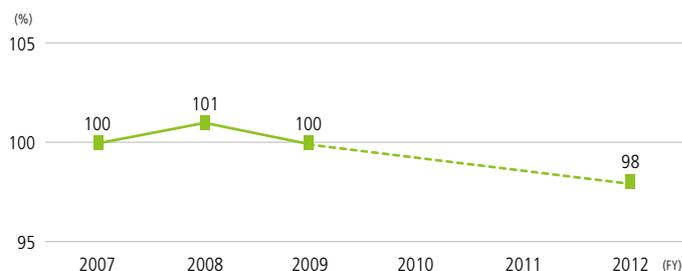
All factories in Japan continued to record zero direct off-site landfill waste in FY2009. Recycling volumes were increased and the incineration of waste was reduced. Total waste of 27,700 tons was reduced 33% and per-unit waste was reduced 35% from FY2001 levels.

The transfer of motorcycle production from the Hamamatsu Factory to the Kumamoto Factory produced a temporary spike in waste generation, negatively affecting the per-unit figure for the fiscal year. Going forward, Honda will continue to enhance yield and reduce undue waste in production processes while further expanding the recycling of scrap.

Per-unit byproduct generation

In accordance with Japan's Law for the Promotion of Effective Utilization of Resources, in FY2008, Honda set a new target for the reduction of byproducts (metals and casting aggregates) it generates: a 2% reduction from FY2007 levels by FY2012. Byproduct generation was reduced 1% in FY2009 from FY2008 levels as a result of yield enhancement and other byproduct-decreasing initiatives.

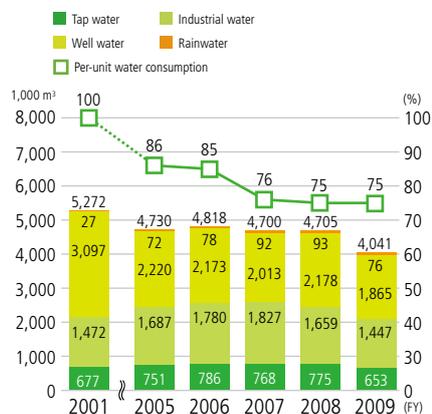
Per-unit byproduct generation (FY2007=100%)



Report concerning the storage and disposal of devices containing PCBs

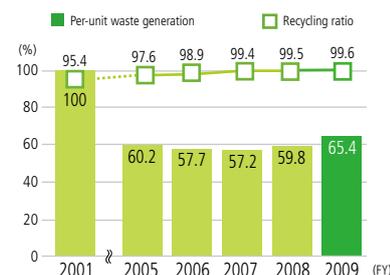
In FY2009, Honda notified the government about efforts to deal with 724 condensers and transformers containing PCBs, of which 30 were newly added low-concentration PCB devices (1 device was excluded from reporting). While maintaining an agreement with the Japan Environmental Safety Corporation for pre-processing, Honda is storing the devices in accordance with Japanese regulations to ensure that PCBs do not enter the environment and is preparing measures for their proper disposal.

Water consumption and per-unit water consumption



Note: Per-unit water consumption values are shown as indices (FY2001=100%).

Per-unit waste generation and recycling ratio



Note: Per-unit waste generation values are shown as indices (FY2001=100%).

Breakdown of waste (byproducts) associated with production (unit: 1,000 tons)

| Waste type | FY2006 | FY2007 | FY2008 | FY2009 |
|----------------------------------|--------|--------|--------|--------|
| External disposal by contractors | 0.02 | 0.12 | 0.22 | 0.15 |
| Internal incineration | 2.11 | 1.35 | 1.03 | 0.67 |
| Internal concentration | 6.91 | 6.27 | 8.09 | 7.43 |
| Recycling | 189.40 | 206.35 | 217.65 | 187.47 |
| Total waste | 198.44 | 214.09 | 226.98 | 195.71 |

Note 1: Residues of incineration are excluded.
Note 2: Figures for FY2008 have been corrected.

Elimination of toxic chemicals

VOC¹ emissions

The main sources of VOC emissions are solvents used in automobile paint processes. In FY2009, average VOC emissions were 32.6 g/m², 0.4 g/m² lower than the objective but 0.5 g/m² higher than in FY2008. This result was due to an increase in paint process quality. To reduce VOC emissions going forward, Honda will enhance the reclamation of thinner used in cleansing, further reduce waste and loss of paint and introduce robot-based high-efficiency painting processes.

¹VOCs mainly consist of organic solvents contained in paints and adhesives. VOCs remain toxic for a long period of time, causing depletion of the ozone layer in the stratosphere and photochemical smog in the troposphere. For these reasons, their use is regulated in many countries.

PRTR¹ emissions

Within the scope of the PRTR system, the volume of emissions discharged into the atmosphere/hydrosphere was approximately 1,429 tons, 48% below FY2002 levels. The PRTR per-unit emission index declined 44% from FY2002. This favorable trend is the result of increased use of materials that offer a lower level of environmental impact. Going forward, Honda will continue to aim for further emission reductions.

¹The PRTR (Pollutant Release and Transfer Register) system is based on Japan's Law Concerning the Reporting of Specified Chemical Substances Released into the Environment and the Promotion of Improvements in their Management.

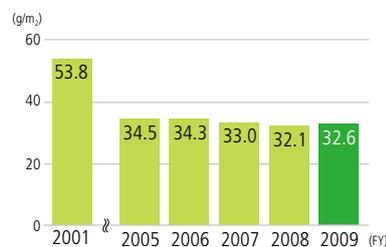
Preventing air and water pollution

Gas emissions from combustion systems and factory wastewater are closely monitored to maintain air and water quality at levels mandated by voluntary standards, which are more stringent than government regulations.

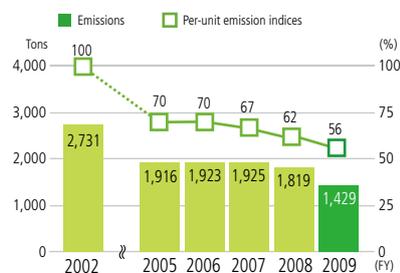
For more information, see p73 of Case Studies and Supplementary Information.

[URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Trend in per-unit VOC emissions

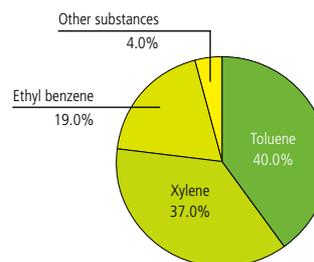


Emissions of substances treated under PRTR system and per-unit emission indices



Note: PRTR per-unit emission values are indices (FY2002=100).

Breakdown of emissions of substances treated within PRTR system



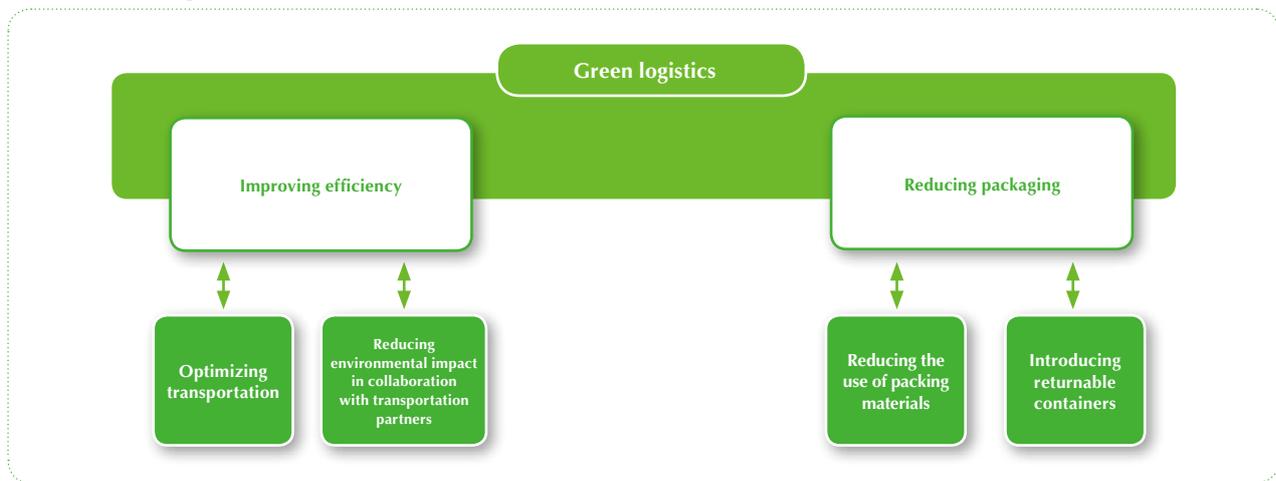
Striving for efficient, environmentally responsible transportation

Transportation

Honda is continually striving to improve efficiency in every area, including the transportation of finished products. Wherever possible we are changing the means of transportation from truck to ship and rail. We're developing environmental management systems jointly with our partners and implementing other environmentally responsible logistics measures. We are also reducing the use of packaging materials by introducing simpler packaging, using new packaging materials, altering specifications and promoting the use of returnable containers.



Major transportation initiatives



Annual targets and results

FY2009 targets

- Continue implementation of environmental management systems with three main partners
- CO₂ emissions: 90.29 g CO₂ /tkm (per ton per km transportation of complete automobiles)
- 43.0% reduction of component parts set packaging (baseline: FY2001)

FY2009 results

- Continued attainment of goals
- CO₂ emissions: 87.61 g CO₂ /tkm (per ton per km transportation of complete automobiles)
- 44.5% reduction in component parts set packaging (baseline: FY2001)

Improving efficiency

In FY2009, CO₂ emissions associated with the transportation of automobiles, motorcycles, power products and parts in Japan totaled 74,893 CO₂ tons.

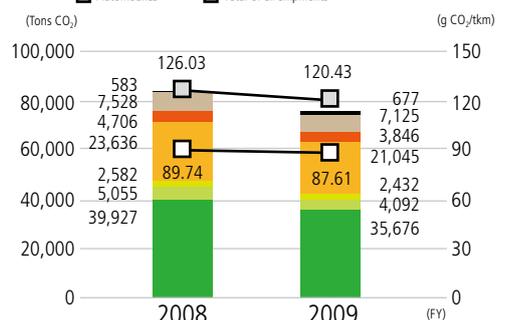
Japan's Rationalization in Energy Use Law, which took effect in April 2006, defines a "shipper" as any company that transports over 30 million tkm (ton-kilometer = mass of shipments in tons × distance shipped in kilometers) in a year. The law requires not only shippers but also companies that employ shippers to engage in initiatives to reduce energy consumption. To fulfill its responsibilities as a shipper under the law, Honda has established the following goal for the shipping of finished vehicles and parts within Honda and outside Honda: a ratio of CO₂ generated to revenue of no more than 90% of the 2006 figure by the year 2010 (see p26).

CO₂ emissions calculated based on Japan's Rationalization in Energy Use Law (unit: ton of CO₂)

- Automobiles ■ Motorcycles ■ Power Products ■ Parts
- Component parts sets ■ Internal transport ■ Other

CO₂ emissions units calculated based on Japan's Rationalization in Energy Use Law (unit: g CO₂/tkm)

- Automobiles □ Total of all shipments



Includes sales, administration, corporate communications and other operations.

Initiatives in the transportation of automobiles, motorcycles, power products and parts

By encouraging Honda's transportation partners in Japan to promote energy conservation and by improving average fuel economy through introducing new trailers and reducing idling, Honda improved fuel economy in the transportation of finished automobiles in FY2009 by 3% and reduced transportation-related CO₂ emissions by 687 CO₂ tons. Going forward, Honda will continue to expand transportation by ship and rail.

For the transportation of finished motorcycles, continuing a FY2008 initiative, Honda has expanded the use of railway transportation to save energy. For example, Honda makes regular rail shipments from the Kumamoto Factory to the Tokyo area by rail from JR Kumamoto Station. Additionally, all motorcycles imported to Japan from China, which were previously shipped from China to the Port of Nagoya and from there to locations across Japan are now shipped to the Port of Kobe and the Port of Tokyo, as appropriate, and from there to their final destinations. This initiative, which started in November 2008, has greatly reduced inland shipping distance and reduced the resulting CO₂ emissions by approximately 7%.

Honda has continued to make progress in consolidating parts distribution at the Suzuka Distribution Center, which began operations in June 2007. Honda completed the work of consolidation in September 2008, and, with only a few exceptions, began supplying all regions of Japan exclusively from the Suzuka Distribution Center via charter flights. Through loading the charter flights more efficiently and rationalizing delivery routes, Honda has reduced CO₂ emissions by a substantial 21.1% from FY2007 results. Although consolidation has resulted in an increased amount of coordinated parts shipments between Honda facilities, the use of rail has helped to make such shipments more efficient. Honda has begun container shipments via rail between Sayama and Suzuka, increasing the number of containers per shipment from four at the beginning of the initiative to twelve in FY2009. Going forward, Honda will continue to proactively use rail and sea transport to achieve further reductions in CO₂ emissions.

Reducing packaging

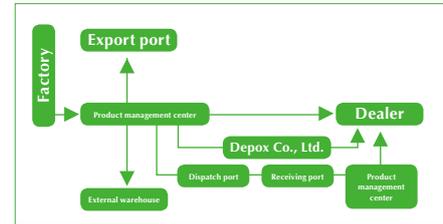
Reducing packaging in the transportation of component parts sets

In FY2009, Honda accelerated the introduction of returnable exterior parts containers, expanding the program to include factories in Lincoln, Alabama, and Wuhan, China. Further, by expanding the use of returnable interior parts containers for Fit shipments from Japan to Taiwan and Jazz shipments from Japan to Brazil, Honda increased the use of returnable containers by 8.0% from FY2008 levels and as a result reduced the use of cardboard. Honda will continue with the conversion from disposable to returnable shipping materials.

Usage rate for returnable containers for exterior component parts sets

| Destination | Usage rate | | |
|---------------|--------------|--------------|--------------|
| | FY2007 | FY2008 | FY2009 |
| North America | 69.7% | 82.1% | 84.1% |
| South America | 14.0% | 41.7% | 44.0% |
| Europe | 69.7% | 67.8% | 74.5% |
| Asia/Oceania | 51.7% | 57.5% | 67.0% |
| China | 1.9% | 24.9% | 43.3% |
| Total | 49.6% | 60.2% | 68.2% |

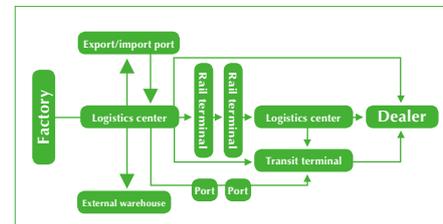
Transportation operations covered by CO₂ emissions calculations (transportation of completed automobiles)



CO₂ emissions reductions in automobile transportation (FY2009)

| Measure | Start | CO ₂ reduction |
|---|--------|---------------------------|
| Energy-efficient driving initiatives and introduction of new trailers | FY2005 | 687 tons |

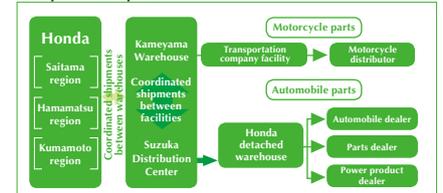
Transportation operations covered by CO₂ emissions calculations (transportation of completed motorcycles)



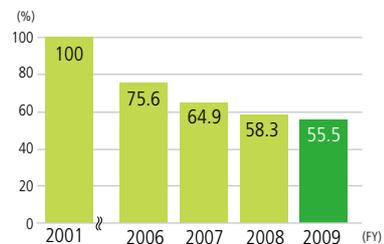
CO₂ emissions reductions in motorcycle transportation (FY2009)

| Measure | Start | CO ₂ reduction |
|--|--------|---------------------------|
| Receiving motorcycles from China at one of two ports (Tokyo or Kobe), whichever is closer to final destination | FY2009 | 99 tons |

Transportation operations covered by CO₂ emissions calculations (transportation of parts)



Change in component parts set packaging index over time



Note: Component parts sets are delivered to overseas plants for local assembly.

Less packaging materials with component parts sets

| Measure | Reduction |
|--------------------------|------------|
| Reduced use of steel | 1,763 tons |
| Reduced use of cardboard | 72 tons |

Note: Reduction in disposable packaging was facilitated by higher use of returnable containers.

Strengthening the bonds of trust with customers and communities

Sales and Service

Honda is continuing with the implementation of environmental management systems and promoting Green Dealer certification to further advance environmental initiatives in sales and service. We encourage dealers in the many regions in which we operate to be proactive in environmental conservation and to continuously implement measures to make their operations more environmentally responsible, enhancing the value they offer and the trust they earn from customers and communities.



Sales and Service initiatives



For further information, see Case Studies and Supplementary Information:
[URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Annual targets and results

| | FY2009 targets | FY2009 results |
|----------------|--|---|
| Automobiles | Automobile dealer (affiliates) per-unit CO ₂ emissions: 1.0% reduction (baseline: FY2008) | Automobile dealer (affiliates) per-unit CO ₂ emissions: 15.9% reduction (baseline: FY2008) |
| Motorcycles | Motorcycle dealer (affiliates) per-unit CO ₂ emissions: 1.0% reduction (baseline: FY2008) | Motorcycle dealer (affiliates) per-unit CO ₂ emissions: 1.1% reduction (baseline: FY2008) |
| Power Products | Power Products dealer (affiliates) per-unit CO ₂ emissions: 1.0% reduction (baseline: FY2008) | Power product dealer (affiliates) per-unit CO ₂ emissions: 4.2% reduction (baseline: FY2008) |

CO₂ emission reductions by dealers

Honda manages dealer CO₂ emissions on a per-unit basis. In FY2009, automobile dealer per-unit CO₂ emissions were reduced 15.9% from FY2008 levels, while reductions by motorcycle and power products dealers in the same time period were 1.1% and 4.2%, respectively. As part of their Green Dealer activities, each Honda dealer maintains an Environmental Register into which are entered such inputs as power, water, gasoline and energy; these in turn are converted into CO₂ emissions and cost figures, which assist the dealer to understand and manage CO₂ emissions while reducing environmental burden and costs.

Deal per-unit CO₂ emissions



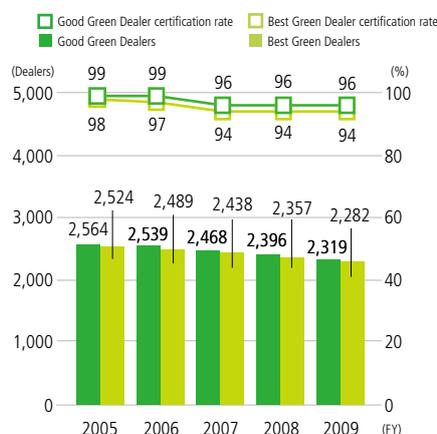
Automobile dealers

Developed by Honda on the basis of expertise gained in achieving ISO 14001 certification and introduced in FY2001 for all Honda automobile dealers in Japan, the Green Dealer certification system helps confirm that dealers are engaging in environmentally responsible practices. As of March 2009, 2,282 dealers had been certified as Best Green Dealers that had taken steps to enhance energy efficiency, contribute to their communities and enhance their environmental conservation initiatives. Steps to enhance energy efficiency include the promotion of energy conservation and environmentally responsible driving.

As one requirement for certification, Green Dealers must offer instruction on environmentally responsible driving practices, such as accelerating gently and maintaining lower cruising speeds, as part of their safe driving courses. In FY2009, 22,198 persons participated in safe driving courses that offered this instruction.

Note: The number of certified dealers and the certification rate may vary in conjunction with the consolidation, closure and opening of dealerships.

Trend in Green Dealer certification



Note: The Green Dealer certification system is implemented in two tiers. Good Green Dealer certification is awarded to dealers that comply with environmental regulations and make other efforts to protect the environment, such as cleaning up areas surrounding their facilities. Best Green Dealer certification is awarded to dealers that have improved their environmental practices.

Motorcycle dealers

In FY2009, Honda Motorcycle Japan, a wholesaler, implemented initiatives to reduce the consumption of electricity and gasoline and the generation of waste. To conserve electricity, the company reduced unneeded lighting and implemented a virtual server system to reduce the number of servers it used. To conserve gasoline, the company implemented a self-assessment system to encourage environmentally responsible driving. As a result of these initiatives Honda Motorcycle Japan reduced energy consumption by 8.5% from FY2008 levels. To generate less waste, the company encouraged customers to use their own shopping bags; going forward, however, buying back its own bags is being considered as a potentially more effective method to reduce the total number of bags used.

Since 2002, Honda's independent affiliate motorcycle dealers have been joining Dream Dealers, a sports bike sales network that is the equivalent of Green Dealers. In FY2009, Honda established 8 additional Dream Dealers, expanding the network to 108 outlets. Honda continues to encourage Dream Dealers to be environmentally responsible in three areas: complying with environmental regulations, engaging in environmental conservation and promoting the recycling of motorcycles.¹

In FY2009, Honda worked with environmental initiative managers at dealerships to establish an environmental management system at seven locations. Approximately half of the dealers engaged in initiatives suited to their particular circumstances, such as demand management systems, implementing environmental initiatives that include all associates and exhibiting at environmental festivals.



Honda Dream Kyoto Fushimi exhibit at the Kyoto Environmental Festival



Environmental management displays at Honda Dream Sendai-Izumi

¹For further information, see p51.

Power product dealers

Promoting reduction of environmental impact

Since 2002, Honda power product dealers have been participating in a Green Dealer certification system. In FY2009, Honda conducted an environmental awareness campaign in which 2 Green Dealers (6 locations), 227 distributors and 143 service network outlets participated.

Leading the way to a recycling-based society

Product recycling (reduce, reuse, recycle)

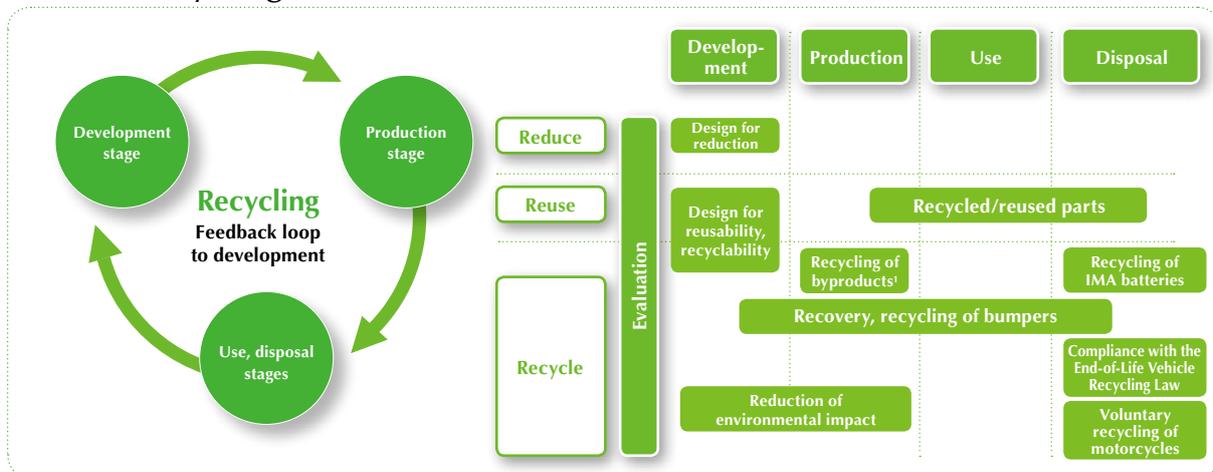
Even before the introduction of Japan's End-of-Life Vehicle Recycling Law in 2005, Honda was proactive in implementing parts recycling and recovering and recycling oil filters and replacement bumpers. Developing specialized equipment designed to disassemble products and parts efficiently and safely, Honda is proactive in leading a network of companies focused on reducing, reusing and recycling.



Honda's policy on product recycling

1. Design products that are superior in performance in accordance with the reduce, reuse, recycle principle
2. Implement economical and effective recycling measures and use the results as feedback in new product development
3. Give priority to designs that allow for reusability and reduce the energy and other resources needed for reuse and recycling
4. Minimize SOCs contained in products, taking into account the disposal of end-of-life vehicles
5. Cooperate and collaborate with all stakeholders

Product recycling



¹For more information on the recycling of byproducts, see p42.

Annual targets and results

| | FY2009 targets | FY2009 results |
|----------------|---|---|
| | Increase recyclability rate¹ | |
| Automobiles | <ul style="list-style-type: none"> • Minimum 90% recyclability for all newly introduced or redesigned vehicles • Maximum 1% chloride in ASR for all newly introduced or redesigned vehicles | <ul style="list-style-type: none"> • Minimum 90% recyclability for all newly introduced or redesigned vehicles • Maximum 1% chloride in ASR for all newly introduced or redesigned vehicles |
| Motorcycles | <ul style="list-style-type: none"> • Minimum 95% recyclability | <ul style="list-style-type: none"> • Maintained minimum recyclability of 95% |
| Power Products | <ul style="list-style-type: none"> • Increase recyclability rate | <ul style="list-style-type: none"> • Maintained minimum recyclability of 95% |

¹Based on JAMA guidelines for defining and calculating new-vehicle recyclability

Development initiatives

Reduce, reuse, recycle assessment system

To use resources efficiently, Honda has established a reduce, reuse, recycle assessment system to make products as compact and lightweight as possible, reduce the amount of materials used, create parts with a long lifespan, design products for maximal reusability and use materials that are easy to recycle. In addition, Honda works to minimize the use of harmful substances that place a burden on the environment. Honda has applied this system to motorcycles since 1992 and to automobiles since 2001 and continues to enhance it today.

Reducing by design

Honda reduces by design to minimize the amount of materials used in products, making parts more compact and lightweight and enhancing their lifespan. In addition to downsizing and reducing the weight of metal parts, including the body frame, engine and transmission, Honda has reduced the weight of non-metal parts by using better materials and enhancing the composition of parts. One example of reducing by design is the redesign of the CBR1000RR super sports bike: seeking to reduce the weight of each part, Honda lowered the overall weight of approximately 200 kg by approximately 7 kg.

Reusing and recycling by design

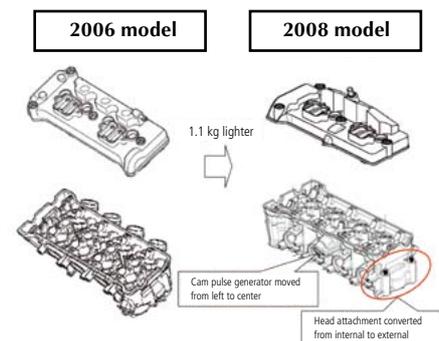
In reusing and recycling by design, Honda endeavors to create vehicle designs that facilitate disassembly and recycling, that use easily recycled materials and reprocessed resin and that have material identification marks on all resin and rubber parts large enough for such labeling.

As a result of recyclability improvements for automobiles, in FY2009 Honda achieved 90% or greater recyclability (based on JAMA guidelines) for all newly introduced or redesigned vehicles. In addition, Honda used reprocessed resin in splash shields for the Accord and recycled materials in the sound-absorbent materials for the battery container of the Insight.

To further improve recyclability, Honda has applied the latest approaches in information technology to gather and calculate recycling data. Honda will work toward product designs that attain greater than 95% recyclability. To help facilitate increased recycling, Honda labels plastic parts whenever possible, even in the case of small resin parts, and has begun labeling mufflers to indicate the presence of catalytic converter. Recycled materials are used in approximately 15% of resin parts on scooters.

To achieve the target of recycling at least 95% of the materials used in power products, Honda proactively reduced the generation of automotive shredder residue (ASR) and promoted the use of recovered heat energy.

Toward a more lightweight CBR1000RR cylinder head



Use initiatives

Recovery, recycling and reuse of parts: expanding Honda's parts recycling business

Since 1998, Honda has sold highly functional recycled (remanufactured¹⁾) parts such as drive shafts, power steering gear boxes and torque converters through its automobile dealers in Japan. In July 2001, Honda also began marketing used parts and reused parts (parts removed from new automobiles), expanding the operation known as Honda Recycle Parts.

Recently, the number of vehicles in which reused parts can be fitted has declined, and both the performance and durability of original parts have improved. In response, Honda has worked to increase the number of models in which reused parts can be used and to utilize parts collected for the purpose of reuse both as reused parts and as raw materials. As a result, in FY2009, Honda achieved a 99% recycling rate for such parts.

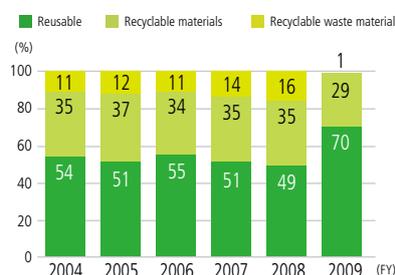
Since January 2002 (July 2001 in the Tokyo area) customers in Japan have been offered the convenience of ordering both used and new parts through Honda's genuine-parts distribution channels. To expand the supply of used parts, in FY2009, Honda examined the viability of providing even more convenience for customers through the use of external distribution channels. Honda is still examining the possibility of building a cooperative sales system for reused parts involving used parts sales networks and outstanding automotive dismantlers.

¹Parts that have been disassembled and subsequently reassembled.

Examples of recycled parts



Increased reuse of recovered parts



Disposal initiatives

Automobiles

End-of-life recycling law

As a manufacturer of automobiles, Honda is optimizing recycling-oriented measures applied throughout the life cycle of the automobile, from development to disposal. Japan's End-of-Life Vehicle Recycling Law, enacted in January 2005, is intended to promote environmental conservation and the effective use of resources through measures that ensure the responsible and efficient recycling of end-of-life vehicles. Under the law, automakers are obliged to collect and properly dispose of the following three items:

- Fluorocarbons used as air conditioner refrigerants that would contribute to depletion of the ozone layer and global warming if released into the atmosphere
- Airbags, which are difficult to dispose of because they contain explosive agents
- Automobile shredder residue (ASR)—what remains after useable materials are extracted from end-of-life vehicles

Honda recycling fees cover the cost of properly disposing of and recycling its products at minimal cost to the customer. Honda maintained recycling fees at a reasonable level through efficient disposal of end-of-life vehicles.

Recycling results for FY2009

| | | |
|-----------------------------------|---|----------------------------------|
| Fluorocarbons | Amount recovered | 98,518.3 kg / 321,106 vehicles |
| | Recovered | 37,586 units / 18,817 vehicles |
| Airbag inflators | Recovered after deployment | 339,162 units / 147,312 vehicles |
| | Recycling rate | 94.5% (standard: 85% or more) |
| Shredder residue | Volume received | 66,941 tons / 358,212 vehicles |
| | ASR that would have been generated had full recycling not been done | 6,112 tons / 33,171 vehicles |
| | Recycling rate | 80.5% |
| Total recycling deposits received | | ¥3,525,255,925 |
| Total recycling costs | | ¥3,497,513,371 |

FY2009 accomplishments: compliance with the End-of-Life Recycling Law

In FY2009, in compliance with the End-of-Life Recycling Law, Honda was obliged to collect and properly dispose of three items with the following results: approximately 390,000 end-of-life vehicles were shredded, up 4.2% from the previous fiscal year; fluorocarbons were collected from approximately 320,000 vehicles, up 10.8% from the previous fiscal year; and since the number of end-of-life vehicles equipped with airbags continued to rise as in the previous year, airbags from approximately 170,000 vehicles were processed, up 43.2% from the previous fiscal year.

Recycling deposits received to handle these three items totaled ¥3,525,255,925, and recycling costs including internal costs totaled ¥3,497,513,371, netting Honda ¥27,742,554.

Recycling end-of-life vehicles

Since FY2008, Honda has experimented with the economic feasibility of having recycled resin from used bumpers recovered by automotive disassembly companies and processed by recycling companies. In FY2009, in cooperation with Honda Trading Corporation Honda continued to expand the territory of this initiative. In FY2009, Honda recovered approximately 30,000 bumpers from end-of-life vehicles, in the process reclaiming approximately 62 tons of polypropylene (recycled resin).

Participating companies: Parts Line; Auto Recycling Nakashima Fukuoka, West-Japan Auto Recycling, Nishiki; Kaiho Sangyo, Harita Metal, Showa Chemical Industry Corporation

Motorcycles

Voluntary recycling activities

In cooperation with other motorcycle manufacturers and a number of motorcycle importers in Japan, Honda began voluntary recycling of motorcycles on October 1, 2004. Continuing to proceed smoothly, the program is a pioneering initiative in regular, voluntary recycling of motorcycles, providing a dependable way for customers to dispose of their motorcycles. Under this program, motorcycles that customers want to dispose of are accepted at dealers or other specified facilities and appropriately processed and recycled at recycling facilities. In FY2009, with a view to increasing recycling rates, Honda established routes for the recycling of a portion of resin materials and a portion of aluminum from engines. Honda also engaged in experiments to expand the recycling of resin materials.

FY2009 recycling results

All Honda motorcycles sold in Japan include the cost of recycling in their prices and bear a label to this effect. Of the end-of-life motorcycles accepted at designated facilities, 1,930 were Honda products, accounting for 77.3% of the total. 66.6% were accepted by Honda Dream Dealers. According to calculations based on the number of motorcycles handled at 14 disposal and recycling facilities, the recycling rate was 85.8% for Honda scooters (including three-wheel scooters and commercial-use scooters) and 86.5% for Honda motorcycles. Honda's overall motorcycle recycling rate was 86.0%.

End-of-life automobile bumper recycling



Used bumpers



Shredded bumpers

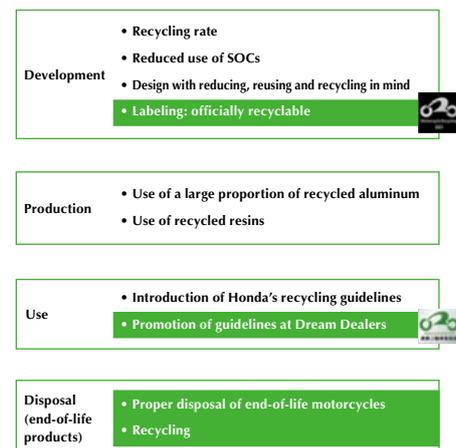


Reprocessed resin pellets

Motorcycle disassembly



Outline of Honda's motorcycle recycling system

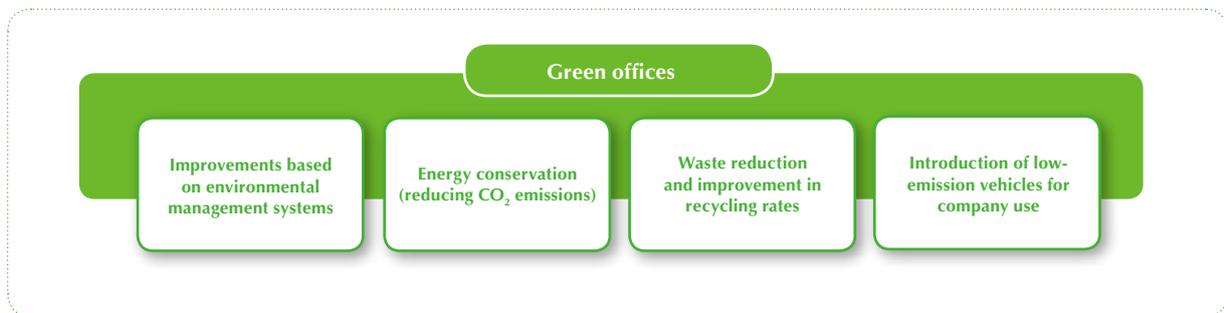


Administration

Honda is focused on environmental conservation measures in the management of its office facilities. These measures are designed to lead to customers, suppliers and associates strengthening their own environmental conservation measures. In addition to reducing the environmental footprint of our administrative activities, we are also implementing environmental management systems aimed at creating environmentally responsible offices.



Administration initiatives



Annual targets and results

FY2009 targets

- CO₂ emissions at 28 facilities of 17 Honda Group companies in Japan: 38,188 tons
- Landfill waste generated at 28 facilities of 17 Honda Group companies in Japan: 1,894 tons

FY2009 results

- CO₂ emissions at 28 facilities of 17 Honda Group companies in Japan: 35,585 tons
- Landfill waste generated at 28 facilities of 17 Honda Group companies in Japan: 1,798 tons

Honda initiatives

CO₂ emissions and waste generation

In FY2009 Honda pursued initiatives aimed at reducing energy consumption in everyday operations. As a result, CO₂ emissions generated by Honda's nine offices¹ totaled 12,218 tons, which was 774 tons less than the target value of 12,992 tons—a 106.0% attainment of objectives. This represents a 7.0% (913 ton) reduction from the previous fiscal year. Principal initiatives included expanding the environmental manners policy (which encourages associates to reduce everyday energy consumption) initiated at the Aoyama building to include all Honda offices, implementing “cool biz, warm biz” practices, and installing more energy-efficient air-conditioning units.

In FY2010, Honda aims to reduce CO₂ emissions by a further 1% from FY2009 levels, to 12,096 tons. Honda also made efforts to reduce total waste generated and increase recycling in FY2009. As a result, Honda's nine offices generated 487 tons of waste, which was 18 tons less than the objective of 505 tons—a 103.6% attainment of

Administrative targets and results

| Item | FY2009 targets | FY2009 results | FY2010 targets |
|----------------------------------|----------------|----------------------------|----------------|
| CO ₂ emissions (tons) | 12,992 | 12,218 (106.0% attainment) | 12,096 |
| Waste generated (tons) | 505 | 487 (103.6% attainment) | 482 |

¹Includes Honda Motor's nine office buildings in Aoyama, Wako, Shirako, Yaesu, Sapporo, Sendai, Nagoya, Osaka, and Fukuoka.

objectives. This represented a 4.9% (25 ton) reduction from the previous fiscal year.

Principal initiatives included renewed efforts to reduce the amount of copy paper used, more thorough waste separation policies implemented at each office, and introduction of RPF (refuse paper and plastic Fuel) processing to achieve improved recycling ratios.

For FY2010, Honda aims to reduce waste generation by a further 1% from FY2009 levels, to 482 tons.

Honda Group initiatives

CO₂ emissions and waste generation

The 17 companies and 28 facilities² of the Honda Group in Japan are pursuing initiatives aimed at reducing energy consumption in their everyday operations. As a result, in FY2009, CO₂ emissions generated were 35,585 tons, which was 2,603 tons less than the target value of 38,188 tons—a 106.8% attainment of objectives. This represents a 7.6% (2,973 ton) reduction from the previous fiscal year.

Waste generated was 1,798 tons, which was 96 tons less than the target value of 1,894 tons—a 105.1% attainment of objectives. This represents a 5.9% (113 ton) reduction from the previous fiscal year. Principal initiatives included efforts to reduce the amount of copy paper used, more thorough waste separation policies implemented at each facility, improved recycling ratios through the introduction of RPF processing and other measures, and the commencement of a study to implement a full environmental system for intra-Group paper resource use.

Initiatives at Honda Sun Co., Ltd., a special Honda subsidiary

Honda Sun Co., Ltd., a special Honda subsidiary involved in auto parts production, is proactively promoting environmental improvement in the broader sense of all that which affects people in their everyday lives, by pursuing universal design principals that lessen the environmental burden on people with disabilities. In FY2009, disabled and able-bodied people worked together on a variety of environmental initiatives, including energy-saving measures such as reduced use of stand-by power and removal of superfluous fluorescent lighting tubes, and waste reduction initiatives such as finer separation and commercial trading of waste metals.

ISO 14001 certification of Honda and Honda Group companies

Since the Aoyama building first achieved ISO 14001 certification in 1999, ongoing efforts have been made to introduce environmental management systems that will reduce the environmental impact of administrative activities. In November 2008, Honda headquarters attained expanded ISO 14001 certification with the certification of the Shirako building. During FY2010, Honda intends to obtain multi-site ISO 14001 certification for the Sapporo, Sendai, Yaesu, Nagoya, Osaka and Fukuoka offices.

By the end of FY2009, two more Honda Group companies had attained ISO 14001 certification, bringing the total to nine, representing a steady expansion in ISO 14001 certification.

Honda Group targets

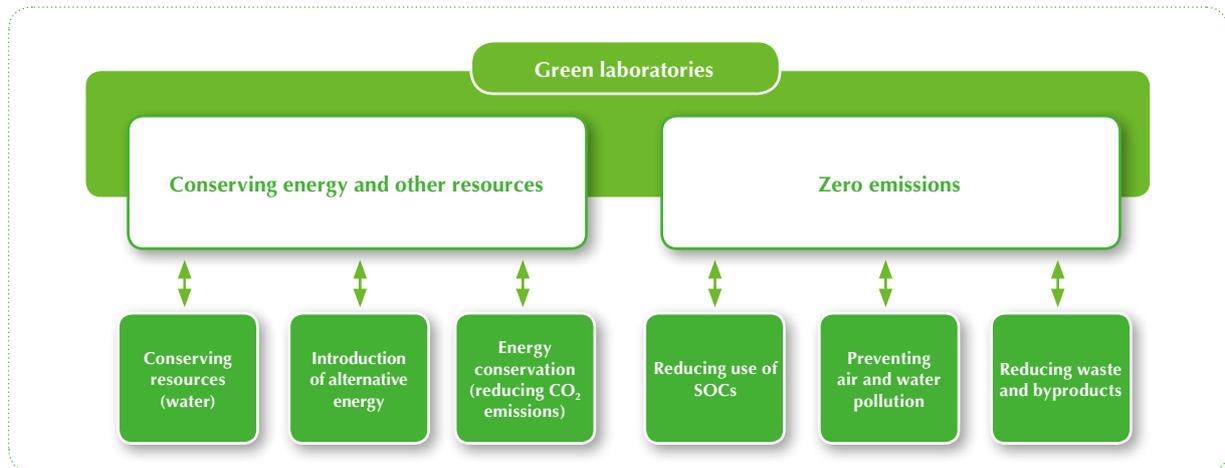
| Item | FY2009 targets | FY2009 results | FY2010 targets |
|----------------------------------|----------------|----------------------------|----------------|
| CO ₂ emissions (tons) | 38,188 | 35,585 (106.8% attainment) | 35,229 |
| Waste generated (tons) | 1,894 | 1,798 (105.1% attainment) | 1,780 |

²In FY2009, targets and results will be reported for the Honda Group, including Honda Motor Co., Ltd. and its nine buildings (see list above), as well as some companies of the Honda Group in Japan—Mobility Land, Honda Kaihatsu, Honda Sun, Honda Commtec, Honda Technical College, Honda Airways, Honda Trading, Japan-Techno, Honda Finance, Rainbow Motor School, Kibonosato Honda, Honda R&D Sun, KP Tech, Chu-o Air Survey Corp., Circuit Service Creates and Japan Race Promotion—a total of 17 companies and 28 facilities.

Principal Honda Group companies in Japan

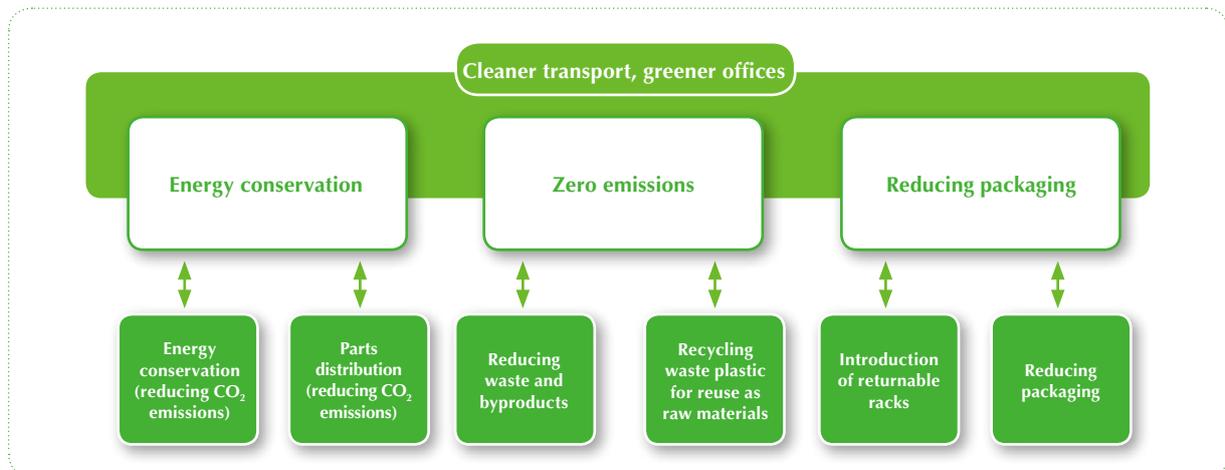
Sharing basic principles, each Honda Group company in Japan focuses on its own operations while keeping in mind the common goal of reducing environmental impact. Each acts independently to confront environmental issues at hand, setting high targets and working proactively to protect the environment. This section focuses on initiatives undertaken by Honda R&D, which handles the Group's research and development; Honda Engineering, which is in charge of production technology; and Honda Access, which is in charge of research, development and sales of genuine Honda parts and accessories.

Honda R&D & Honda Engineering: principal initiatives



Specific examples of initiatives being implemented by Honda Group companies are given in Case Studies and Supplementary Information, available at [URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Honda Access: principal initiatives



Honda R&D initiatives

Annual targets and results

FY2009 targets

- Total CO₂ emissions: 162,000 tons
- Per-unit CO₂ emissions: 12% reduction (baseline: FY2001)
- Per-unit waste generated: 31% reduction (baseline: FY2001)
- Total waste generated: 6,900 tons

FY2009 results

- Total CO₂ emissions: 158,000 tons
- Per-unit CO₂ emissions: 10% reduction (baseline: FY2001)
- Per-unit waste generated: 23% reduction (baseline: FY2001)
- Total waste generated: 7,200 tons

In charge of research and development for the Honda Group, Honda R&D aims to apply its industry-leading environmental and energy technologies to develop products with outstanding environmental performance in environmentally responsible facilities.

Saving energy

Honda R&D has set a target to reduce per-unit CO₂ emissions to 15% below FY2001 levels in FY2010. As a step toward achieving this target, the company set its FY2009 CO₂ emissions target at 162,000 tons, with a reduction in per-unit CO₂ emissions of 12% compared to FY2001 levels, and is engaged in a variety of energy-saving efforts to achieve this goal. These efforts resulted in a 10% reduction in per-unit CO₂ emissions in FY2009 from FY2001 levels. The target for total CO₂ emissions was achieved, with emissions of 158,000 tons.

Energy-saving measures implemented in FY2009 included startup of a cogeneration system at the Automobile R&D Center, replacement of air conditioning units, installation of HF fluorescent lighting with motion sensors, reconfiguration of air conditioner operation procedures implementing energy management, and the injection of outside air into server rooms to reduce air conditioner load.

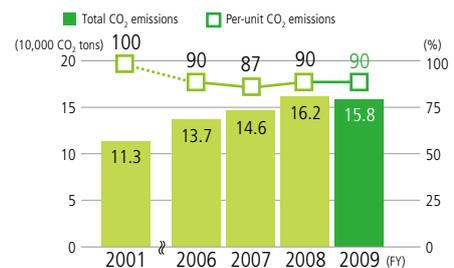
At the Automobile R&D Center, a micro-grid system was established to regulate the solar cells, cogeneration system, and 12,000 kW NaS battery system (one of the largest in the world), facilitating optimum use of new energy sources.

The control tower at the Takasu Proving Ground utilizes new technologies such as an HVAC system that uses a geothermal heat pump, a cooling tower, ice storage and outside air cooling, taking full advantage of Hokkaido's climate to reduce the burden on the environment.

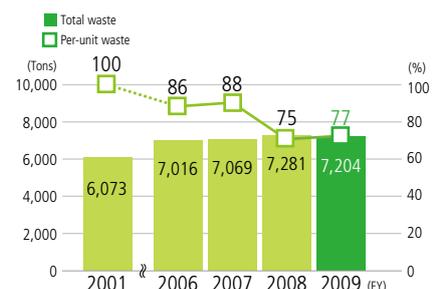
Reduction in waste

Honda R&D has set a target to reduce per-unit waste generation to 40% of FY2001 levels by 2010. As a step toward achieving this goal, the Company implemented resource-saving measures in order to meet its target of 6,900 tons of waste generation for FY2009. Materials recycling such as making wood substitutes from waste plastic was further facilitated in FY2009 through strengthened waste sorting procedures. Leftover fuel from vehicle testing continues to be recycled to generate on-site electricity using VOC-powered generators. Efforts were also made to further rationalize waste processing through on-site confirmation of collection and transport contractors and interim and final disposal sites.

Total and per-unit CO₂ emissions (FY2001=100%)



Total and per-unit waste (FY2001=100%)



Honda Engineering initiatives

Annual targets and results

FY2009 targets

- Total CO₂ emissions: 25,274 tons
- Per-unit CO₂ emissions: 10.2% reduction (baseline: FY2001)
- Waste generated: 1,907 tons
- Waste recycling rate: 99.0%

FY2009 results

- Total CO₂ emissions: 21,989 tons
- Per-unit CO₂ emissions: 12.6% reduction (baseline: FY2001)
- Waste generated: 1,882 tons
- Waste recycling rate: 99.3%

Honda Engineering, which is responsible for the development of production technology, aims to design factories with the world's lowest environmental impact while applying the same high standards to its own facilities.

Saving energy

In FY2009 Honda Engineering exceeded its target of a 10.2% reduction in per-unit CO₂ emissions from FY2001 levels, achieving a reduction of 12.6%. It also achieved its target for total CO₂ emissions, with a reduction to 21,989 tons. New energy-saving measures introduced in FY2009 included the use of a closed-cycle system for air conditioning/water heating, installation of solar panels on office roofs, and a change to ultra-high efficiency transformers. Ongoing measures include reduced factory air pressure, education in environmental (energy-saving) practices for all associates, workshops on energy conservation and raising of environmental awareness.

Also, as part of company-wide energy saving measures for ISO 14001, each department implemented 27 energy conservation planning initiatives.

Reduction in waste

In FY2009 Honda Engineering achieved a recycling rate of 99.3%, meeting its objective of 99%. It also attained its target for waste reduction at 1,882 tons.

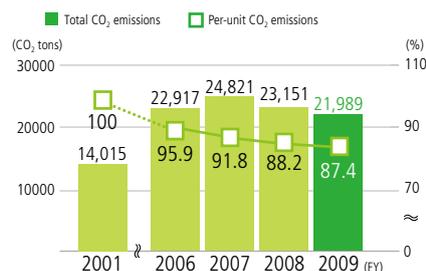
Over half of the waste generated by Honda Engineering consists of waste oil and scrap iron. Since it is difficult to reduce output of these materials, the focus is on improving the economic viability of their recovery. Ongoing efforts to reduce output include use of reusable shipping containers and recycling of precious metals, reduction of cutting-fluid waste in machining operations, and reduced use of urethane spray coatings.

As a part of company-wide ISO 14001 3R activities aimed at waste reduction, 34 recycling initiatives were implemented at the department level.

Reducing SOCs

An SOC management system has been implemented for use in all divisions, to reduce SOC emissions and improve the efficiency of management and documentation. This SOC management system incorporates Honda Engineering's SOC-related regulations and storage management procedures as its basic specifications. The database covers all the SOCs used by Honda Engineering, including in research and development. The introduction of this system is expected to contribute to SOC risk management.

Total and per-unit CO₂ emissions
(FY2001=100%)



Total and per-unit waste



Honda Access initiatives

Annual targets and results

FY2009 targets

- Total CO₂ emissions: 1,613 tons
- Per-unit CO₂ emissions: 8% reduction (baseline: FY2001)
- Per-unit waste generation: 21% reduction (baseline: FY2001)
- Packaging: 64.7% per-unit reduction (baseline: FY2001)

FY2009 results

- Total CO₂ emissions: 1,385 tons
- Per-unit CO₂ emissions: 16% reduction (baseline: FY2001)
- Per-unit waste generation: 27% reduction (baseline: FY2001)
- Packaging: 62.5% per-unit reduction (baseline: FY2001)

Honda Access, which is responsible for the research, development and sale of genuine Honda parts, always strives to be environmentally responsible in providing parts and accessories and in operating its own facilities.

Note: Honda Access has three facilities, the Niiza Headquarters, the Tochigi R&D Center, and the Hidaka Factory. Results for the Tochigi R&D Center are included in the section of this report that deals with Honda R&D's Automobile R&D Center (Tochigi); results reported here cover only the Niiza Headquarters facility and Hidaka Factory.

Saving energy

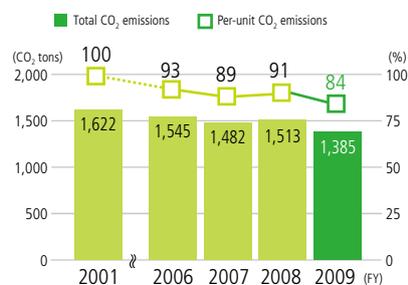
In FY2009 per-unit CO₂ emissions from the Niiza Headquarters and Hidaka Factory were reduced by 16% from FY2001 levels, better than the target of an 8% reduction. Total CO₂ emissions were 1,385 tons, better than the target of 1,613 tons. This can be attributed mainly to energy savings achieved through temperature control adjustments in conjunction with the implementation of Japan's "cool biz, warm biz" initiatives (guidelines for business attire that allow for less energy use from heating and cooling) and ongoing efforts to update cafeteria air-conditioning equipment with higher-efficiency models.

Reduction in waste

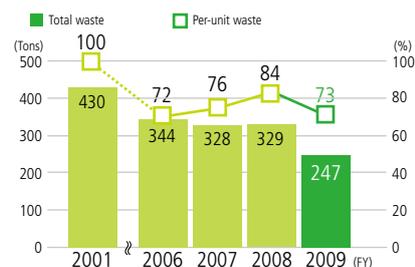
In FY2009 waste generation was 247 tons, achieving the target with a reduction of 43% from FY2001 levels. This can be attributed to the recycling of waste cardboard from packages received for use in packaging of deliveries, the use of lighter, simpler packaging materials for import products, and other measures. Although the target for per-unit reduction in packaging was 64.7% compared to the FY2001 baseline, the actual reduction was 62.5% from FY2001 levels. This was due to larger part sizes and a temporary increase in inventories due to overlap of new-model releases in the second half of the year.

Honda Access makes every effort to reduce packaging in order to save resources. In FY2009 the company continued to implement such measures as downsizing of boxes for floor mats, reduction of individual packaging by shifting from the use of internal boxes to plastic bags, improvement of individual door visor packaging, and the redesign of packaging for tailgate spoilers. Furthermore, paper consumption was reduced through the use of electronic notifications for dealers and a transition from paper-based communication to electronic distribution of automobile service and maintenance information. As a result, the company reduced the amount of paper used in printed manuals compared to the previous fiscal year by 37.6 million sheets in FY2009.

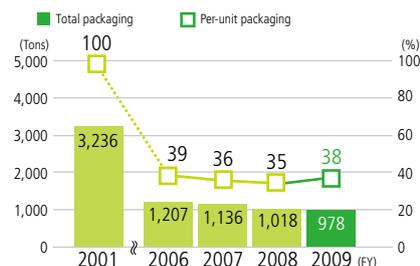
Total and per-unit CO₂ emissions



Total and per-unit waste



Total and per-unit packaging



Philanthropic environmental initiatives

Honda environmental conservation initiatives are designed to enhance the coexistence of our operations with the communities that host them. Deepening ties with communities and individuals worldwide, we strive to anticipate social imperatives and foster well-being through all our activities. We are working proactively to fulfill our responsibilities as a corporate citizen, taking the lead in environmental conservation and working to provide future generations with a cleaner world. Through our websites, pamphlets and other publications and events, we are proactively sharing information about our initiatives.



[URL] <http://world.honda.com/community>

Global topics

• “Don’t Drop It On Alabama” Spring 2008 Cleanup

Believing corporate responsibility extends beyond making products that people want to own, Honda Manufacturing of Alabama, LLC proactively engages in a variety of environmental initiatives, including support of Alabama PALS (People Against A Littered State). On May 17, 2008, working with PALS and the Alabama Department of Transportation, more than 70 Honda associates and their family members took to roadsides near the factory to pick up litter as part of the “Don’t Drop It On Alabama” Spring 2008 Cleanup. As a result, nearly 1.7 tons of litter was collected. Going forward, Honda Manufacturing of Alabama plans to continue its support of this important campaign that helps keep Alabama beautiful.



Environmental communications

As an integral part of environmental management, Honda is engaged in a wide range of communication initiatives to enhance mutual understanding between the company and its stakeholders—particularly customers and host communities. Honda provides a range of environmental information to the public through various media, including Honda websites. In addition, environmental liaisons coordinate communication at the local level, addressing concerns and requests from local residents.

Environmental education

• The Honda Fuel Cell Automobile Classroom

Children hold the future in their hands. That’s why Honda began the Honda Fuel Cell Automobile Classroom—to build interest in the enjoyment of automobiles and inspire dreams about the potential of tomorrow’s technology. In FY2009, Honda held seven sessions at Welcome Plaza in which 62 families participated. Honda’s Fuel Cell Automobile Classroom allowed children to experience for themselves the marvelous technology behind fuel cell vehicles. This was accomplished with the help of presentations that used picture-story animation, experiments in which a motor is powered with electricity produced from a hydrogen-oxygen reaction and test rides in a Honda FCX fuel cell vehicle.



• Nature Wagon

Organized with the help of retired Honda associates, the Nature Wagon is an environmental education program on wheels—a van filled with natural objects from the ocean and forest. The Nature Wagon travels to elementary schools and community centers, bringing nature to the city. Started in the Tokyo area in April 2000, the Nature Wagon is now active in all Honda factory host communities in Japan. In FY2009, the Nature Wagon visited 307 sites bringing nature to approximately 15,500 children. Crafts using logs and other natural materials are introduced, and children are encouraged to explore and discover nature for themselves. Many teacher and students enjoy the experience so much they have invited the Nature Wagon to return.



Nature Wagon events and participants (FY2009)

| Area | No. of events | Participants |
|------------|---------------|-----------------|
| Tokyo area | 79 | (approx.) 3,748 |
| Suzuka | 94 | 3,251 |
| Hamamatsu | 71 | 4,952 |
| Kumamoto | 31 | 1,248 |
| Tochigi | 39 | 2,641 |
| Total | 314 | 15,840 |

Regional environmental communications

Honda promotes communication about environmental issues related to its factories through risk-reduction communication, factory tours and roundtable discussions. Such steps deepen bonds of mutual understanding and trust between local residents and Honda factories regarding Honda's environmental measures, including the proactive steps Honda has taken to reduce environmental risks. In FY2009 each factory organized tours and roundtable discussions, with some 141 people participating in these community events.

Environmental publications

In FY2009 Honda disclosed environmental information related to its operations primarily by the following means:

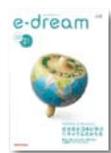
Brochures



The Honda Environmental Annual Report

This report describes Honda's environmental initiatives, including its fundamental policies, the overall direction of its initiatives and their implementation in each of Honda's operations. The report also outlines the progress Honda has made as an industry leader on environmental issues and outlines plans and specific targets for ongoing environmental initiatives.

[URL] <http://world.honda.com/environment/ecology/reports/>



e-dream

This informative magazine, which contains information on automobiles, motorcycles and power products, is published to facilitate better communication between dealerships and customers. It also provides information on Honda's environmental vision and major initiatives.



Eco Drive pamphlets

These pamphlets on energy-efficient driving are distributed at dealerships and events to raise consciousness about fuel-efficient driving.

Websites

The Honda Worldwide Website environment section

The Honda website discloses a full range of environmental information, including product data, environmental news and Honda's history of environmental conservation. It also includes a PDF version of the Honda Environmental Annual Reports.

[URL] <http://world.honda.com/environment/ecology/reports/>

Honda Eco Lab Kids

Honda Eco Lab Kids introduces elementary school students to global environmental issues and Honda's environmental initiatives. It also provides examples of how kids can lead environmentally responsible lives at home.

For more information on the results of global initiatives, support for environmental fairs and more, see Case Studies and Supplementary Information p75.

[URL] <http://world.honda.com/environment/ecology/2009report/download/index2.html>

Ecosystem conservation

Beginning with the Community Forests tree planting initiative in 1976, Honda engages in conservation initiatives in the regions around the world in which it has operations.

• Spring Creek clean-up

The Spring Creek area near Honda of Canada Mfg. in Alliston, Ontario, is home to environmentally sensitive species such as brook trout and increasingly rare birds. To help conserve their habitat, in 2000 Honda Canada began a program to help protect the area. On the first Saturday of May each year, approximately 100 volunteer associates and their families gather to clean up the creek. To help preserve biodiversity and protect the environment, birdhouses have been built for the local bluebirds and several thousand trees and shrubs have been planted.



• Big Darby Creek preservation

In Ohio, Honda is joining hands with The Nature Conservancy, a charitable environmental organization, to protect Big Darby Creek, a state and national scenic river that borders the grounds of the automobile plant of Honda of America Mfg., Inc. To help establish the Big Darby Headwaters Nature Preserve, Honda has provided grants for land acquisition. In addition, associate volunteers have joined in the restoration effort by removing invasive bush honeysuckle at the headwaters near the Marysville Auto Plant.

• Watershed conservation in Japan

Honda is helping conserve precious watersheds near Honda locations throughout Japan, including the Aoyama Headquarters, the Wako R&D operations and the five factories located in Saitama, Suzuka, Hamamatsu, Kumamoto and Tochigi. Current and retired Honda associates and their family members participate in forest conservation projects near Honda facilities, planting trees and thinning forests to improve sunlight penetration and support the growth of the remaining trees.



| Watershed Conservation in Japan FY2009 Achievements | | | | | |
|---|-----------|---------------------------|--------------------------------|--------------|---|
| Facility | Events | Location | Tasks | Participants | Supporting entities |
| Aoyama | 2 | Kosuge, Yamanashi Pref. | Planting trees, clearing brush | 59 | OISCA International |
| Wako | 1 | Yorii, Saitama Pref. | Planting trees | 35 | OISCA International |
| Saitama | 2 | Minakami, Gunma Pref. | Thinning trees | 88 | NPO CCC Creative Conservation Club |
| | 4 | Fujimi, Gunma Pref. | Thinning trees | 126 | |
| Suzuka | 2 | Kameyama, Mie Pref. | Thinning trees | 89 | NPO Morinokaze |
| Hamamatsu | 2 | Hamamatsu, Shizuoka Pref. | Planting trees | 137 | Shizuoka Prefecture |
| Kumamoto | 3 | Ozu, Kumamoto Pref. | Clearing brush | 222 | Kikuchi Forestry Union Aso Green Stock |
| | 1 | Aso, Kumamoto Pref. | Planting trees | 47 | |
| Tochigi | 2 | Ashio, Kumamoto Pref. | Clearing brush | 91 | NPO CCC Creative Conservation Club |
| Total | 19 | | | 894 | |

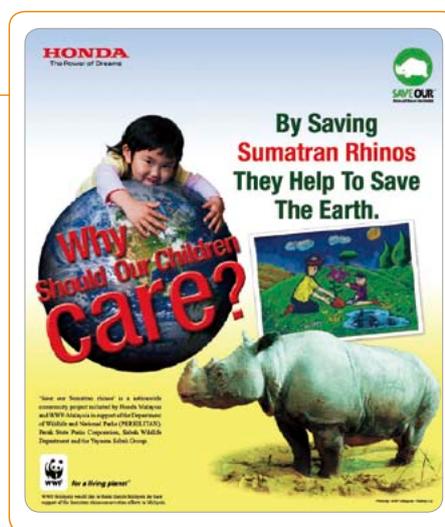
• Community Forests initiative

Honda factories throughout Japan create community forests, planting local tree species in their precincts and allowing them to grow naturally. Since 1976, this initiative has helped to revive and preserve local ecosystems and achieve a harmonious balance of the facilities with nature. An alternative to concrete walls and other barriers to coexistence with local society, Honda's Community Forests put into practice Soichiro Honda's philosophy of making Honda facilities fit in with the local ecosystem and community. In addition, Honda widely promotes the practices it has developed in the Community Forests initiative outside the Honda Group.



• Rhino Rescue Project in Malaysia

In conjunction with the World Wildlife Fund Malaysia, Honda Malaysia began the Rhino Rescue Project in 2006 to help study and protect the endangered Sumatran rhinoceros. Scheduled to last until 2011, the project consists of scientific studies and fieldwork aiming to protect and restore the animals' habitat. In addition to providing the World Wildlife Fund operational funds, Honda Malaysia is also helping with a range of public awareness initiatives, including school programs and dealer displays.



Other initiatives

• Birds of Prey and Woodland Environment Conservation Committee

In March 2007, Honda R&D Co., Ltd. created the Birds of Prey and Woodland Environment Conservation Committee to communicate within Honda and with government agencies about conservation measures to be implemented in the construction of a new test course in Sakura, Tochigi Prefecture. The committee also regularly communicates with NGOs and academia. Construction of the course began in November 2007, with partial operation scheduled to occur in 2009.

• Cooperation with the Monitoring Site 1000

To conserve woodland environments, Japan's Ministry of the Environment runs the Important Ecosystem Monitoring Program, otherwise known as Monitoring Site 1000, in which information is gathered concerning 1,000 natural environments across Japan. In 2008, Honda's Hello Woods, a living museum in which children discover and experience nature, was selected as a site to be monitored by volunteers. For the Motegi, Haga District, Tochigi Prefecture site report, volunteers record data for the six out of nine monitoring categories that apply: plants, birds, medium-size and large mammals, frogs, lizards and fireflies. From February to April 2009, Honda volunteers investigated and reported on tree frogs and their egg masses. Hello Woods volunteers also performed an environmental assessment within the vast grounds of Twin Ring Motegi, locating and conserving plant and animal species considered endangered by the governments of Tochigi Prefecture and Japan. In addition, to encourage the growth of healthy, CO₂-absorbing forests, volunteers regularly clear brush and timber and prune budding branches.



Report scope

Purchasing domain

Purchasing domain results cover the following 32 companies:

| | | | |
|----------------------------|-----------------------------|---------------------------------|-----------------------------|
| Yutaka Giken Co., Ltd. | TS TECH Co., Ltd. | AIKITEC Co., Ltd. | Goshi Giken Co., Ltd. |
| Asama Giken Co., Ltd. | F.C.C. Co., Ltd. | Takao Kinzoku Kogyo Co., Ltd. | Steel Center Co., Ltd. |
| Honda Foundry Co., Ltd. | Nissin Kogyo Co., Ltd. | Tanaka Seimitsu Kogyo Co., Ltd. | Nihon Plast Co., Ltd. |
| Honda Lock Mfg. Co., Ltd. | Musashi Seimitsu Co., Ltd. | Tsuzuki Manufacturing Co., Ltd. | Honda elesys Co., Ltd. |
| Yachiyo Industry Co., Ltd. | F-Tech Inc. | Atsumitec Co., Ltd. | Bestex Kyoei Co., Ltd. |
| MSD Co., Ltd. | Yanagawa Seiki Co., Ltd. | Shinnichi Kogyo Co., Ltd. | Kaneta Kogyo Co., Ltd. |
| Showa Corporation | H-one Co., Ltd. | Kyushu Yanagawa Seiki Co., Ltd. | Marujun Co., Ltd. |
| Keihin Corporation | Yamada Seisakusho Co., Ltd. | Kikuchi Co., Ltd. | Masuda Seisakusho Co., Ltd. |

Production domain

Production domain results cover the following five Japan-based factories of Honda Motor Co., Ltd.:

Saitama Factory
Tochigi Factory
Hamamatsu Factory (including Hosoe Plant)
Suzuka Factory
Kumamoto Factory

Transportation domain

Transportation domain results cover the transportation in Japan of automobiles, motorcycles, power products and service parts produced by Honda Motor Co., Ltd. Results for packaging materials cover packages used in exporting completed motorcycles and component parts sets.¹

¹Sets of parts exported for local assembly into final products

Principal Honda Group companies in Japan

Results of principal environmental preservation initiatives cover the three main Honda Group companies in Japan.

Honda R&D Co., Ltd.
Honda Engineering Co., Ltd.
Honda Access Corporation

Sales and Service domain

Sales and Service domain results cover Honda Motor Co., Ltd. and the 71 companies named below.

| | | |
|---|---|---|
| Honda Wacord Co., Ltd. | Honda Cars Kyoto Co., Ltd. | Honda Senshu Sales Co., Ltd. |
| Honda Cars Tokyo Higashi | Honda Cars Osaka Co., Ltd. | Honda Cars Hakata Co., Ltd. |
| Honda Primo Shinshu Co., Ltd. | Honda Cars Kobe Co., Ltd. | Minami Honda Automobiles Co., Ltd. |
| Honda World Fukui Co., Ltd. | Honda Cars Hyogo Co., Ltd. | Honda Kitatokushima Co., Ltd. |
| Honda Sales Meisei Co., Ltd. | Honda Cars Hiroshima Co., Ltd. | Honda Cars Shizuoka Co., Ltd. |
| Honda Cars Hiroshima Co., Ltd. | Honda Cars Ehime Co., Ltd. | Honda Dream Kanto Co., Ltd. |
| Honda Primo Higashi Yamaguchi Co., Ltd. | Honda Cars Kumamoto Co., Ltd. | Honda Dream Tokyo Co., Ltd. |
| Honda Cars Sapporo Co., Ltd. | Honda Cars Fukuoka Co., Ltd. | Honda Dream Chubu Co., Ltd. |
| Honda Cars Miyagi Chuo Co., Ltd. | Honda Cars Higo Co., Ltd. | Honda Dream Tohoku Co., Ltd. |
| Honda Cars Yamagata Co., Ltd. | Honda Sales Asahikawa Co., Ltd. | Honda Dream Kinki Co., Ltd. |
| Honda Cars Fukushima Co., Ltd. | Honda Automobiles Sales Kita Tohoku Co., Ltd. | Honda Dream Kyushu Co., Ltd. |
| Honda Cars Gunma Chuo Co., Ltd. | Honda Automobiles Sales Minami Kinki Co., Ltd. | Honda Dream Chushikoku Co., Ltd. |
| Honda Cars Tochigi Co., Ltd. | Honda Automobiles Sales Okayama Co., Ltd. | All Honda Sales Corporation |
| Honda Cars Ibaraki Co., Ltd. | Honda Automobiles Sales Shikoku Co., Ltd. | Honda Hokkaido Co., Ltd. |
| Honda Cars Chiba Chuo Co., Ltd. | Honda Automobiles Sales Oita Co., Ltd. | Honda Motorcycle Japan Co., Ltd. |
| Honda Cars Keiyo Co., Ltd. | Honda Automobiles Sales Nagasaki Co., Ltd. | Honda U-Tec Co., Ltd. |
| Honda Cars Saitama Co., Ltd. | Honda Automobiles Sales Minami Kyushu Co., Ltd. | Honda Consulting Co., Ltd. |
| Honda Cars Tokyo Chuo Co., Ltd. | Okinawa Honda Co., Ltd. | Depox Express Co., Ltd. |
| Honda Cars Yokohama Co., Ltd. | Honda Automobiles Sales Hokuriku Co., Ltd. | Depox Co., Ltd. |
| Honda Cars Yamanashi Co., Ltd. | Honda Automobiles Sales Yamaguchi Co., Ltd. | Depox Kansai Co., Ltd. |
| Honda Cars Shizuoka Nishi Co., Ltd. | Honda Automobiles Sales Niigata Co., Ltd. | Honda Body Service Okayama Co., Ltd. |
| Honda Cars Aichi Co., Ltd. | Honda Clio Shiga Co., Ltd. | Honda Cars Fukuoka Body Service Co., Ltd. |
| Honda Cars Aichi Higashi | Honda Verno Ishikawa | Honda Body Service Kanagawa Co., Ltd. |

Administration domain

Administration domain results cover Honda Motor Co., Ltd and the 16 Japan affiliates and other organizations listed below (including one school)

| | | |
|--------------------------|--------------------------------|---------------------------|
| Mobilityland Corporation | Honda Trading Corporation | Honda R&D Sun Co., Ltd. |
| Honda Kaihatsu Co., Ltd. | Japan Techno Co., Ltd. | KPTEC Co., Ltd. |
| Honda Sun Co., Ltd. | Honda Finance Co., Ltd. | Chu-o Air Survey Corp. |
| Honda Commtec Inc. | Rainbow Motor School Co., Ltd. | Circuit Service Creations |
| Honda Technical College | Kibounosato Honda Co., Ltd. | Japan Race Promotion Inc. |
| Honda Airways Co., Ltd. | | |

Honda Group companies: environmental impact (Japan)

The results in the purchasing, production, transportation, sales and service and administration domains for 149 major Group companies in Japan and Honda Motor Co., Ltd. include the following companies.

| | | | |
|---|--|--|--|
| Met's Corporation Y.G. TEC Ltd. | UEMURA TEC Corporation Goshi Giken Co., Ltd. | Miura Business Associates, Inc. Sumirex Co., Ltd. | Hirose Seiko Co. Ltd. YDM Co., Ltd. |
| Mizutani Seiki Industry Co., Ltd. Honda Logistics Inc. Best Logi Kumamoto Co., Ltd. PSG Co., Ltd. Honda Taxi Co., Ltd. Best Logi Tochigi Co., Ltd. | Honda Research Institute Japan Co., Ltd. Honda Soltec Co., Ltd. Alice Sanyo Co., Ltd. MAP Co., Ltd. MAP Sayama Co., Ltd. ACT Maritime Co., Ltd. | Best Logi Mie Co., Ltd. Best Logi Saitama Co., Ltd. Best Logi Shizuoka Co., Ltd. Best Express Co., Ltd. Komulusu Inc. Honda Racing Corporation Mobility Culture Publishing Co., Ltd. | |

Honda Group companies environmental impact: global

Including Group companies in Japan, 325 companies (including Honda Motor Co., Ltd.) are covered by this Report, including the following.

Manufacturing companies

North America (9 companies)

Honda of America Mfg., Inc. (U.S.)
Honda Transmission Mfg. of America, Inc. (U.S.)
Honda Power Equipment Mfg., Inc. (U.S.)
Honda of South Carolina Mfg., Inc. (U.S.)
Honda Manufacturing of Alabama, LLC (U.S.)
Honda Precision Parts of Georgia, LLC (U.S.)
Honda Manufacturing of Indiana, LLC (U.S.)
Honda Canada Inc. (Canada)
Honda de Mexico, S.A. de C.V. (Mexico)

South America (2 companies)

Moto Honda da Amazonia Ltda. (Brazil)
Honda Automoveis do Brasil Ltda. (Brazil)

Europe (8 companies)

Honda of the U.K. Mfg., Ltd. (UK)
Honda Belgium N.V. (Belgium)
Honda Europe N.V. (Belgium)
Honda Italia Industriale S.p.A. (Italy)
C.I.A.P. S.p.A. (Italy)
Montesa Honda S.A. (Spain)
Honda Turkiye A.S. (Turkey)
Honda Europe Power Equipment S.A. (France)

Non-manufacturing companies

North America (31 companies)

American Honda Motor Co., Inc. (U.S.)
Honda R&D Americas, Inc. (U.S.)
American Honda Finance Corp. (U.S.)
Honda Canada Finance, Inc. (Canada)
and 27 other companies

South America (11 companies)

Honda South America Ltda. (Brazil)
Honda del Peru S.A. (Peru)
Honda Motor de Chile S.A. (Chile)
Honda Access do Brasil Ltda. (Brazil)
Banco Honda S.A. (Brazil)
and 6 other companies

Asia/Oceania (23 companies)

Honda Automobile (Thailand) Co., Ltd. (Thailand)
Thai Honda Mfg. Co., Ltd. (Thailand)
Asian Autoparts Co., Ltd. (Thailand)
Honda Cars Philippines Inc. (The Philippines)
Honda Philippines, Inc. (The Philippines)
Honda Parts Mfg. Corp. (The Philippines)
Honda Taiwan Co., Ltd. (Taiwan)
Honda Siel Cars India Ltd. (India)
Honda Motorcycle and Scooter India (Private) Ltd. (India)
Hero Honda Motors Ltd. (India)
Honda Siel Power Products Ltd. (India)
P.T. Honda Prospect Motor (Indonesia)
P.T. Honda Precision Parts Mfg. (Indonesia)
P.T. Astra Honda Motor (Indonesia)
Honda Atlas Cars (Pakistan) Ltd. (Pakistan)
Atlas Honda Ltd. (Pakistan)
Honda Vietnam Co., Ltd. (Vietnam)
Machino Auto Parts Co., Ltd. (Vietnam)
Vietnam Auto Parts Co., Ltd. (Vietnam)
Honda Autoparts Mfg. (M) SDN BHD (Malaysia)
Honda Malaysia SDN BHD (Malaysia)
Armstrong Auto Parts SDN BHD (Malaysia)
HICOM-Honda Mfg. Malaysia SDN BHD (Malaysia)

Europe/Middle East/Africa (49 companies)

Honda Motor Europe Ltd. (U.K.)
Honda Motor Europe (North) GmbH (Germany)
Honda Motor Europe (South) S.A. (France)
Honda R&D Europe (U.K.) Ltd. (UK)
Honda R&D Europe (Deutschland) GmbH (Germany)
Honda Bank GmbH (Germany)
Honda Gulf FZE (U.A.E.)
Honda Logistics Centre (U.K.) Ltd. (UK)
Honda South Africa (Pty) Ltd. (South Africa)
and 40 other companies

China (10 companies)

Honda Automobile (China) Co., Ltd. (China)
Dongfeng Honda Auto Parts Co., Ltd. (China)
Dongfeng Honda Engine Co., Ltd. (China)
Dongfeng Honda Automobile Co., Ltd. (China)
Guangqi Honda Automobile Co., Ltd. (China)
Wuyang-Honda Motors (Guangzhou) Co., Ltd. (China)
Jialing-Honda Motors Co., Ltd. (China)
Honda Mindong Generator Co., Ltd. (China)
Sundiro Honda Motorcycle Co., Ltd. (China)
Honda Auto Parts Manufacturing Co., Ltd. (China)

Asia/Oceania (25 companies)

Asian Honda Motor Co., Ltd. (Thailand)
A.P. Honda Co., Ltd. (Thailand)
Honda Australia Pty Ltd (Australia)
Honda Motor India Private Limited (India)
Honda New Zealand Limited (New Zealand)
Honda Taiwan Co., Ltd. (Taiwan)
Honda Leasing (Thailand) Co., Ltd. (Thailand)
and 18 other companies

China (7 companies)

Honda Motor (China) Investment Co., Ltd (China)
Honda Motor (China) Co., Ltd. (China)
Honda Access China Corp. (China)
Honda Engineering China Co., Ltd. (China)
and 3 other companies

History of Honda environmental initiatives

| FY | Product Development | Corporate Activities |
|------|---|--|
| 2008 | <ul style="list-style-type: none"> All-new Insight hybrid vehicle introduced Leasing of all-new FCX Clarity fuel cell vehicle begun in U.S.  | <ul style="list-style-type: none"> Joint venture agreement concluded with GS Yuasa Corporation to produce lithium-ion batteries for hybrid vehicles |
| 2007 | <ul style="list-style-type: none"> FCX Clarity released Next-generation i-DTEC diesel engine released Next-generation thin-film solar cells released | <ul style="list-style-type: none"> FY2011 targets announced for environmental impact reduction in Japan product development |
| 2006 | <ul style="list-style-type: none"> Flexible fuel vehicle (FFV) released in Brazil | <ul style="list-style-type: none"> Incorporation of Honda Soltec Joint development of technology announced for the production of ethanol from inedible plant biomass (partner: RITE) Global targets announced for reduction of all product- and production-related CO₂ emissions by 2010 |
| 2005 | <ul style="list-style-type: none"> New Honda Civic Hybrid released World's first delivery of a fuel cell vehicle to an individual customer Next-generation iGX440 generator released | |
| 2004 | <ul style="list-style-type: none"> Accord Hybrid released in U.S. Dio Z4, world's first 50cc bike equipped with fuel injection, released | <ul style="list-style-type: none"> Voluntary motorcycle recycling operations begin Joint project with Toyota for appropriate ASR recycling initiated |
| 2003 | <ul style="list-style-type: none"> Honda FC Stack introduced World's first electronically controlled fuel injection system for a 4-stroke 50cc scooter introduced Home Energy Station pilot project begins VCM-equipped Inspire released in Japan World's first delivery of a fuel cell vehicle to a private corporation i-CTDI diesel engine released Home cogeneration system introduced |  <p>Thin-film solar cells at Hamamatsu Factory's Hosoe Plant</p> |
| 2002 | <ul style="list-style-type: none"> FCX fuel cell vehicles delivered on the same day in U.S. and Japan Next-gen thin-film solar cells introduced  | <ul style="list-style-type: none"> Experimental operation of Intelligent Community Vehicle System (ICVS) begins in Singapore SOC (substances of concern) guidelines established |
| 2001 | <ul style="list-style-type: none"> Civic Hybrid released I-DSI engine (23 km/liter) released | <ul style="list-style-type: none"> Green purchasing guidelines established Energy-efficient Hosoe Plant at Hamamatsu Factory begins operations |
| 2000 | <ul style="list-style-type: none"> Liquid-cooled 4-stroke 50cc engine released Stream with DOHC i-VTEC engine released | <ul style="list-style-type: none"> Green Dealer certification system established Zero landfill waste operations achieved at all factories in Japan |
| 1999 | <ul style="list-style-type: none"> Accord becomes first car to comply with California SULEV requirements / Insight hybrid released (achieves world's top fuel economy of 35 km/liter) Civic GX natural gas vehicle released | <ul style="list-style-type: none"> First Honda Green Conference 2005 targets for motorcycle, automobile and power product fuel economy and exhaust emissions announced |
| 1998 | <ul style="list-style-type: none"> BF series marine outboards released (complying with EPA and Japan Boating Industry Association regulations) VFR800FI released (Honda's first motorcycle equipped with a three-way, EURO 1-compliant catalytic converter) | <ul style="list-style-type: none"> ISO 14001 certification earned by all factories in Japan Green Dealer project initiated |
| 1997 | <ul style="list-style-type: none"> ZLEV technology introduced EV-PLUS electric vehicle released California ULEV-compliant vehicle released (Accord) | <ul style="list-style-type: none"> Green Factory project initiated New recycling project initiated Honda Belgium receives ISO 14001 certification; Honda facilities worldwide working toward certification |
| 1995 | <ul style="list-style-type: none"> California LEV-compliant vehicle released (Civic) | |
| 1994 | <ul style="list-style-type: none"> Marine outboards (BF6/8/40) comply with European Bodensee regulations | <ul style="list-style-type: none"> Zero use of 1,1,1 trichloroethane in manufacturing achieved |
| 1992 | | <ul style="list-style-type: none"> Honda Environment Statement announced |
| 1991 | | <ul style="list-style-type: none"> Environmental Committee founded |
| 1988 | <ul style="list-style-type: none"> VTEC engine introduced  <p>VTEC engine-equipped Civic 3-door SIR II</p> | <ul style="list-style-type: none"> Heating systems start using recaptured heat |
| 1978 | | <ul style="list-style-type: none"> Community Forests initiative begins |
| 1976 | | |
| 1973 | <ul style="list-style-type: none"> CVCC engine-equipped Civic released | |
| 1972 | <ul style="list-style-type: none"> CVCC technology officially announced  <p>CVCC Civic</p> | <ul style="list-style-type: none"> First particle collection equipment in Japan installed on roof of Sayama Factory (now Saitama Factory) |
| 1971 | <ul style="list-style-type: none"> CVCC engine announced | <ul style="list-style-type: none"> First activated sludge tap water processing facility in Japan installed at Hamamatsu Factory |
| 1970 | | <ul style="list-style-type: none"> Pollution Control Department established |
| 1966 | | <ul style="list-style-type: none"> Air Pollution Laboratory established at Honda R&D Recycling of industrial water begins |



Third-party comment

Toshihiko Goto

Chair, Environmental Auditing Research Group

Toshihiko Goto serves as head of the Social Investment Forum Japan and the Sustainability Forum Japan, both NPOs. In addition to acting as chair of the Network for Sustainability Communication and co-chair of the Japan Council for Sustainable Development, he is also a part-time visiting professor at Takushoku University, a part-time lecturer at Tokyo Keizai University and a trustee of several other organizations, including the Sustainable Management Forum of Japan. In addition, he participates on government and industry environmental committees and serves as a judge on various environment and CSR commendation committees.

The U.S. federal government's involvement in General Motors' Chapter 11 stewardship symbolizes the necessity of revamping American-style capitalism. Environmental technologies are said to be key to GM's rebuilding—not as some type of restriction to its activities but instead as the foundation of the company's strategy going forward.

Fortunately, environmental responsibility is the central concept of Honda's 10th Mid-term plan, which commenced in 2008. As the introduction of the Insight and other products and initiatives introduced in this Report illustrate, this concept is steadily becoming a reality. The 21st century promises to be a revolutionary period in the history of civilization, and the crisis in capitalism, climate change and natural resource depletion all demand a response. Moreover, our petroleum-based civilization, which began with the drilling of the Drake Oil Well in the U.S. in 1859, is certain to disappear before the century ends. A narrowly scientific or technological response to these circumstances is not sufficient to assure sustainability and growth. Instead of short-term solutions, the times require backcasting based on an understanding of history and an extremely long-term vision and goals. Honda's vision of mobility for the next 100 years and overall environmental awareness are excellent, and it will be interesting to see how the company translates these into action.

This is the second year in which Honda has made global initiatives central to this Report, but specific information is still limited on certain corporate activities. Inasmuch as Honda has a World Environmental Committee that meets regularly, information should be replete. Rather than just interesting topics, further details about initiatives in factories overseas are to be expected. It may also prove beneficial to combine the discussion of global and Japan research and development into one section.

Information about product development and production in Japan is bountiful, yet information relating to the sales and service domain seems limited in scope. Further information about Green Dealer programs and similar initiatives would also be welcome. Although the scope of the Report is clearly defined, the object of reporting is not always the Honda Group as a whole, and varies from section to section. The fact that Honda's records con-

cerning CO₂, waste materials and water usage are nearly 100% complete is commendable, since it is far from easy to keep track of such things in a global company. At the same time, there is a global trend toward corporate carbon footprint disclosures, and eventually Honda will need to build a system with which to keep track of carbon footprint accurately and completely.

Honda's formation of its own report guidelines is a matter of company policy, and the reader may decide whether or not this makes for a better report. The majority of corporate environmental reports, however, provide information about materials cycles with data on total inputs and outputs for various materials. The report provides such information for Japan but not for the Honda Group as a whole, and, since materials inputs and outputs have a very significant impact on biodiversity, the inclusion of more complete information would be appreciated. The Report deals with ecosystem conservation in detail, yet the real issue in manufacturing is the cyclical use of resources and the goal of minimizing resource use and burden on the environment. Although the Report deals with the Honda's recycling of water and many other initiatives to reduce, reuse and recycle, the report misses the opportunity to discuss how these initiatives benefit biodiversity and to demonstrate Honda's recognition of this issue. Comprehensive global input and output data is essential to an understanding of an organization's cyclical use of resources.

I am pleased to see the suggestions I made last year implemented to a degree, but I should like to see action taken on certain remaining items. For example, the Report uses many technical terms and internal jargon that few outside the industry or even within the Honda organization are likely to understand. In addition, the Report contains many difficult points about which further explanation could be helpful to the reader. I see that the Report no longer includes the chart displaying all of Honda's annual reports; perhaps it might be helpful to continue to provide this information on the Honda website.

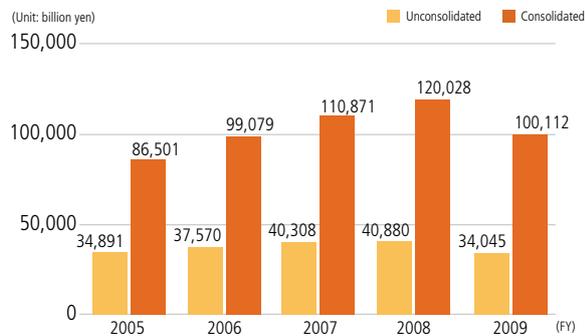
後藤敏彦

Company overview and financial information

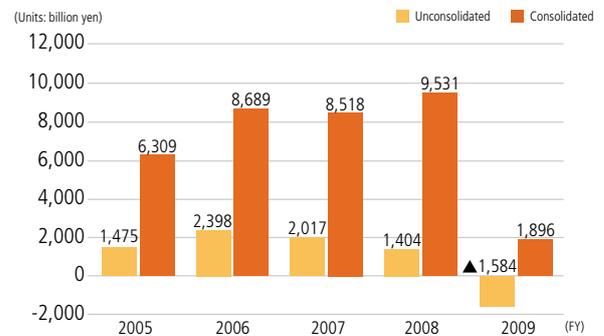
Company name: Honda Motor Co., Ltd.
Head office: 2-1-1 Minami Aoyama, Minato-ku
 Tokyo 107-8556, Japan
Established: September 24, 1948
President & CEO: Takano Ito
Capital: ¥86.067 billion (as of March 31, 2009)
Sales: Consolidated: ¥10.112 trillion
 (Results of FY2009) Unconsolidated: ¥3.4045 trillion

Number of associates: Consolidated: 181,876 (as of March 31, 2009)
 Unconsolidated: 26,471 (as of March 31, 2009)
Consolidated subsidiaries: 396 (as of March 31, 2009)
Chief products
Automobiles: Standard-sized vehicles, compact vehicles and mini-vehicles
Motorcycles: Scooters, mini-bikes, motorcycles, ATVs and personal watercraft
Power products: Power product engines, lawn-mowers and marine outboards

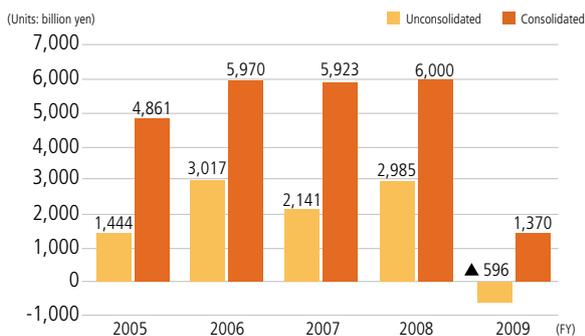
Net sales



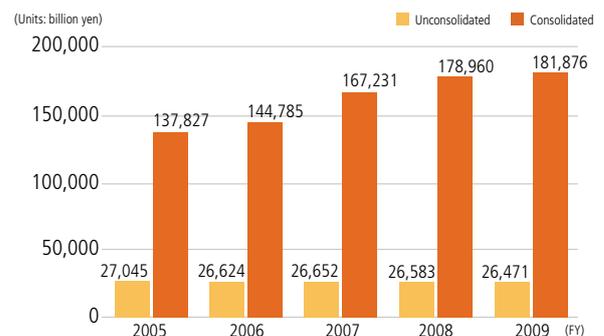
Operating income



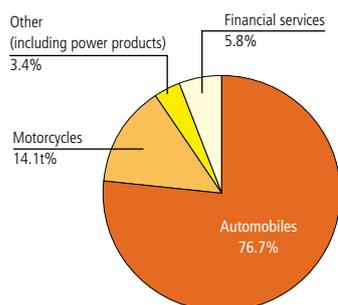
Net income



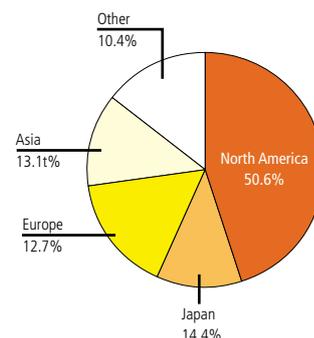
Number of associates



Net sales by operational area (consolidated: FY2009)



Net sales by region (consolidated: FY2009)



Persons responsible

Sales and services

| | |
|--------------------------------|-------------------|
| Automobile | Toshihiro Moriya |
| | Naoyuki Sekiguchi |
| Motorcycle | Minoru Nagata |
| Power product | Ichiro Tanaka |
| Service • Parts | Koji Arai |
| Recycle promotion office | Hideaki Kobayashi |
| Purchasing | Yukihiro Seki |

Factory and office operations environmental administrator

| | |
|--|-------------------|
| Saitama Factory..... | Shigeo Ono |
| Tochigi Factory..... | Koichi Aonami |
| Hamamatsu Factory | Tadayuki Onishi |
| Suzuka Factory..... | Masaomi Ajioka |
| Kumamoto Factory | Shinji Oketani |
| Automobile New Model Center | Koichi Ota |
| Quality Innovation Center Tochigi..... | Yukihiro Kariya |
| Head Office | Haruki Nagata |
| Honda R&D Co., Ltd. | |
| Automobile R&D Center (Wako)/ | |
| Fundamental Technology Research Center/ | |
| Aircraft Engine R&D Center..... | Akira Aoyama |
| Motorcycle R&D Center/ Power Products R&D Center | |
| | Fumihiko Nakamura |
| Automobile R&D Center (Tochigi)..... | Jun Yanada |
| Automobile R&D Center (Takasu Proving Ground) | |
| | Koji Kawai |
| Honda Engineering Co., Ltd..... | Masuhiko Sakurai |

Logistics

| | |
|--|-----------------|
| Products and component parts sets..... | Toshihide Nakai |
|--|-----------------|

Administration

| | |
|-------------------------------|---------------|
| Administration..... | Haruki Nagata |
| Personnel | Shinya Konuma |
| Corporate Communications..... | Yasuhiro Wada |

Secretariat

| | |
|---|------------------|
| Environment & Safety Planning Office..... | Michio Shinohara |
|---|------------------|

Note: current as of June 1, 2009

Environmental mark



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

Third-party verification

For the reasons given below, we have not obtained third-party verification.

1. No guidelines have been established for third-party verification.
2. The qualifications required of third-party verification organizations have not been clearly established.

We will continue to consider third-party verification and the timing of its potential introduction in light of progress made in relation to the items described above. The results presented in this Report have been presented by the departments concerned and endorsed by Honda's Japan Environmental Committee.

Information relating to factories has been reviewed in environmental audits and surveillance inspections in accordance with ISO 14001.

Please direct enquiries to:

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Fax: +81-(0)3-5412-1154

This report can also be found on Honda's Worldwide website.

<http://world.honda.com/environment/ecology/reports/>

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