

## HONDA ANNOUNCES INCREASES IN LOCAL PROCUREMENT AND IMPORTS

March 29, 1994 -- Honda Motor Co. announced today that as part of its ongoing efforts to increase local procurement, it plans to purchase \$4.65 billion worth of U.S.-made automobile parts and materials for its operations in the United States within fiscal 1995 (ending 3/31/96). This goal continues the upward trend of Honda's domestic parts and materials purchases.

Although Honda will make every effort to achieve this goal, this is not an enforceable commitment. Successful achievement of the goal depends on maintaining strong sales in the U.S. and continued improvements in U.S. suppliers' competitiveness.

As part of another ongoing Honda effort to establish a system for global purchasing, the company also announced that it will increase its imports of parts, vehicles and other products worldwide to \$1.27 billion in FY95.

## Strengthened Localization of U.S. operations

In 1982, Honda was the first Japanese auto company to begin auto manufacturing in the United States. This was consistent with Honda's basic corporate philosophy of manufacturing products in the market in which they are sold.

Since then, Honda has steadily increased its level of localized operations, including production, research and development and local parts procurement.

Honda's Marysville, Ohio auto plant is the largest production operation in the world for Honda's Accord. Honda's U.S. Accord and Civic plants, with an annual capacity of 500,000 units, accounts for one fourth of Honda's global automobile production. Of that total, 75,000 units, or 15%, are being exported this year to 30 countries around the world.

Over the past 10 years, three models -- the Accord Wagon, Accord Coupe and Civic Coupe -- have been developed in the United States and are produced nowhere else in the world. Design-in relationships with American manufacturers have been an important part of this development process.

Honda now has 320 U.S. suppliers. In FY 1992, Honda's auto parts and materials purchases from its suppliers totaled \$3.21 billion, and in FY 1995 this total will increase to \$4.65 billion, up 45 percent.

A total of 74 U.S. parts manufacturers have participated in the development of new Honda models. Honda's strong support for these manufacturers has helped them increase their competitiveness. U.S.-made Civics and Accords achieve a local content ratio of 82% based on the traditional EPA formula for CAFE.

The growth of Honda's extensive supplier network in the U.S. is playing a key role in the development of a new passenger car which will be manufactured in the U.S. and introduced there through our luxury Acura Division as a 1996 model.

#### Import Promotion

Through the following global procurement activities in FY 1995, Honda will expand the total amount of its imports into Japan to \$1.27 billion, up from \$1.07 billion in FY 1992.

#### Auto imports

In 1990, Honda began selling Chrysler-made Jeep products in Japan. Since that time, automobile imports into Japan have progressed steadily. Total 1994 sales for Jeep Cherokee, for example, are expected to be 6,000 units, far more than the original sales target of 1,200 units.

Ever since Honda entered the auto business, it never has restricted its dealers from selling imported cars. In fact, Honda actively supported the recruitment of its dealers in Japan to sell Chrysler's Jeep. At present, almost 700 Honda dealers are selling Jeep Cherokees.

In 1993, Honda began importing Rover-made 4-wheel drive vehicles which were sold under the name Crossroad.

Honda has made strong efforts to expand imports ever since it began importing the U.S.-made Accord Coupe in 1988. Even under slow market conditions, imports of U.S.-made Hondas are continuing at the 1993 level, 27,000 units.

#### Other Import Activities

Honda began importing U.S.-made lawn mowers into Japan in 1990.

In 1993, in addition to the U.S.-made large scale motorcycle Gold Wing, Honda began importing small motorcycle, the Super Cub, made in Thailand.

Honda also has cultivated new markets in Japan by importing such unique products as electric lawn mowers from Italy and electric compressors from Germany.

Efforts are also underway to increase the imports of production parts, materials and service parts based on Honda's plan to build a global procurement network. For example, Honda imports batteries from the U.S. and South Korea, and in 1993 established a service parts manufacturing operation in the Philippines, for export to Japan.