

# HONDA

The Power of Dreams

Striving to be a company society wants to exist

# CSR Report 2011



## Publication Policy

# Striving to be a company society wants to exist



Honda is involved in a variety of corporate social responsibility (CSR) activities to fulfill its goal of being a company that stakeholders worldwide want to exist.

Starting in FY 2010, we began publishing a detailed report of these activities on our website. This paper edition, which consists of sections addressing the CSR priorities of quality and safety, the environment, and society, focuses on information with special relevance for the year under review.

The report has been compiled with reference to the GRI\*

Sustainability Reporting Guidelines.

It is our hope that it will deepen stakeholders' understanding of Honda's CSR activities.

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

### CSR website

This portal website supplements the paper edition of the report with more detailed information about quality and safety, the environment, and society.

 <http://world.honda.com/CSR/>

## Additional information

The following paper reports and websites provide more detailed information about the "Business Results," "Environmental Conservation Activities," "Driving Safety Promotion," and "Philanthropy Activities" sections of this report:



### Honda Environmental Annual Report 2011

An outline of Honda's approach to environmental policy, including reports on future targets and the results of major initiatives in FY2011  
Published in June 2011

 <http://world.honda.com/environment/report/>



### Annual Report 2011


An outline of business results, management strategy, and other aspects of Honda's operations in FY2011  
Published in July 2011

 [http://world.honda.com/investors/library/annual\\_report/](http://world.honda.com/investors/library/annual_report/)



### Driving Safety Promotion Activities 2010


An outline of Honda's approach and major initiatives with respect to the promotion of driving safety in 2010.  
Published in December 2010

 <http://world.honda.com/CSR/library/>



### Honda Philanthropy Website

A website outlining Honda's philanthropic philosophy and broad-based social initiatives.

 <http://world.honda.com/community/>

## CSR Report 2011

### • Scope

This report focuses primarily on the activities of Honda Motor Co., Ltd., with some coverage of Honda Group companies in Japan and elsewhere. As used throughout this document, "Honda" identifies initiatives of companies subject to the same labor contract as Honda Motor Co., Ltd.

### • Period

This report primarily covers activities from April 1, 2010, to March 31, 2011. Some historical background of these activities and references to events up to the time of publication, as well as forecasts and plans, may also be included.

### • Disclaimer

In addition to factual information regarding the past and present status of Honda Motor Co., Ltd., this report contains plans, perspectives, and forecasts based on corporate philosophy and management strategies as of the date of publication. Future forecasts represent assumptions or judgments based on information available at the time indicated. The results of future business activities and future events may differ from forecasts due to changes in the conditions on which they were based.

### • Publication date

Current edition: September 2011  
Next edition: September 2012

### • Inquiries

Please direct inquiries to the CSR Promotion Office, Legal Division, Honda Motor Co., Ltd.  
2-1-1 Minami-Aoyama, Minato-ku, Tokyo 107-8556, Japan  
Tel: +81-(0)3-5412-1202  
Fax: +81-(0)3-5412-1207

### • Published by

Corporate Communications Division and CSR Promotion Office, Legal Division, Honda Motor Co., Ltd.

# CSR Report 2011

## Contents

Publication Policy	1
Honda's View on CSR	3
Message from the President and CEO	5
Dealing with the Great East Japan Earthquake	7
2011 Special Features	
<b>1. Living with Low-carbon Mobility</b>	<b>10</b>
<b>Honda's Total Energy Management</b>	
Improving Quality of Life through Electromotive Technologies	
Usefulness of Mobility in People's Lives	
<hr/>	
<b>2. Joy of Working Together Based on Respect for the Individual:</b>	<b>13</b>
<b>Kibonosato Honda Co., Ltd.; Honda Sun Co., Ltd.; and Honda R&amp;D Sun Co., Ltd.</b>	
Pursuing Respect for the Individual and Job Satisfaction	
The Philosophy of "People above All: Dreams, Hopes, and Smiles"	
<hr/>	
Quality Initiatives	19
Approach to Safety	24
Environmental Initiatives	28
Customers	36
Suppliers	40
Associates	41
Shareholders and Investors	46
Local Communities	47
Corporate Governance	52
Company Overview	54

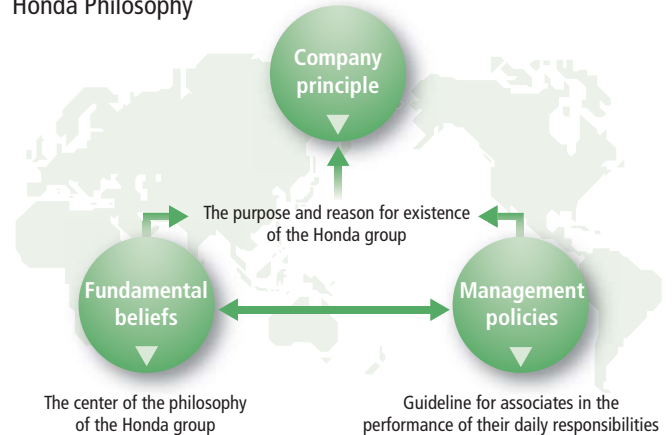
Honda is striving to be a company that society wants to exist by pursuing CSR initiatives based on the Honda philosophy and sharing joy with people worldwide.

## Honda's Roots, "Honda Philosophy"

Crafted by Soichiro Honda and Takeo Fujisawa, the Honda philosophy forms the basis for all of our corporate activities.

It comprises a set of values that are shared by all Group companies and their employees, setting the standard for conduct and decision-making. Specifically, it consists of fundamental beliefs in terms of respect for the individual and the Three Joys, the company principle, and management policies.

Honda Philosophy



### Company principle

Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction.

### Fundamental beliefs

#### Respect for the individual

**Initiative** — Initiative means not to be bound by preconceived ideas, but think creatively and act on your own initiative and judgment, while understanding that you must take responsibility for the results of those actions.

**Equality** — Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, social or economic status have no bearing on the individual's opportunities.

**Trust** — The relationship among associates at Honda should be based on mutual trust. Trust is created by recognizing each other as individuals, helping out where others are deficient, accepting help where we are deficient, sharing our knowledge, and making a sincere effort to fulfill our responsibilities.

#### The Three Joys

**The joy of buying** — The joy of buying is achieved through providing products and services that exceed the needs and expectations of each customer.

**The joy of selling** — The joy of selling occurs when those who are engaged in selling and servicing Honda products develop relationships with a customer based on mutual trust. Through this relationship, Honda associates, dealers and distributors experience pride and joy in satisfying the customer and in representing Honda to the customer.

**The joy of creating** — The joy of creating occurs when Honda associates and suppliers involved in the design, development, engineering and manufacturing of Honda products recognize a sense of joy in our customers and dealers. The joy of creating occurs when quality products exceed expectations and we experience pride in a job well done.

### Management policies

- Proceed always with ambition and youthfulness.
- Respect sound theory, develop fresh ideas and make the most effective use of time.
- Enjoy your work, and encourage open communications.
- Strive constantly for a harmonious flow of work.
- Be ever mindful of the value of research and endeavor.

## CSR initiatives based on the Honda Philosophy

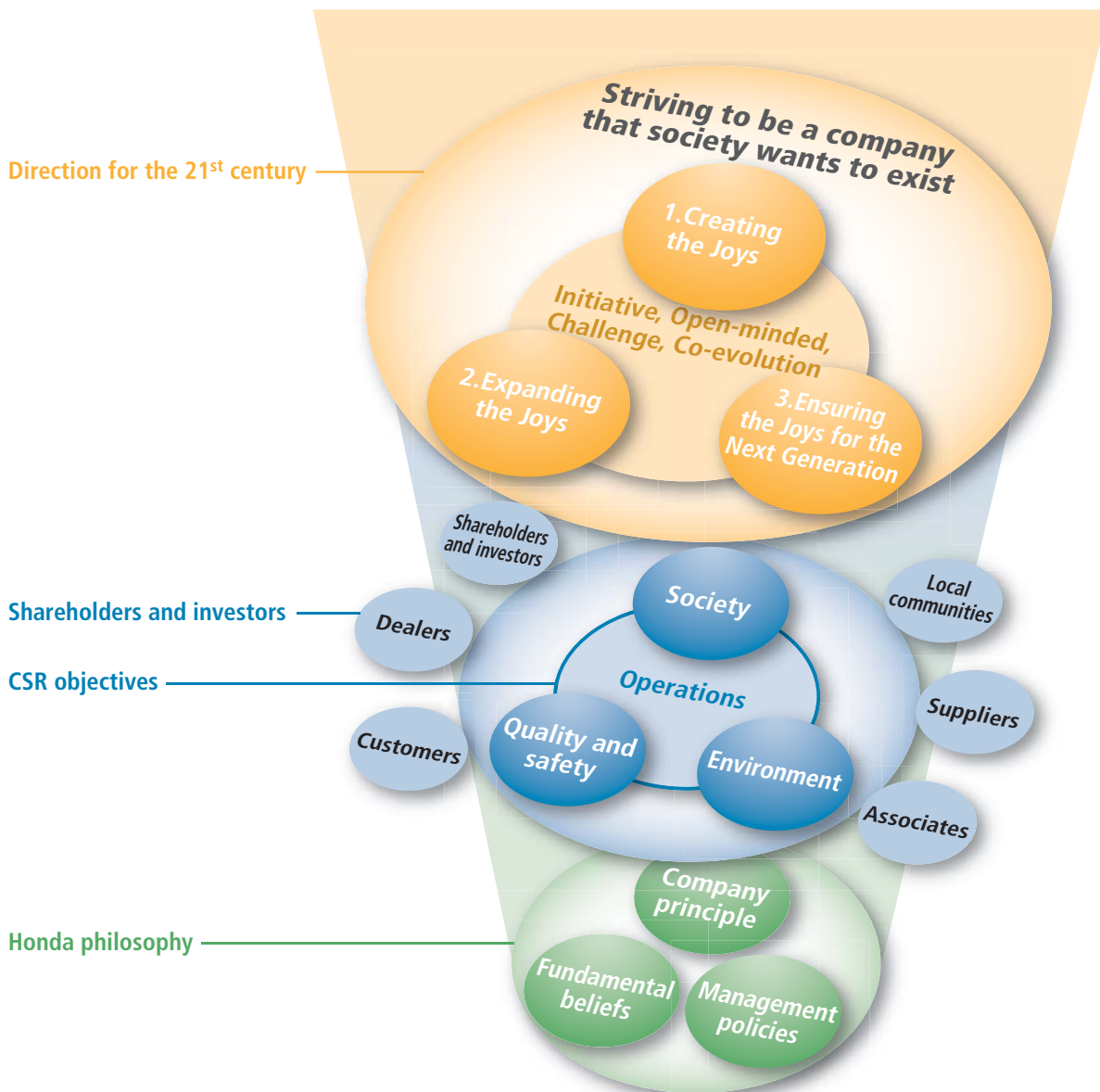
Having embraced the goal of becoming a company that society wants to exist by sharing joy with the people of the world based on the Honda philosophy, Honda is pursuing a range of corporate activities in order to create new value, expand value, and fulfill our commitment to the future while cultivating the freedom of associates to seek out a better way, a willingness to rise to the challenges of the future, and a spirit of collaborative creativity.

“Creating the Joys” means continuing to dream and create new

value ahead of the times with free-spirited thinking to enhance The Three Joys.” Expanding the Joys” means realizing dreams with more people and contributing to local society to expand The Three Joys around the world. “Ensuring the joys for the next generation” means working toward the sustainable development of society and achieving the highest level of environmental and safety performance to ensure The Three Joys for the next generation.

By resolutely pursuing these directions in our activities, fulfilling our social responsibility, and communicating effectively with all Honda stakeholders, including customers, dealers, suppliers, associates, shareholders, investors, and local communities, it is our intention to help bring about a sustainable society.

Honda philosophy/CSR objectives/Directions for the 21<sup>st</sup> century



# Focusing all our abilities on striving to be a company society wants to exist

Honda expresses its most sincere condolences to those who lost loved ones in the Great East Japan Earthquake. Our thoughts and prayers are with all those who were affected by the disaster, and we wish them a speedy recovery from its effects.

Unfortunately, one associate at a facility in the Tochigi district was killed, and damage including fallen ceilings and crumbled walls at some facilities made a temporary cessation of business activities at those facilities inevitable. As a result of bringing Honda's full resources to bear in a task force-led companywide effort to recover from the disaster, we were able to resume operations to a certain extent in our development, production, and sales departments about three weeks after the earthquake struck. Automobile production, which had been limited to 50% of capacity due to parts supply instability, returned to normal levels in late June in Japan, and we expect to resume more or less normal operations overseas between August and September. We are striving to recover from the effects of the disaster so that we can provide products to waiting customers worldwide as quickly as possible.

Honda has also done everything it can to offer support to suppliers and dealerships affected by the earthquake so that they can resume stable parts production as well as sales and service for customers at the earliest possible date. Going forward, we will continue to work closely with suppliers and dealerships to achieve a full recovery in business operations.

## Honda's direction in moving toward 2020

The business environment in which Honda operates has been characterized by a marked acceleration of demand for compact vehicles in the world's automobile markets due to heightened environmental awareness worldwide and structural changes in the global economy. It is essential that Honda move quickly to adjust to these changing times to ensure its continued growth and development. In short, I see our top management priority as quickly strengthening our business in emerging nations' markets and accommodating the shift toward smaller vehicles by developing and commercializing advanced environmental technologies from the standpoint of society and customers as we build robust business structures. Based on this awareness,

in June 2010 we adopted our 2020 Vision of providing customers good products quickly, with speed, affordability and low CO<sub>2</sub> emissions. Today we continue to pursue that vision, which outlines the company's direction over the next 10 years.

In this context, "good products" refers to appealing products needed by customers that have been made possible by Honda's unique technology, knowledge, and creativity. Honda recognizes that its future path consists of providing such good products to customers quickly, so that they do not have to wait, and with affordability, so that they are happy to have purchased them. We are also urgently aware that Honda has no future as a manufacturer of personal mobility solutions if it does not dramatically reduce CO<sub>2</sub> emissions, so we have included low CO<sub>2</sub> emissions as a characteristic of this new philosophy.

Honda has a history of helping reduce CO<sub>2</sub> emissions through technological evolution in a broad range of motorcycle, automobile, and power products, and we have worked to decrease environmental impacts through energy-creating products such as thin-film solar panels and cogeneration systems. Going forward, we will accelerate our effort to reduce environmental impacts by advancing environmental technologies and working to speed their adoption.

We see fiscal 2011 as a key year in laying a foundation for the achievement of this 2020 Vision, and while the earthquake has caused some delays, the initiative itself remains unchanged. Indeed, we believe that in these times of unparalleled difficulty, the most important thing is to get back to the Honda philosophy—the origin of everything we do—and continue to provide satisfying products to all customers.

## Doing our best for the environment

In June 2011, we announced the Honda Environmental Vision as a new series of guidelines for the company's environmental initiatives based on the 2020 Vision. To accomplish the vision's goals of the joy of mobility and a rich, sustainable society, we

have established CO<sub>2</sub> reduction goals for 2020 products, and we will continue to strengthen initiatives to lower greenhouse gas emissions and minimize all environmental impacts in our corporate activities, including in production and throughout the supply chain. The Honda Environmental Vision also serves as a declaration of our commitment to simultaneously pursuing the two goals of providing customers with the joy of personal mobility and achieving a sustainable society by further advancing Honda's unique technologies. Applying this vision to guide our actions around the world, we will boldly embrace the challenge of becoming the world's leader in environmental and energy technologies.

Going forward, we will advance those technologies so that we can continue to provide appealing products that justify Honda's existence while exciting and inspiring customers in a low-carbon manner. At the same time, I am confident that our efforts to work closely with dealerships, suppliers, and associates to strengthen our business structures and give something back to society will ultimately contribute to the recovery of the Japanese economy. I consider this to be part of our social responsibility as a company.

Honda will continue to focus all of its abilities and resources on striving to be a company society wants to exist.



*Takanobu Ito*

Takanobu Ito  
President, Chief Executive Officer and Representative Director  
July 2011

# Dealing with the Great East Japan Earthquake

## Response

---

In the immediate aftermath of the earthquake, we created a companywide countermeasures headquarters at the Aoyama Headquarters chaired by the company's Risk Management Officer and began working to gather information, including about the effects of the disaster on each area of operations and the safety of dealerships, suppliers, and associates. We held meetings to share information with each area and considered what action needed to be taken. President Takanobu Ito and other executives immediately traveled to facilities in Tochigi Prefecture, dealerships in the Tohoku region, and other facilities to assess the earthquake's effect on the company's operations.



Managers check for damage in Tochigi Prefecture

## Acting on behalf of customers, dealerships, students, suppliers, and associates

---

### Customers

By the time one month had passed since the earthquake, we had resumed operations at all plants, giving top priority to fulfilling existing customer orders. To accommodate product inquiries and other requests, we listed contact information on the main page of our website along with a link to answers to frequently asked questions. We also increased the number of customer service personnel on duty and provided support by assigning experts to our Customer Relations Center, which experienced a spike in inquiries in the wake of the disaster, in order to speed our response time.

### Dealerships

To assist dealerships in the Tohoku region, we created a local countermeasures headquarters after the earthquake, and we dispatched a countermeasures headquarters support team and dealership recovery support team from Service Technology Centers throughout Japan and the Wako Building. In areas directly affected by the disaster, we supported dealerships' efforts to resume operations, including by assessing damage, transporting and repairing damaged vehicles, and cleaning

showrooms and service shops. To date, more than 120 associates have rotated through these teams. We also provided emergency supplies such as food and water to motorcycle, automobile, and power products dealerships in the hardest-hit areas.

### Students

We delayed the screening schedule for students looking for jobs by two months to allow all applicants to complete the process with peace of mind. The rescheduled process began in June 2011.

### Suppliers

Of some 110 suppliers with facilities in areas that experienced the earthquake with a seismic intensity of six or above on the Japanese scale, about 10% had major damage. Starting immediately after the earthquake, Honda purchasing department personnel began verifying the safety of suppliers and checking for damage, surveying the procurement status for all vehicle models' parts one at a time, and examining alternative proposals. We also sent support teams to help suppliers in affected areas resume operations as quickly as possible. Going forward, we will continue to provide assistance in order to facilitate long-term stability in our procurement operations.

### Associates

In the immediate aftermath of the disaster, we began efforts to verify the safety of associates at all facilities and to check for facilities damage. To avoid any long-term interruption of operations at facilities in Tochigi Prefecture, where Honda buildings and facilities sustained the greatest damage, we moved business functions to temporary satellite offices at other facilities starting in late March. About 1,700 associates worked in those offices. By early June, the satellite offices had been disbanded as their associates resumed operations at their original facilities.

## Other support activities

---

Honda donated 300 million yen to the Japanese Red Cross Society to assist in relief efforts in disaster-stricken areas. Other aid has included providing 1,000 gasoline- and portable gas cartridge-powered electrical generators as well as 13,000 gas cartridges. In addition to enclosing printouts with instructions on how to safely use the generators and other precautionary information, we placed a video on YouTube describing the same information.



We also donated 20 Today motorcycles to social welfare councils in Iwate, Miyagi, and Fukushima Prefectures and 45 Super Cub scooters to prefectural police departments in Miyagi, Ibaraki, and Aomori Prefectures for use as a means of transportation in affected areas. Additionally, we loaned automobiles free of charge to the Central Community Chest of Japan.

We are also holding special ASIMO classes in affected areas and emergency shelters to communicate the importance of cherishing one's dreams and not giving up to children who are suffering the effects of the disaster and subsequent displacement in an effort to help them smile and stay positive.



Honda placed videos explaining how to use donated generators on its website and YouTube.

### Future action

In terms of parts supply issues, Honda has long worked to ensure stable supplies of parts and to minimize parts supply risk in the

event of a disaster by procuring parts from multiple suppliers and from multiple supplier facilities. In the future, we will work to further address the now-manifested risks associated with procuring electronic parts, materials, and other supplies from a small number of suppliers.

In terms of facilities, we will review building-related safety standards throughout the company. We also launched an initiative to support volunteer efforts by associates to help clear mud and rubble in areas affected by the disaster in early July.

Honda associates are also doing their best to meet the goal of lowering power consumption 15% from the previous year as set by the government and the Japan Automobile Manufacturers Association. As part of our effort to save as much electricity as possible without adversely affecting production, we had associates report for work on weekends, when power consumption was typically lower, and take vacation days on weekdays from June 30 to September 30, 2011. This initiative was not limited to areas served by the Tokyo Electric Power Company and Tohoku Electric Power, but rather extended to Honda facilities nationwide. Additionally, we are urging automotive parts manufacturers to take similar measures in partnership with the Japan Auto Parts Industries Association.

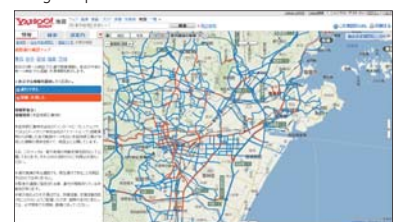
### Providing traffic information and congestion information for affected areas

Working with Google, Honda began providing information to the public about which roads in and around affected areas was passable on Google Maps on March 14, 2011, to facilitate the safe movement of people and supplies in disaster-stricken areas. On April 27, we began making available information about traffic congestion to Google Inc. and Yahoo Japan, both of which started publishing the data on maps on their websites.

By combining driving data from Honda car navigation system members with data from other companies and making the resulting information available to the general public, the initiative has developed in a way that transcends individual companies. This rapid response to the disaster occurs in the context of efforts launched by Honda in 2006 to provide information in times of emergency. The program began with a service that provides notification of forecasted flood locations and times to prevent vehicles from being submerged during heavy rainfall and then expanded to include services for issuing warnings for, and verifying personal safety in the wake of, earthquakes with an intensity of lower 5 on the Japanese scale. Honda has subsequently made improvements in these services following earthquakes.



Google's special disaster information website



Yahoo! Maps

# 1

## Living with low-carbon mobility

### Honda's Total Energy Management

Honda believes in striving to be a socially responsible company that society wants to exist by rapidly supporting the changes of the times. This report describes the new challenges Honda is undertaking to achieve this goal.

# 2

## Joy of working together based on respect for the individual:

### Kibonosato Honda Co., Ltd.; Honda Sun Co., Ltd.; and Honda R&D Sun Co., Ltd.

Aiming to benefit humanity and the world through its products and technology is at the heart of Honda. Our associates discuss the passion they put into our products as Kibounosato Honda and related companies approach their 25th year in business.





Honda Electric Mobility Synergy

HONDA

EV

## Living with low-carbon mobility

### Honda's Total Energy Management

In June 2010, Honda adopted "provide good products to our customers with speed, affordability and low CO<sub>2</sub> emissions" as its direction for the next 10 years of change.

This approach has strived to inspire joy and satisfaction by bringing customers the products they need in a way that embodies Honda's unique technology, knowledge, and creativity faster and more affordable than any other manufacturer. "With low CO<sub>2</sub> emissions" represents our conviction based on the strong sense of crisis that, as a manufacturer of personal mobility, Honda will have no future unless

### Achieving a low-carbon mobility society

In addition to working to reduce environmental impacts through initiatives to spur technological evolution in a broad range of products that includes motorcycles, automobiles, and power products as well as to pave the way for products that generate energy, Honda will propose a future low-carbon mobility society that uses electromotive technologies by spurring the development of more advanced environmental technologies.

we achieve a significant reduction of CO<sub>2</sub> emissions.

Based on this direction, Honda embraced the dual environmental concepts of "the Joy and Freedom of Mobility" and "a Sustainable Society where People Can Enjoy Life." in its Honda's 2020 Environmental Vision. We are committed to contributing to the perpetual growth and harmony of society and exciting customers through personal mobility products and services throughout their daily lives.

Specifically, Honda has launched a comprehensive program known as the Next-generation Personal Mobility Proving Tests in Japan and the United States. This project seeks to advance energy supply infrastructure such as solar charging stations and information and communication technology in addition to electric motorcycles, plug-in hybrid and electric automobiles, as well as electric carts. Honda will also start leasing the EV-neo scooters for commercial viability in the business sector. We will continue to contribute to reducing CO<sub>2</sub> emissions on a global scale in the future by providing more products with better environmental performance to as many customers as possible more accessibly.

### Improving quality of life through electromotive technologies



As interest in the environment and resources increases worldwide, the private and public sectors are working together toward the target set by the Japanese government of achieving 50% adoption of next-

generation automobiles by 2020. Against this backdrop, Honda has launched a series of Next-generation Personal Mobility Proving Tests in Japan and is planning to proceed with the same strategy overseas.

**Launching Next-generation Personal Mobility Proving Tests**

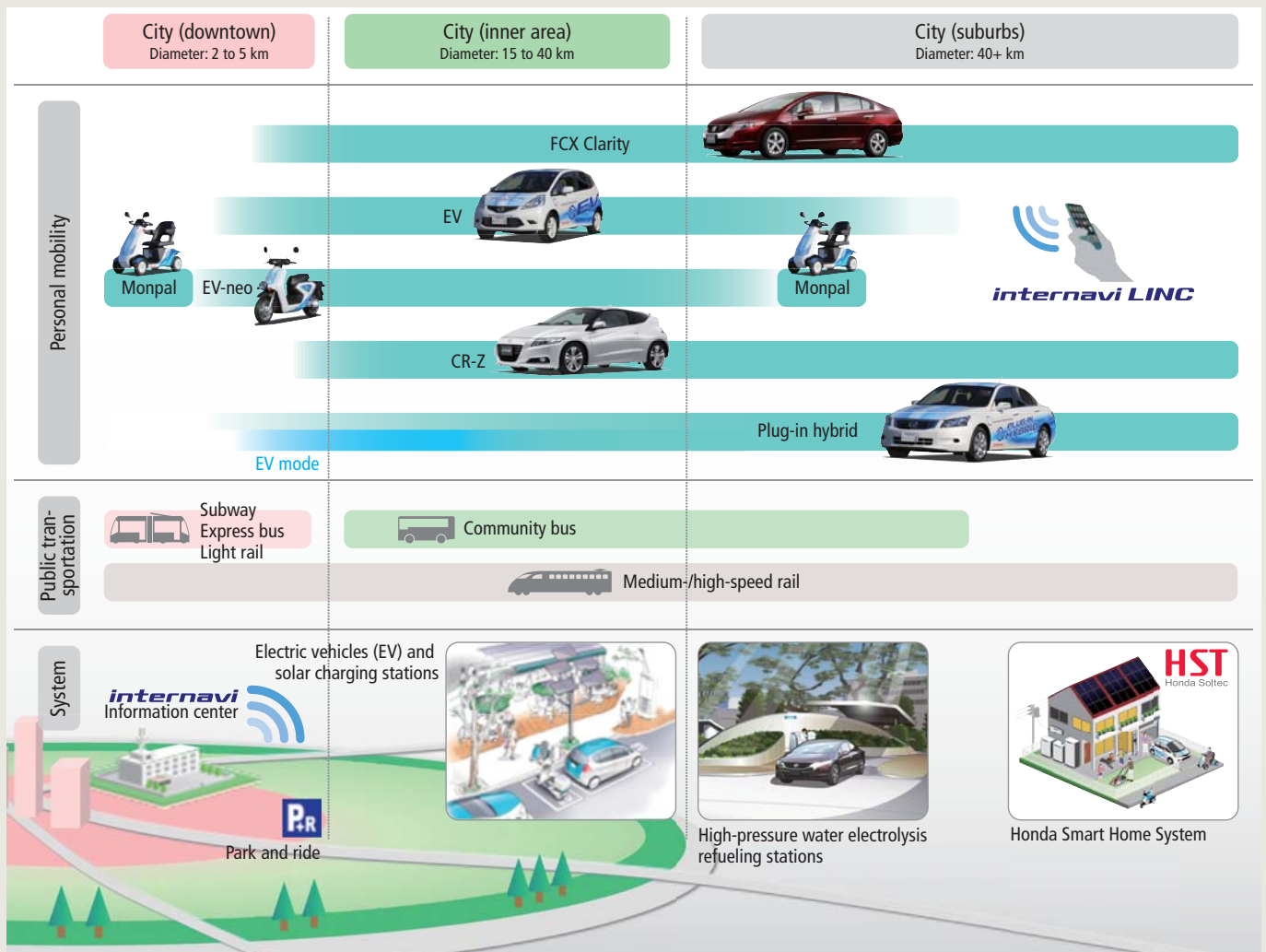
Today, Honda is working to balance “the Joy and Freedom of Mobility” and “a Sustainable Society where People Can Enjoy Life” and we believe that it will be critical to use our unique renewable energy technologies and electrically powered mobility solutions to achieve that goal. Working in conjunction with Honda facilities in Kumamoto Prefecture, and Saitama Prefecture, we launched in 2010 a series of tests designed to lay the groundwork for a vision of personal mobility in the future and the realization of a low-carbon society through a comprehensive approach that makes use of electromotive technologies in motorcycles, automobiles, and power products as well as solar-powered energy supply and other technologies.

Honda is also planning to conduct experiments using electric vehicles (EV) with the City of Torrance, California, Stanford University and Google Inc. In addition, Honda, the city of Guangzhou and

Guangzhou Automobile Group Co., Ltd. have reached a basic agreement to conduct experiments for demonstration board’s Next-generation Personal Mobility Proving Tests. Through this experiment in Guangzhou, Honda is planning to confirm the practicality and convenience of electric vehicles (EV) and plans to verify what will be the ideal infrastructure for society toward achieving the widespread use of EVs.

The experiment, which incorporates electromotive technologies in Honda’s motorcycles, automobiles, and power products, will provide a basis for achieving a lifestyle in which power generation and battery charging can be efficiently controlled by individual households. If this Total Energy Management approach can be turned into reality, Honda believes that we can enjoy rich, low-carbon lifestyles in a future where regional development is driven by networks connecting individual homes.

Honda’s vision for next-generation personal mobility and a low-carbon society



## Working with Kumamoto Prefecture

In August 2010, Honda signed a Comprehensive Agreement on Next-generation Personal Mobility Proving Tests with Kumamoto Prefecture, home to Kumamoto Factory, which serves as Honda's leader motorcycle manufacturing plant, and Honda Soltec Co., Ltd., a manufacturer of solar panels. An experiment utilizing the Monpal electric cart was launched in October 2010. The project seeks to

explore next-generation personal mobility based on this agreement in a way that can contribute to the quality of life\* (QOL) enjoyed by prefecture residents in local communities.

\*Quality of life: The level a person can live a human life considering not only the physical quality, but also a rich and happy emotional quality.

### Next-generation Personal Mobility Proving Test Plan by Kumamoto Prefecture and Honda 2010 to 2012

- Developing the "local, low-carbon, next-generation mobility society model" that serves as Kumamoto Prefecture's urban planning concept
- Establishing and promoting activities of a Next-generation Mobility Testing Program Implementation Committee that brings together industry, government, and academia
- City of Kumamoto: Evaluate the QOL benefits of sharing Monpal ML200 electric carts at facilities for senior citizens using quantifiable data (a joint project with the Japanese Red Cross Society Kumamoto Healthcare Center) and promoting electrically powered mobility among the younger generation through the use of EV-neo electric scooters by high-school students to commute to school
- Aso area: Renting electric vehicles, plug-in hybrid vehicles, and EV-neos to tourists
- Amakusa area: Verifying the convenience of electric vehicles as a means of transportation on the island and the suitability of plug-in hybrid vehicles for long-distance travel
- City of Minamata: Verifying the convenience of EV-neo for rentals to residents and tourists

### Sidebar Preliminary results of proving tests using Monpal electric carts

At Honda, we've been conducting research to quantitatively evaluate the effect of new personal mobility in improving the quality of life in an aging society since October 2010 with the assistance of the Tenjyuen special nursing home.

Specifically, we had residents at the facility use Monpal electric carts for a period of three months while we evaluated the relationship between use of the devices and quality of life in the form of the extent and frequency of their activities as well as participation in the community.

Interviews with participants indicate that they enjoyed more frequent opportunities for participating in society, with one noting, "Until now I hadn't been able to get out much due to my disability, but Monpal has expanded my sphere of activity and helped me go out more often as well as allowed me opportunities to talk with people I didn't know. In fact, now I'm working on making a safety road map of the community showing safe roads using information gained during those excursions." Going forward, we plan to conduct new tests as we continue to examine ways to facilitate improvements in senior citizens' quality of life through personal mobility.



Yasutoshi Nishi and Takahiro Kiyota, a Tenjyuen staff member work on making a safety road map

### In the words of a stakeholder

I had the pleasure of test-driving Honda plug-in hybrid during a press conference in December 2010. My impression was that I had never driven a vehicle that was so quiet or comfortable.

Because public transportation in rural areas is not as well developed as in large cities, cars and motorcycles play an important role in daily life. At high schools in Kumamoto Prefecture, more students use motorcycles than bicycles to commute to school. The prefecture, which is passionate about addressing environmental issues, is working to realize a low-carbon society, and the Kumamoto Prefectural Ordinance for Prevention of Global Warming went into effect last year. During our demonstration program, we plan to have high-school students use EV-neos to commute to school, and we plan to have senior citizens use the Monpal. The experiment in having senior citizens use the Monpal is directly related to the idea of creating a society that does not fear aging, which is one of Kumamoto Prefecture's dreams, and we believe that it has the potential to improve quality of life in our local communities by encouraging senior citizens to participate in society. Through this experiment, we found out that Honda's locally rooted approach aligns perfectly with Kumamoto Prefecture's own goals, and we look forward to working together with Honda to fulfill the dream of maximizing the happiness and well-being of residents as one of the key growth areas.



Ikuo Kabashima  
Governor, Kumamoto Prefecture

### Working with Saitama Prefecture

Honda and Saitama Prefecture have worked to build a collaborative relationship through such means as an Agreement on Cooperation in Environmental Issues that they signed in March 2009.

The two parties are working together through Honda's Next-

generation Personal Mobility Proving Tests, for example by pursuing the potential of next-generation transportation systems and exploring the possibility of installing a solar hydrogen station at the prefectural office.

### Next-generation Personal Mobility Proving Test Plan by Saitama Prefecture and Honda 2010 to 2012

- Realizing Saitama Prefecture's urban planning concept of "promoting use of electric and plug-in hybrid vehicles in order to achieve a low-carbon mobility society"
- Saitama Prefecture: Installing a solar hydrogen station
- City of Saitama: Urban transportation testing featuring Honda's EVs, plug-in hybrid vehicles and EV-neo, by partnering with public transportation facilities such as train stations.

- City of Kumagaya: Introducing a park-and-ride\* system that takes advantage of the area's status as a suburb of a major urban area
- City of Chichibu: Creating mobility opportunities for senior citizens using Monpal electric carts and verifying the convenience of such an approach

\*Park and ride: A system by which people drive to the train station or bus stop located nearest to their homes, and then use public transportation to travel to destinations in a nearby city.

### In the words of a stakeholder

Saitama Prefecture and Honda have built up a collaborative relationship through such means as an Agreement on Cooperation in Environmental Issues and an Agreement between Saitama Prefecture and Honda on the Provision of Road Transportation Data.

Saitama Prefecture is proud to be working again with Honda on its Next-generation Personal Mobility Proving Tests program. A particularly interesting part of this project is the installation in Kumagaya of charging stations that will produce energy for local consumption using solar power. Saitama Prefecture is famous for its heat and boasts the highest number of sunny days of any city in Japan.

Saitama Prefecture has also been selected by the Ministry of Economy, Trade and Industry as an EV/PHV Town in recognition of area governments' advanced initiatives to introduce electric and plug-in hybrid vehicles. I look forward to bringing the potential of Saitama Prefecture and Honda together to achieve great things as we work to realize a low-carbon society.



Kiyoshi Ueda  
Governor, Saitama Prefecture

### Working with the City of Torrance

American Honda Motor held a ceremony in America to announce a program of proving tests with the city of Torrance in California on

December 15, 2010. Honda will jointly perform the test with the City of Torrance, Stanford University, and Google Inc.

### Honda's Next-generation Personal Mobility Proving Test Plan in the U.S.

- Honda: Orchestrating a demonstration program using the Fit EV electric vehicle and plug-in hybrid vehicles
- Stanford University: Conducting research into electric vehicle support infrastructure, transportation systems, and battery permanence
- City of Torrance: Conducting research into vehicle charging, public education, and the development of a sustainable society
- Google Inc.: Analyzing convenience, power consumption, and other

characteristics requiring charging through the sharing of company vehicles

We will pursue this initiative along with others promoting the FCX Clarity fuel cell electric vehicle and existing hybrid vehicles as part of the Honda Electric Mobility Network.



Signing ceremony for the experiment

### Usefulness of mobility in people's lives



What should Honda do to realize mobility as a convenient capability that plays a useful role in people's lives in order to reduce CO<sub>2</sub>

emissions. We found that the answer was to develop a business-use electric motorcycle that could be used immediately-specifically,

the EV-neo electric scooter for business use, a low-carbon mobility solution with no muffler and no engine sound. The name combines EV, or electric vehicle, with the Greek word for new, highlighting the product's status as a completely new concept in electric scooters. This product that was released in December 2010, which will be

available for lease by the general public starting in April 2011 at an annual volume of 1,000 units after testing 10 prototype vehicles and monitoring 100 vehicles in the actual business use, will contribute to the widespread adoption of next-generation personal mobility solutions.

### Honda's desire to play a useful role in people's lives

Electric scooters emit no CO<sub>2</sub> while being ridden, and they offer dramatically higher energy efficiency than their gasoline-powered counterparts. Engines, which generate kinetic energy by burning gasoline, lose about 60% of the fuel's energy in the form of heat. By contrast, electric scooters which are driven by motors, don't burn anything and benefit from a motor design that reduces the complexity of an engine, allowing them to convert energy into drive power at a very high level of efficiency. In fact, the energy efficiency of electric scooters, which has no transmissions and other complex mechanical components and therefore enjoy low energy losses, can be boosted as high as about 90%. Additionally, the motorcycle motor generates more torque than a gasoline engine when accelerating from a standstill, making the EV-neo suitable for use as a business motorcycle in applications that require transport of heavy cargo. This business type electric scooter is the EV-neo.



The EV-neo is manufactured at Honda's Kumamoto Factory, its leader motorcycle plant. Its motor is manufactured on the same production line as the Monpal electric cart.

### Steady research with a focus on the customer

Koichiro Honda (Assistant Chief Engineer, Motorcycle R&D Center, Honda R&D Co., Ltd.), who oversees the EV-neo development program, explains, "There are limits to technology, but the key is pursuing an ongoing program of steady research to produce products that exceed these limitations with a focus on the customer." As with gasoline engines, electric scooters are subject to trade-offs between power and cruising range. Our development team gave priority to achieving the necessary cruising range with the selected battery capacity. The ability to accelerate from a standstill smoothly on a hill while loaded with cargo is also another requirement for business motorcycles. As a result of various trial and error, the EV-neo achieves a cruising range of 34 km\* per charge with enough performance that it can accelerate more quickly than a car after stopping at a traffic light. This is almost the same distance as traveling from Tokyo Station to Yokohama Station or Osaka Station to Kobe Station. The EV-neo can also accelerate smoothly on a 12 degree incline even with 30 kg of cargo and use one-fourth the electricity consumption of scooters in the same class.



Koichiro Honda  
Assistant Chief  
Engineer,  
Motorcycle R&D Center,  
Honda R&D Co., Ltd.



A compact, normal charger that can be stored under the seat. Special features include a 45dB quiet design and easy operations by just pressing the start button.

\*Test value obtained during 30km/h proving test.

### Evolving with our customers

"Compared to gasoline-powered motorcycles, which are the product of 100 years of incremental technological advances, electric scooters are just being ridden for the first time," says Koji Murakawa, who oversees motorcycle sales (Assistant Manager, Honda Motorcycle Japan Co., Ltd.). "Unless Honda, the world's largest motorcycle manufacturer, approaches this new market as a completely new endeavor, it will be difficult to truly inspire joy on the part of our customers." Since electric scooters are a new mobility solution just being used for the first time, we at Honda believe we must facilitate the evolution of the technology on the basis of sincere dialog with customers. Notwithstanding differences in how the products are powered, our philosophy of playing a useful role in people's lives remains the same and the EV-neo electric scooter for business use is a product that has surely inherited Honda's DNA, which cultivated the Super Cub.



Koji Murakawa  
Assistant Manager, Honda  
Motorcycle Japan Co., Ltd.

### Example user Hajime Shiraishi Store Manager, Aoyama Branch (present Azabu Branch), Domino's Pizza

The first time an EV-neo was delivered to the store, I sensed how serious Honda is about pushing this product into the mainstream when I looked it over and found that it doesn't differ appreciably in appearance from its gasoline-powered counterparts. When I first took it out for a ride, I found myself smiling at its powerful acceleration and solid riding comfort. In that instant I felt that Honda motorcycles are easy to use and fun to ride.

Our head office in the United States, where deliveries are made by car, is taking notice of the EV-neo that we are using. It is my hope that this Japanese experiment will spread throughout the world, minimizing environmental impact and allowing more customers to enjoy our pizzas.



An EV-neo being used to deliver pizza and Mr. Hajime Shiraishi



## Joy of working together based on respect for the individual:

Kibonosato Honda Co., Ltd.; Honda Sun Co., Ltd.; and Honda R&D Sun Co., Ltd.

One of the fundamental beliefs incorporated into the Honda Philosophy that has guided the company since its founding is respect for the individual. This philosophy recognizes individuality and the freedom to create while considering how to realize people's hopes and dreams in the future. Joy is shared together by gathering individuals who are fully committed to respecting individuality, fairness, and trust. These basic values concerning human rights are shared and practiced by all Group companies and their associates.

Augmenting this fundamental belief, Honda's origin — "To serve

society and people with our products and the technological ideas we put into our products" and "To make people's lives more convenient and fun by using the unique ideas that only Honda can think of" — can be found in the company's Vision for 2020, which seeks to "provide good products to our customers with speed, affordability and low CO<sub>2</sub> emissions." The desire to serve the people, which has been passed down since our founding, resonates with all Honda associates. It has been, and will always be, the starting point for all company activities.

### Workplaces where associates respect individuality and work together

Honda's decision to establish a special-purpose subsidiary\* for employing disabled individuals came about as a result of a meeting between Honda founder Soichiro Honda and Dr. Yutaka Nakamura, founder of Japan Sun Industries. Dr. Nakamura's philosophy that physical or mental handicaps don't inhibit one's work and therefore these disabled individuals should be offered an opportunity to work rather than charity resonated with Soichiro Honda, who founded Honda Sun Co., Ltd., in Oita in 1981 based on his desire to help disabled individuals achieve social autonomy. Kibonosato Honda Co., Ltd. was established in 1985 as a joint public-private venture in Kumamoto, and Honda R&D Co., Ltd. founded Honda R&D Sun Co., Ltd., in 1992 in a joint venture with Japan Sun Industries. Honda has also created workplaces at all of the Honda worksites where disabled associates are continually hired to work alongside the rest of the workforce.

Going forward, Honda is committed to offering opportunities of employment to disabled individuals by creating workplaces where a diverse workforce can gather, and share the joy of working together, regardless of disability.

\*So-called "special purpose-subidiaries" are established in accordance with the Act on Employment Promotion etc. of Persons with Disabilities with the goal of expanding employment of disabled individuals.



Dr. Yutaka Nakamura and Soichiro Honda (right) speak with associates as they examine parts during a visit to the Beppu Plant at the founding of Honda Sun Co., Ltd., in September 1981.



## Pursuing respect for the individual and job satisfaction

Kibonosato Honda Co., Ltd.



### Celebrating the 25th anniversary of our founding

Kibonosato Honda Co., Ltd., which was established as a joint public-private venture by Kumamoto Prefecture, Matsubase (now Uki City) in 1985 to employ large numbers of individuals with serious disabilities, celebrated the 25th anniversary of its founding in 2010.

Since its founding, the company has worked to pursue normalization\*<sup>1</sup> so that disabled and able-bodied alike, can work together on an equal footing, free of discrimination. Equipment is improved to allow associates the ability to perform a wide-range of jobs in the factory, such as innovations to the automatic assembly line for piston rings, to allow a single employee in a wheelchair to handle all the processes of assembly. We promote self-independence by actively providing opportunities to take on the challenge of new jobs regardless of disabilities so that associates can enjoy independent job satisfaction and receive social recognition.

As much as it helps associates achieve personal autonomy, Kibonosato Honda Co., Ltd. consistently exerts itself to become more competitive while doing our best to meet the stringent requirements imposed by our parent company, Honda Motor Co., Ltd. to exist independently as a compelling company. Regarding Honda's QCD\*<sup>2</sup> standards, we are particularly aware of the need to ensure product quality in our operations. The same quality is required regardless of whether a part is manufactured by an able-bodied or disabled

associate, so we align associate "vectors" by defining ambitious objectives that apply to all. Going forward, Kibonosato Honda must go beyond employment of disabled individuals to broaden the scope of individual associates' work so that eventually workers can manufacture not only parts, but Kibonosato Honda's own products. Our commitment to achieving this dream derives from the fact

that doing so will increase associates' job satisfaction, their sense of responsibility, and their motivation.



Yoji Araki  
President and CEO, Kibonosato Honda Co., Ltd.  
(Retired June 2011)

\*1 Normalization refers to the creation of a state of affairs in which disabled individuals live and work alongside their able-bodied counterparts.

\*2 Service and support requirements in the areas of quality, cost, and delivery.

### Uncompromising attitude toward quality

"Of some 5 million parts Kibonosato Honda Co., Ltd., ships each year, most involve small-lot, multi-item production and are not suited to machinery-based automated mass production." Hiroaki Matsuyama, who oversees quality control at the company, says, "To achieve consistently high levels of quality under these conditions, we are working toward the ultimate goal-zero defects-by raising associate awareness and creating the right kind of workplace environment."

Associate education and daily communication are key in order to manufacture high-quality products on a consistent basis. At Kibonosato Honda, an experienced coworker with responsibility for the type of work being performed provides guidance for new associates, regardless of whether they are disabled. That guidance is the first time for new associates to experience the meaning of normalization. This experience also encourages growth on the part of

the more experienced coworkers by giving them work that requires a sense of responsibility.



Hiroaki Matsuyama  
Officer in Charge of Quality Control,  
Kibonosato Honda Co., Ltd.



Kosei Matsunaga  
Officer in Charge of Production,  
Kibonosato Honda Co., Ltd.

Kosei Matsunaga, who oversees production at Kibonosato Honda, says, "I've been able to understand my coworkers because I've worked actively to communicate, for example by asking questions, and it's thanks to their support that I've been able to do my job for the last 25 years. I now look forward to coming to work and seeing everyone." The company will continue to evolve as a place where truly independent associates can work with pride and joy.



Inside a universal employment factory

Kibonosato Honda supplies all pistons for motorcycles and power products manufactured at Honda's Kumamoto Factory

In the words of Kibonosato Honda associates



Keizo Iwashita  
Kibonosato Honda Co., Ltd.

"I work in accounting. Recent changes in my job left me a little confused, but I was able to handle it thanks to some help from my coworkers. I was also able to hear them cheering me on in the Oita

International Wheelchair Marathon, and their support encouraged me to keep going. My participation in the marathon helped increase my level of communication with other associates at work."



Yutaka Kubota  
Kibonosato Honda Co., Ltd.

"I've been working at Kibonosato Honda since the company's founding. At first I didn't understand anything, but I've learned as I went, taking things one step at a time. I received the Exceptional Disabled

Worker Award (the Minister of Health, Labour and Welfare Award) in August 2010 in recognition of the results of this steady approach and my efforts to awaken disabled workers' desire to achieve occupational autonomy. Today, my responsibilities include production planning."

The philosophy of "People above all: Dreams, hopes, and smiles"

Honda Sun Co., Ltd., and Honda R&D Sun Co., Ltd.



To be a company that is competitive without exception

Honda Sun Co., Ltd. gives associates responsibilities in the manufacture of high-quality Honda products by taking advantage of individual workers' innate characteristics based on the basic philosophy, People above all: Dreams, hopes, smiles; we are the creative challenger. The company strives to conduct its operations such that the local community values its presence and associates value their experience working there.

We have two missions as a special purpose subsidiary. First, we employ individuals with a broad range of disabilities and create opportunities for each worker to make a contribution. Second, we strive to play a pioneering role in the employment of disabled individuals by broadening the scope of their jobs and

communicating related initiatives outside the company so as to lead to the employment of more disabled workers throughout society. At Honda Sun Co., Ltd., we've just embarked on a new challenge by launching a computer data processing service in addition to our



Haruyasu Nishida  
President and CEO, Honda Sun Co., Ltd.

parts manufacturing business. Since all companies have a need for this type of work, we believe this new endeavor has the potential to lead to the employment of more disabled individuals in the future.

Today, Honda is working to boost diversity throughout the Group, including through the employment of disabled individuals. To do our part in this effort, Honda Sun Co., Ltd. invites associates from Honda facilities to monthly gatherings at our facility where we introduce some of the experience and knowledge we have gathered over a quarter-century of helping able-bodied and disabled associates work together.

Going forward, it is our goal to help promote employment of disabled individuals in the Honda Group as well as its affiliates through this and similar initiatives. Our dream is that Honda Sun will be noticed not as a special-purpose subsidiary, but rather simply as a company whose selling point is high quality by creating a wide-range of value while the associates learn from one another.

### Improving production with *karakuri*-style innovation

Honda Sun's new plant in the town of Hiji-machi in Oita Prefecture was completed in 2008. Disabled associates were consulted during the design of the facility, which provides an environment that allows disabled associates to work alongside their able-bodied counterparts. Various innovations designed to achieve diversity include rotating lights that can be seen from all directions and inspection equipment that moves up and down so that wheelchair users can operate it.

Ongoing improvement activities also go beyond efforts such as these that focus on workplace facilities and include the manufacture of work jigs designed by associates in a process that we have dubbed *karakuri*-style innovation.



*Karakuri*-style innovation at work: A device that uses a store-bought pen to ensure that parts are marked properly for subsequent processing

### In the words of Honda Sun associates



Kazuhiko Tozawa  
Honda Sun Co., Ltd.

"I'm responsible for producing the rubber tubes for engines in the Honda Fit and Freed. Thanks to an improvement I proposed, I'm able to insert parts easily with just one hand."



Shoji Watanabe  
Honda Sun Co., Ltd.

"It's been less than a year since I became team leader. I see my job as not only understanding each day's production processes and personnel assignments, but also keeping everyone's state of health in mind."



Hiroto Matsumori  
Honda Sun Co., Ltd.

"My work involves the production management system. I can't do everything by myself, but I definitely want to do as much by myself as possible."



Shoko Nakano  
Honda Sun Co., Ltd.

"I make license plate lamps. Setting a goal for how many I'll produce each day gives me a sense of accomplishment."

### In the words of a Honda R&D Sun associate

#### Challenging myself on behalf of dreams, hopes, and smiles

Just after I joined the company in 1995, I began participating in wheelchair races since an engineer at Honda R&D Co., Ltd. invited me to build and ride on a racing wheelchair with him. With the creation of the Honda Athlete Club in 2000, I became the leader of carbon racing wheelchair development and began spending my days building and testing equipment and practicing. Thanks to the support of my coworkers in the development group, I won the Oita International Wheelchair Half Marathon for three consecutive years starting in 2003. Today I continue to participate in races with my younger coworkers. For me, Honda is a company that offers a high level of job satisfaction by responding positively to associates' hopes.



Shusuke Watanabe  
Honda R&D Sun Co., Ltd.

## Aiming for 120% product quality

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

it means to strive to be a company society wants to exist. Determined to meet or exceed the expectations of customers, Honda is taking new initiatives to reach ever-higher product quality standards. That is who we are.

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

### Implementing the Global Honda Quality Standard (G-HQS)

As Honda’s production and parts and materials sourcing expand globally, a shared global quality assurance standard is essential to ensuring that all Honda facilities continue to support 120% product quality.

To address this need, Honda established the Global Honda Quality Standard (G-HQS) in April 2005. Based on the ISO 9001\*1 and ISO/TS 16949\*2 standards under which Honda facilities in Japan and around the world have been or are to be certified, the G-HQS serves to communicate the considerable knowledge Honda has gathered in producing quality products and help prevent issues from recurring. It will continue to conform to ISO certification standards.

As of March 2011, 43 out of 46 Honda production facilities around the world have attained ISO certification, and the three remaining facilities—both new—are engaged in the certification process.

The G-HQS is designed to enhance the quality of Honda-brand products manufactured and sold worldwide. By ensuring that all facilities comply with these standards, we can better facilitate the interoperation of quality assurance systems at different worksites, contributing to quality assurance not only in production activities, but also in distribution and service.

\*1 ISO 9001: An international quality control and quality assurance standard

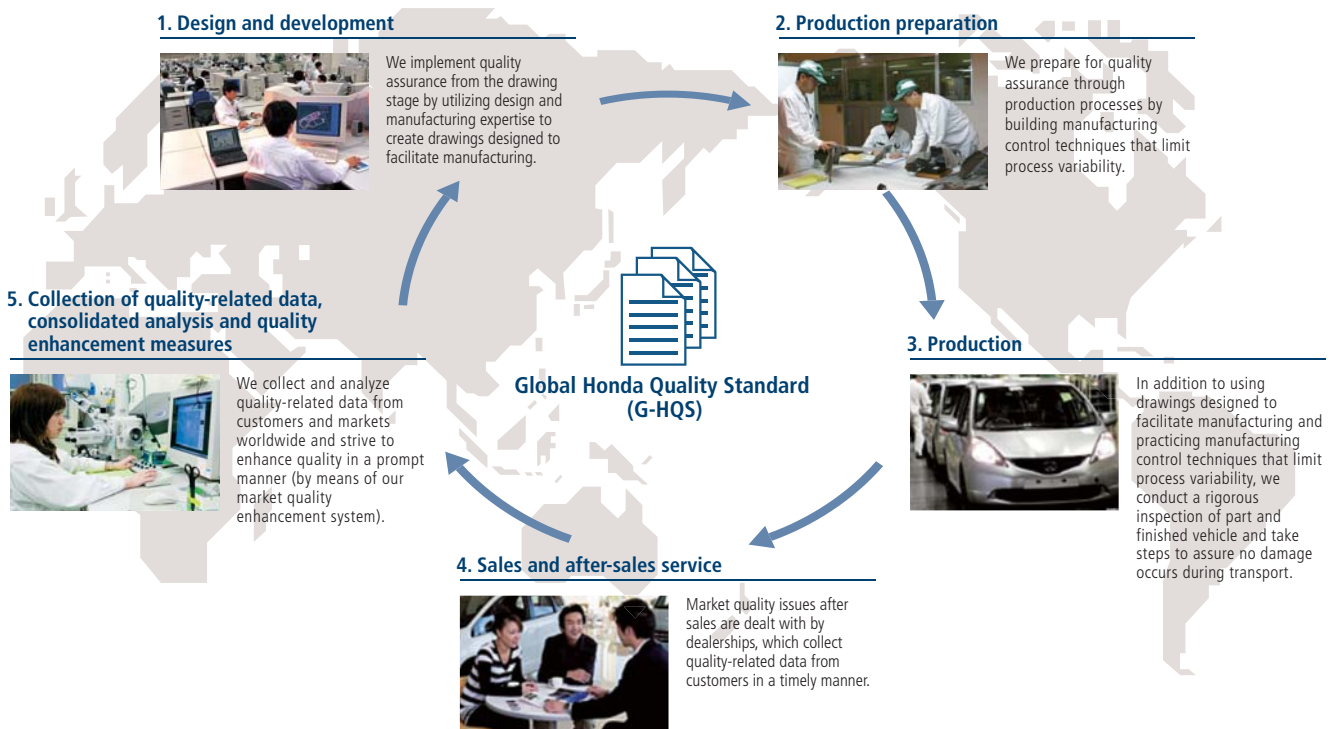
\*2 ISO/TS 16949: An international quality management system standard for the automotive industry

### Honda’s Quality Cycle

By applying design and development expertise to design and development, production preparations, and production (mass production) in order to allow the creation of drawings designed

to facilitate manufacturing and develop manufacturing control techniques that limit process variability, we are able to deliver a new level of outstanding quality.

#### Honda’s Quality Cycle



# Activities for incomparable quality

## Aggressively ensuring quality in both design and manufacturing

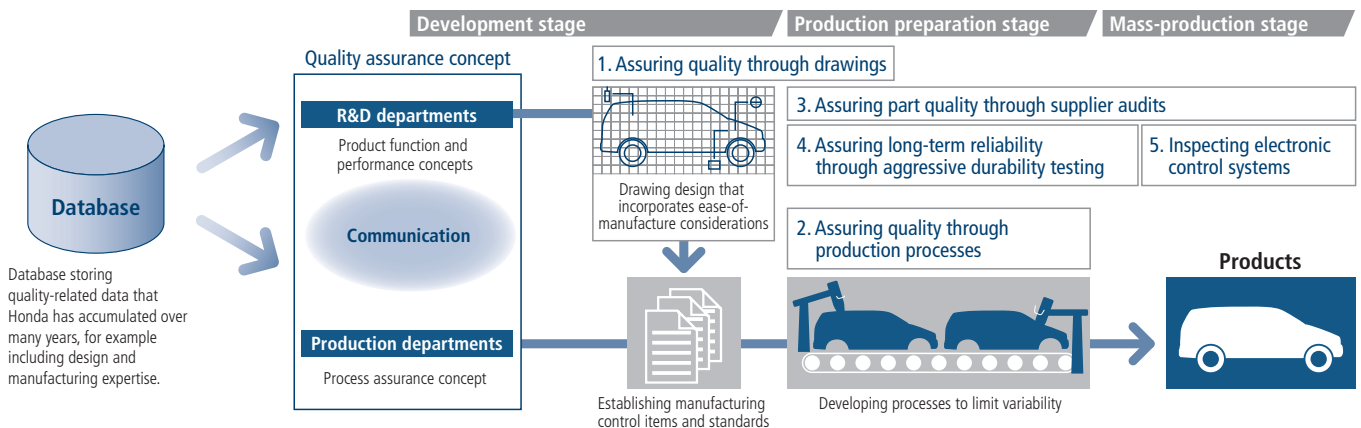
Working in partnership with suppliers, Honda is involved in a companywide effort to deliver products with a new level of enhanced quality.

To ensure high quality, Honda conducts aggressive quality assurance activities from the dual perspectives of design and manufacturing. For example, drawings for objects being machined include finished dimensions. Even when the same worker uses the same materials, equipment, and procedures to produce an item to the dimensions specified on the relevant drawing as part of a given production process, there are inevitably small variations in the item's

finished dimensions. To address this fact, R&D departments go beyond considerations of function and performance to design drawings to yield maximum ease of manufacture and limit process variability. For their part, production departments implement manufacturing control to keep variability within applicable standards based on drawings and to develop production processes so that all workers can continue to achieve a consistent level of quality.

In this way, we implement quality assurance from the dual perspectives of design and manufacturing in order to improve customer satisfaction.

### Processes that create new levels of enhanced quality (automobiles)



### 1. Assuring quality through drawings

Honda's R&D departments create drawings for maximum ease of manufacture in order to limit process variability and prevent human error during the manufacturing process. These drawings serve as the basis of our quality assurance efforts.

Specifically, engineers utilize a database of measures and techniques for preventing past market quality issues and other information as they communicate closely with manufacturing departments during the initial development stage. Product function, performance, and quality assurance concepts are committed to writing and shared to coordinate efforts with production departments' process assurance activities and to coordinate quality assurance concepts.

### 2. Assuring quality through production processes

Honda's production departments establish manufacturing control items and standards for each part, process, and work task based on designers' intentions in order to prevent product quality issues. Engineers then use these manufacturing control items and standards to verify manufacturing variability as they work to prevent quality issues. Furthermore, Honda develops processes that limit variability by soliciting suggestions for enhancement from the sites where work is actually performed and determining manufacturing control methods for each process.

### 3. Assuring part quality through supplier audits

Assuring the quality of procured parts is an important element in delivering high-quality products.

Honda visits its suppliers' manufacturing facilities to conduct quality audits based on the "Three Reality Principle," which emphasizes "going to the actual place," "knowing the actual situation," and "being realistic."

These audit activities are conducted for both the production preparation and mass-production stages of supplier operations. Experts in the development and production of individual parts visit manufacturing facilities and conduct audits of suppliers' quality systems and their implementation.

Honda then works to improve part quality through activities that emphasize communication with suppliers, for example by sharing audit results and cooperating to discover measures for improving quality.

### 4. Assuring long-term reliability through aggressive durability testing

Honda subjects new and redesigned models to a rigorous regimen of long-distance durability testing before beginning mass production in order to verify that no quality issues exist.

We also disassemble vehicles used in the test drives one part at a time and verify that there are no quality issues through a process consisting of several thousand checks. By accumulating data on the issues discovered through these test drives and detailed inspections

as well as associated countermeasures, we are able to ensure a high level of quality and function reliability.



Verification of a durability test vehicle

### 5. Using second-generation line end testers (LETs) to inspect electronic control systems

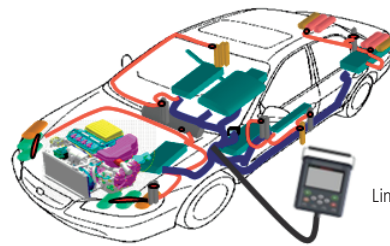
Use of electronic control systems in vehicles has grown dramatically in recent years as part of an effort to achieve more environmentally friendly designs and improve driver and passenger convenience and comfort, creating a need for efficient inspection methods to assure the quality of these components.

To this end, Honda has installed line end testers (LETs), an inspection and diagnostic system developed in-house, at production plants in Japan and overseas.

Although the LET was initially deployed to perform diagnostics of emissions purification systems and parts in order to comply

with U.S. emissions regulations, Honda extended the capabilities of the second generation of the device to accommodate the recent evolution of electronic control systems, allowing its use in shipping quality inspections of all electronic control systems, from switches and instruments to air conditioner, audio, engine, and transmission operation. Thanks to these innovations, inspections that have traditionally depended on the human senses of smell, sight, and hearing can now be performed quantitatively by means of communications with electronic control components, dramatically increasing the precision and efficiency with which inspections can be conducted.

Honda is continuing to quantify shipping quality assurance for electronic control systems by working to implement further enhancements in the precision and efficiency of sensory inspections.



Line End Tester (LET)

Overview of the LET system

## System to enhance market quality

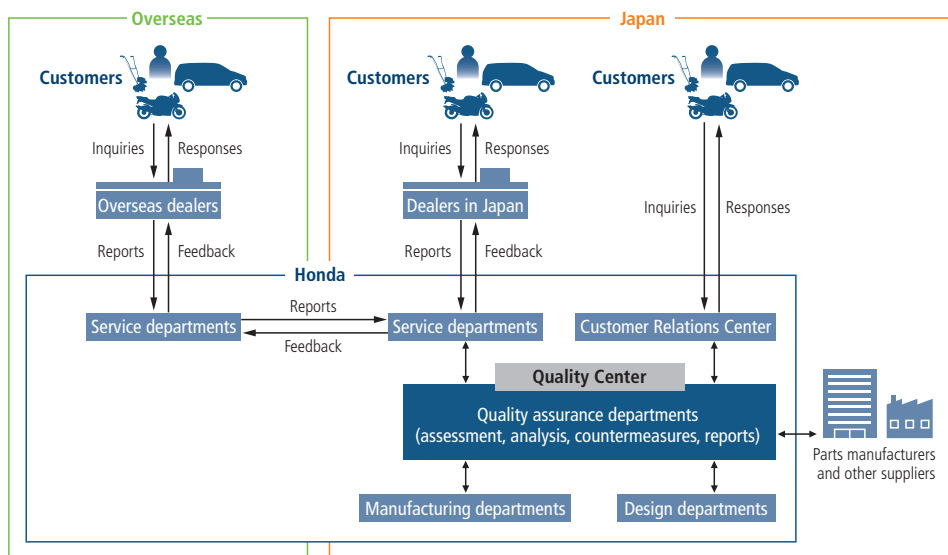
### Building a rapid market quality enhancement system around a Quality Center that centralizes customer feedback

We have established a Quality Center to bring together the various components of our organization concerned with market quality data, allowing us to enhance our worldwide ability to both prevent quality issues and quickly detect and resolve them when they occur. The facility gathers quality-related data from dealers in Japan and overseas through service departments and the Customer Relations Center. Measures and policies for preventing quality issues are then developed based on the issues identified from this data

and provided as feedback to R&D and production departments responsible for operations including product design, manufacture, and part supplier relations.

When a quality issue does occur, we move quickly to resolve it, for example by working closely with R&D and production departments to investigate and address the cause, dealing with affected customers, and taking action to prevent a recurrence.

#### Market quality enhancement system

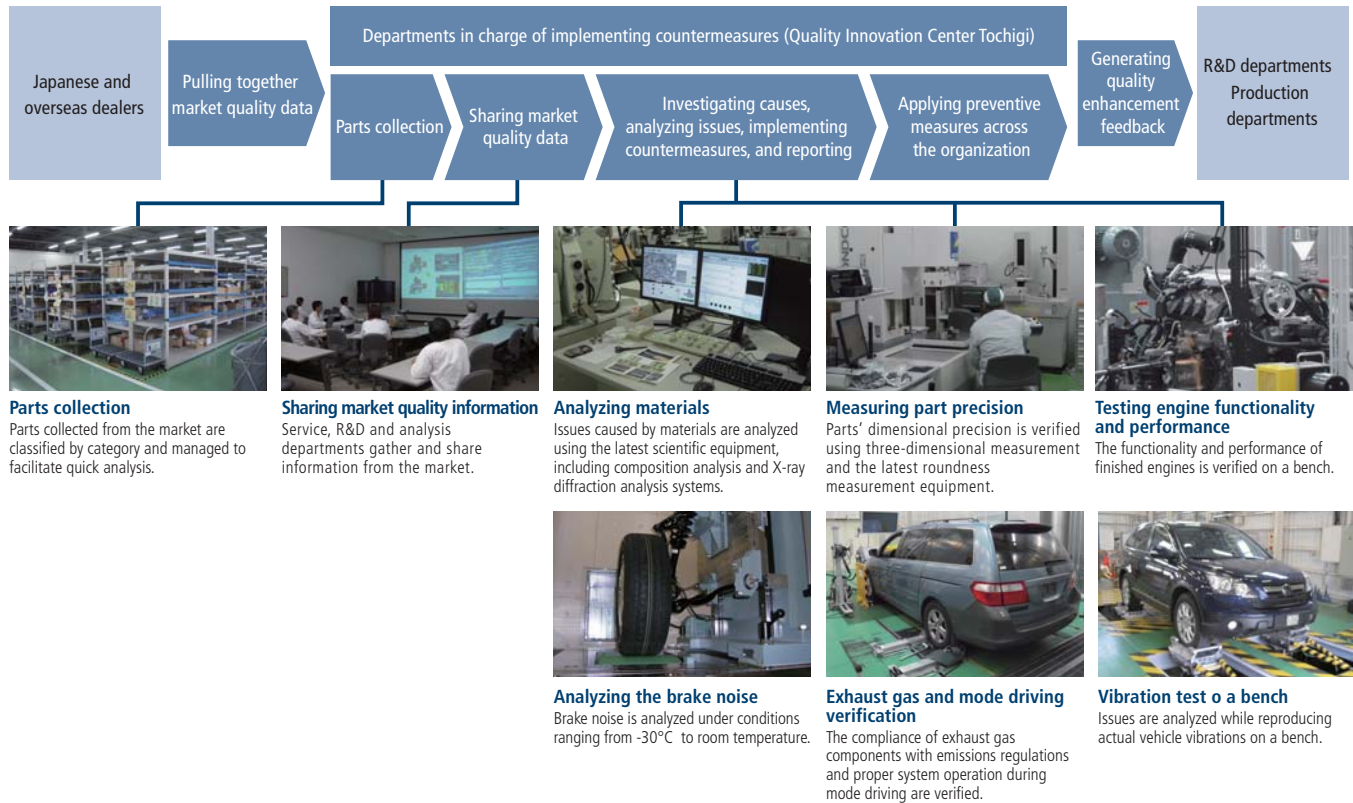


## Operations at Quality Innovation Center Tochigi

Quality enhancement operations at Quality Innovation Center Tochigi consist of pulling together market quality data and sharing information about collected parts and market quality issues. Personnel analyze such parts, investigate causes, and develop countermeasures and improvements in a timely manner.

Specialized teams with extensive product knowledge are able to obtain detailed data using a range of analytical equipment. The operational process is configured to facilitate objective, appropriate decision-making based on gathered data.

### Quality improvement operational process



## Analysis in partnership with overseas entities

Overseas production plants play a central role in conducting the same type of quality enhancement activities as Quality Innovation Center Tochigi.

When plants encounter a particularly difficult market quality issue and request assistance, the Center investigates and analyzes the issue and then reports the results back to the overseas facility.

### Working with automotive production plants



# Handling quality issues

## Recall system and other measures

When we determine that product issue requires action, we quickly report the issue to governmental authorities in accordance with individual countries' regulations and contact owners by means of direct mail from dealers or by telephone to provide information about how they can receive free repairs. Associated information is also provided on Honda's website and through the news media as necessary.

## Compliance with Japan's Consumer Products Safety Law

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

A Global Quality Committee is quickly convened in accordance with Honda global rules, and decisions concerning market measures are made by its chairperson in consultation with overseas members including experts from departments involved with quality issues who are capable of making objective decisions.

manufacturers and importers of specified products to report any serious accidents to Japan's Ministry of Economy, Trade and Industry. As a manufacturer offering consumer goods for sale, Honda is, of course, in full compliance with this law, gathering information via our own systems, which were established to help ensure the safety of our customers, and submitting reports to the designated authorities in a timely and precise manner, as required.

# Quality management education

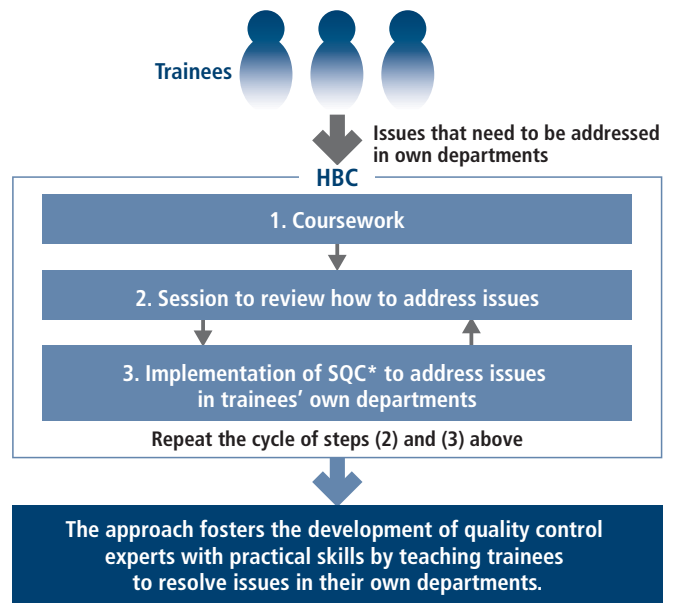
## Implementing quality management education

In Japan, Honda offers a training curriculum divided into four courses according to in-house qualifications and the extent of individual workers' quality control responsibilities in order to improve associates' quality assurance skills.

The Honda QC Basic Course (HBC), which was first offered 40 years ago, provides an example of how Honda is working to train its personnel to be leaders in improving quality, for example by opening the course to suppliers in addition to associates. Similar curricula for providing necessary training have been put in place at overseas production facilities.

The following diagram indicates the objective, duration, and number of trainees for each FY2011 course:

## Honda Basic Course Flow



Quality control education objectives and number of participating trainees

	Objective	Period	No. of FY2011 trainees
QC Junior (QCJ) Course	Students study how to put into practice the basic approach and methods (in the form of quality control techniques) for satisfying customers by manufacturing better products faster and more reasonable, and providing better service.	Total of 1 day	336 participants
QC Foreman (QCF) Course (Intermediate)	Students study how to put into practice the quality control techniques and approaches needed in quality assurance activities in manufacturing.	Total of 2 days	576 participants
QC Foreman (QCF) Course (Advanced)	Students study how to put into practice the expert techniques and approaches needed to work in quality-related operations.	Total of 3 days	253 participants
Honda QC Basic Course (HBC)	Students become quality control experts capable of resolving difficult problems and achieving tasks by studying the approaches and techniques of statistical quality control (SQC).	Total of 22 days	57 participants

\*SQC: Statistical Quality Control is a general term to describe statistical concepts and scientific methods.



Overseas quality control training



## Honda's approach to safety

Honda's commitment to Safety for Everyone is not limited to the needs of car drivers and motorcycle riders but rather extends to passengers, pedestrians, and occupants of all vehicles—in a word, to everyone on the road. We will continue to develop and refine its

innovative technologies and work to equip our automobiles and motorcycles with the most advanced, effective safety technologies possible. Our goal is nothing less than the safety of all those who share the road in our mobile society.

## Safety through technology and education

Aiming for Safety for Everyone, Honda is tackling safety issues from both product and educational perspectives. We're working to ensure that our vehicles deliver the best possible safety performance. We're also promoting safe driving skills and awareness among our customers and society at large. Honda has always been in the vanguard of safety, leveraging original intelligent systems to bring active safety technologies to market.

Honda was the first automaker in Japan to introduce many of the safety technologies used in today's cars, including threepoint seat belts, the Anti-lock Brake System (ABS), SRS airbag system, Vehicle Stability Assist (VSA) and Collision Mitigation Brake System (CMBS).

Honda has always been a leader in developing both active and passive safety technologies, including car bodies designed to enhance occupant and pedestrian safety. As a leading motorcycle manufacturer, Honda has taken the initiative in introducing motorcycle airbag systems, the Combi Brake System (front-rear braking force distribution system), Combined ABS (front-rear braking force distribution ABS) and other advanced braking systems.

We will continue to pursue both product safety and traffic safety education, leveraging the synergistic benefits of both to contribute to a safer mobility society.

### Honda's approach to safety

Safety technology
<p><b>Optimizing safety performance</b></p> <p>ACTIVE SAFETY</p> <ul style="list-style-type: none"> <li>• Accident prevention technology</li> <li>• Hazard avoidance technology</li> </ul> <p>PRE-CRASH SAFETY</p> <p>PASSIVE SAFETY</p> <ul style="list-style-type: none"> <li>• Injury minimization technology</li> <li>• Post-accident technology</li> </ul>
Education
<p><b>Promoting safe driving skills and awareness</b></p> <ul style="list-style-type: none"> <li>• Human resource development: Training driving safety instructors</li> <li>• Provision of opportunities: Making experiential training</li> <li>• Software development: Creating programs and teaching materials; fostering expertise</li> </ul>

## The fundamentals of safety technology development

### Setting ambitious targets and developing advanced safety technology

Various safety standards for automobiles and motorcycles are in force worldwide. Proactively complying with the laws and regulations of each country and region and aiming to meet its own even higher standards, Honda strives continuously to enhance the safety performance of its products.

Honda believes that safety is a prerequisite of mobility. We're setting ambitious targets in the ongoing development of our advanced safety technology, optimizing the safety performance of all our products.

## Pursuing safety at every stage

Working toward the objective of realizing Safety for Everyone, Honda is developing technologies and equipment in support of everything from traffic safety training to post-accident emergency technology. We're working on both active and passive safety initiatives for

automobiles and motorcycles while also developing pre-crash safety technology for automobiles. With power products, our development of a wide range of products has been guided by our own Honda Power Products Safety Requirements.

## ACTIVE SAFETY / PASSIVE SAFETY / PRE-CRASH SAFETY

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

Passive safety is focused on minimizing the injuries and damage that may occur in the event of an accident. Initiatives are broadly divided into technology for minimizing injuries, which focuses on the protection

of vehicle occupants and pedestrians at the moment of impact, and technology for minimizing post-accident danger, which focuses on limiting injuries and damage after an accident has occurred.

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

### Safety technologies for motorcycles and automobiles

	ACTIVE SAFETY			PRE-CRASH SAFETY	PASSIVE SAFETY	
	Traffic safety education	Accident prevention	Hazard avoidance	PRE-CRASH SAFETY	Injury minimization	Post-accident
Motorcycles	Riding simulator	Advanced Safety Vehicle 4 (ASV-4) R&D* <sup>1</sup>	Combi Brake System (front-rear braking force distribution)		Airbag systems	
	Riding trainer				Body Protector	
	Bicycle simulator	Visibility enhancement R&D (FACE, LONG)* <sup>2,3</sup>	Combined ABS (front-rear braking force distribution ABS)			
Automobiles	Driving simulator	Adaptive Cruise Control (ACC)	Anti-Lock Brake System (ABS)	Collision Mitigation Brake System (CMBS) with E-Pretensioners	Collision-Safety Body Design	Emergency cal services
	Safety Navi	Lane-Keeping Assist System (LKAS)	Electronic Brake Distribution (EBD)		Seatbelt systems	Collision Detection Door Lock Release System
		Adaptive Front Lighting System (AFS)	Vehicle Stability Assist (VSA)		Airbag systems	
		Multi-View Camera System	Motion Adaptive EPS (Electric Power Steering)		Child restraint systems	
		Advanced Safety Vehicle 4 (ASV-4) R&D			Pop-up Hood System	
	Driving Safety Support Systems (DSSS) R&D			Active Head Restraint		

\*1 ASV: Advanced Safety Vehicle

\*2 FACE: Facial Attention for Conspicuity Enhancement

\*3 LONG: Longitudinal Oriented Normative time Gap compensate

## Focusing on hands-on driving safety education

Based on its belief that safety comes about only by giving customers safe products and communicating knowledge and technologies for safe driving, Honda has worked to promote safe driving in order to help bring about a safer mobility society as parts of its corporate social responsibility program.

Japanese and overseas Traffic Education Centers as well as automobile, motorcycle, and power product dealerships lead the way in carrying out these efforts, focusing on passing on safety education

from person to person and participatory, hands-on education held at related companies that lets students experience hazards in a safe environment.

We're also working to enhance and strengthen these activities based on changes in society's approach to transportation and the full range of customer needs so that they play a practical role for all transportation users.

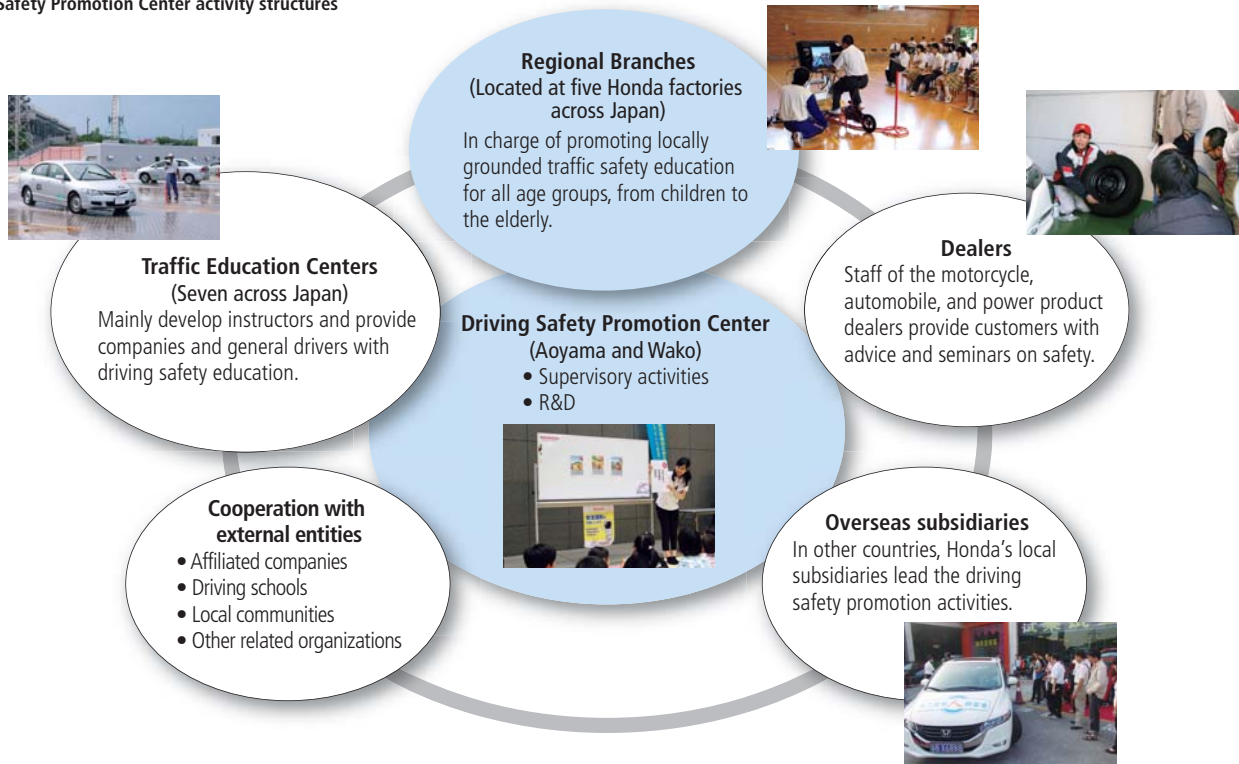
# Providing opportunities for learning traffic safety nationwide

Honda believes that in a society that depends on an increasingly complex mix of transportation modalities, pursuing safety for all people—not only drivers, but also pedestrians, cyclists, and other transportation users—makes an important contribution to the effort to bring about a more advanced mobility society.

For that reason, we believe that it is essential to undertake traffic safety awareness-raising activities tailored for each generation, from

children to seniors, hand in hand with local communities. To put this vision into practice, Honda is actively pursuing regionally grounded activities that are advanced and distinctive in character in the three areas of training instructors, making training equipment available, and developing educational programs and techniques/developing and providing educational equipment.

## Driving Safety Promotion Center activity structures



## Traffic safety initiatives overview

	Location		Activities	Instructors	Main target			
					Children	Students	Adults	Seniors
In Japan	Dealerships	Automobile Rainbow Dealer*1	Safety advice at dealerships / Safety seminars / Driving schools / Cooperation with local traffic safety organizations	Safety coordinators / Chief safety coordinators		●	●	●
		Motorcycle Safety Support Dealer*2	Safety advice at dealerships / Riding schools / Cooperation with local traffic safety organizations	Riding advisors / Sport riding school instructors		●	●	●
		Power Products	Safety advice at dealerships	Monpal safe operation instructors / Monpal safe operation trainers				●
		Traffic Education Centers	Training for drivers and instructors / Training for motorcycle and automobile dealership associates / Riding and driving training courses / Instructor exchanges and events, competitions to foster skill improvement / Special training programs for various age groups	Traffic Education Center instructors	●	●	●	●
		Regional Branches	Cooperation with local traffic safety organizations / Collaboration on instructor education	Traffic Safety instructors	●	●		●
		Honda facilities	Driving/riding safety training for associates / Training for local traffic safety	Traffic Safety instructors			●	
		Honda Group companies	Cooperation with local traffic safety initiatives	Honda Partnership instructors	●	●	●	●
		Teaming up with local driving school	Cooperation with local traffic safety initiatives / School for motorcycle and automobile	Driving school instructors	●	●	●	●
Overseas	Global affiliates	Dealerships (automobile, motorcycle)	Advice at dealerships / Driving training courses / Riding training courses / Cooperation with local traffic safety initiatives	Instructors at dealerships		●	●	●
		Traffic Education Centers	Instructor training / Training for motorcycle and automobile dealership associates / Riding and driving training courses / Training using riding simulators and driving simulators / Cooperation with local traffic safety initiatives / Courses for license seekers / Instructor exchanges and events, competitions to foster skill improvement	Traffic Education Center instructors	●	●	●	●

\*1 Rainbow Dealer: Automobile dealers that satisfy Honda's safety certification standards.

\*2 Safety Support Dealer: Motorcycle dealers that satisfy Honda's safety certification standards.

## FY2011 priority themes and future developments

### Further enhancing regionally grounded activities

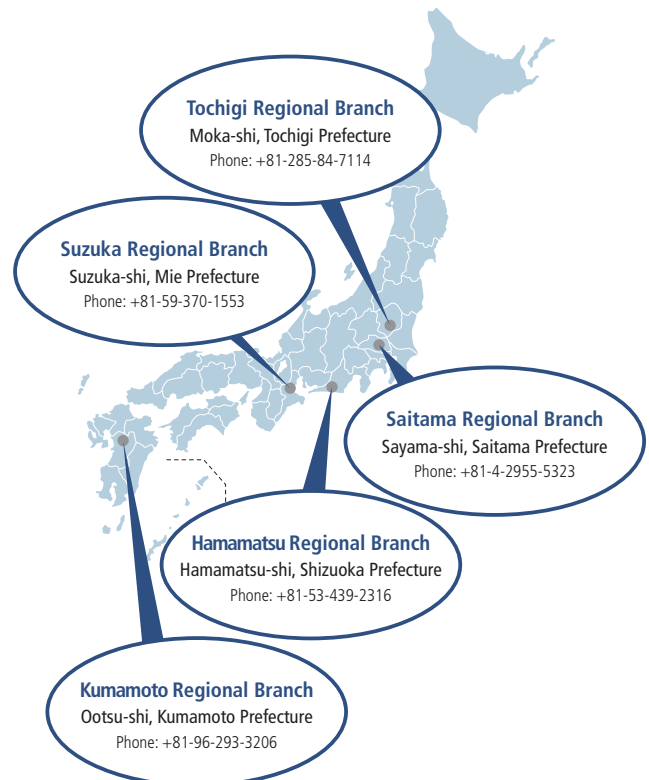
Honda has created Regional Branches at its factories in Kumamoto, Tochigi, Saitama, Hamamatsu, and Suzuka. These branches serve as new activity bases for effecting a nationwide expansion of traffic safety education undertaken hand in hand with local communities, and we're working to expand their activities to nearby areas.

Full-time instructors assigned to each Regional Branch support the training of regional instructors who will spearhead activities in their communities and make experiential training equipment available. We've also laid the groundwork for the ability to offer traffic safety education hand in hand with local communities while partnering with entities such as local governments, police, educational institutions, local driving schools, and Honda affiliates. This year, we're working to further expand these regionally grounded activities in an effort to create a structure that facilitates the study of traffic safety in every region of Japan.

During 2010, we particularly focused on enhancing and pursuing activities for human resource development and providing opportunities in the two domains of traffic safety (giving non-drivers a correct understanding of the knowledge and rules of a transportation-oriented society) and driving safety (teaching people to participate in transportation society as drivers).

Specifically, activities in the traffic safety domain centered on supporting the training of local instructors by providing educational programs, training equipment, and leadership expertise developed by Honda. As a result, these activities have been expanded to encompass 39 prefectures, some 4,000 local instructors, and more than 320,000 promotion staff. Additionally, we trained 61 Honda Partnership Instructors drawn from employees of 35 Honda affiliates that sponsored the activities, and those personnel are now at work promoting traffic safety in their companies' local areas.

Activities in the driving safety domain included experiential training for companies and the general public at seven Traffic Education Centers located throughout Japan and passing safety on to customers at Honda sales facilities. We're working to enhance partnerships with driving schools that are actively undertaking traffic safety education in their local communities so that we can further expand these activities and instill safe driving habits.



### Pursuing activities that are advanced and distinctive in character

The Honda Bicycle Simulator, a device that was launched in 2010 to help users increase their ability to anticipate hazards when riding and to learn about transportation rules and etiquette, and Honda *Doga* KYT Risk Prediction Training, a series of training animations which helps riders increase their sensitivity to hazards while viewing a video representation of traffic conditions, are being used at events, traffic safety courses, and corporate training sessions throughout Japan due to their usefulness in group training settings.

During 2010, we also participated in a project of the International Association of Traffic and Safety Sciences. Emotion Control Program\*, a new educational program focusing on the bicycle rider's state of mind that was developed as part of that project, has been praised as an unprecedented approach. Honda will continue to develop new educational techniques and equipment that better meet riders' needs, including by making broad use of this simulator and program in a variety of settings.



A bicycle course using The Honda Bicycle Simulator

\*The program verifies in a psychological manner how riders deal with negative emotions (impatience and anger) and how they exert self-control to assure a safe ride.

## Honda's response to environmental issues

### Analysis of Current Environmental Issues

Evidence of Honda's long-standing commitment to the solution of environmental problems includes its development of the CVCC engine to meet requirements under the 1970 U.S. Clean Air Act. As efforts to overcome global environmental problems accelerated in the 1990s, Honda progressively established organizational units and company-wide systems and expanded its initiatives under action policies set forth in the Honda Environment Statement in which it defined its philosophy on environmental conservation activities. Today Honda recognizes its responsibility to reduce the environmental impacts resulting from all of its business activities and the use of its products. It uses the Life Cycle Assessment (LCA) approach to assess environmental impacts and analyze the effects of its business activities and the use of its products on the global environment. Based on the results of these analyses, Honda formulates specific policies for initiatives in each domain as the basis for global environmental management.



### Responding to the issues

Honda's Corporate Activities		Honda's Response	
Life cycles in Honda's corporate activities	Anticipated environmental load factors	Main initiatives	Honda Environmental Performance Standards (HEPS)
<b>Product development domain</b>	Greenhouse gases Exhaust emissions Raw materials Noise/Vibration Substances of concern	<ul style="list-style-type: none"> <li>Fuel efficiency improvements</li> <li>Reduction of exhaust emissions</li> <li>Development of alternative-fuel products</li> <li>3R (Reduce, Reuse, Recycle) design</li> <li>Noise reduction</li> </ul>	<b>Hi Efficient Products</b> Efficiency improvement technology for internal combustion engines
<b>Purchasing domain</b>	Greenhouse gases Raw materials Waste Water intake Wastewater	<ul style="list-style-type: none"> <li>Promotion of "Green Purchasing" Environmental management</li> <li>Energy and resource conservation by suppliers</li> <li>Zero emission initiatives by suppliers*</li> </ul>	
<b>Production domain</b>	Exhaust emissions Noise/Vibration Substances of concern	<ul style="list-style-type: none"> <li>Promotion of "Green Factories" Environmental management</li> <li>Energy and resource conservation</li> <li>Zero emission initiatives*</li> </ul>	<b>Innovative Products</b> Environmental innovation technology. Technology to support energy diversification
<b>Transportation domain</b>	Greenhouse gases Waste	<ul style="list-style-type: none"> <li>Promotion of "Green Logistics" Environmental management</li> <li>Improvement of transportation efficiency</li> <li>Using less packaging</li> </ul>	
<b>Sales and services domain</b>	Greenhouse gases Removed parts CFCs Waste	<ul style="list-style-type: none"> <li>Promotion of "Green Dealers" (automobiles, motorcycles, power products) Environmental management</li> <li>Improvement of energy efficiency</li> <li>Improvement of environmental protection</li> <li>Contribution to local communities</li> </ul>	<b>Revolutionary Products</b> Technology to support renewable energy
<b>Product recycling (Reduce, Reuse, recycle)</b>	Greenhouse gases End-of-life products	<ul style="list-style-type: none"> <li>Expansion of parts recovery, reuse and recycling</li> <li>Appropriate disposal of end-of-life products</li> <li>Technical support for recycling</li> </ul>	
<b>Administration domain</b>	Greenhouse gases Waste	<ul style="list-style-type: none"> <li>Promotion of "Green Offices" Environmental management</li> <li>Energy conservation</li> <li>Effective use of resources</li> <li>Environmental contribution to local communities</li> </ul>	

• Social contribution activities

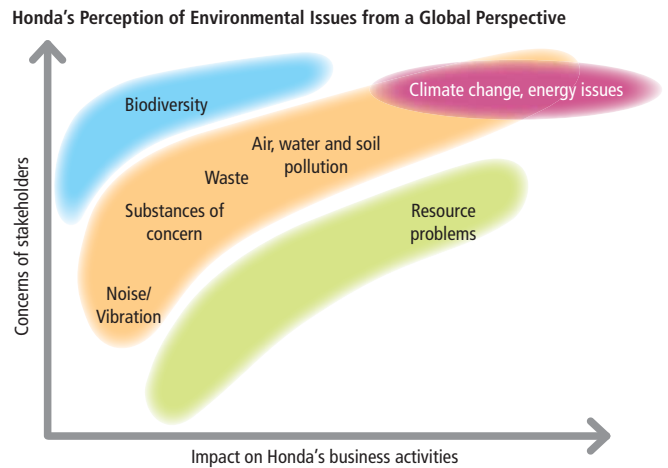
\*The aim of zero emission initiatives is to reduce waste and substances of concern as near as possible to zero.

Honda responds comprehensively to environmental issues under policies for each of its global operations. To identify priority issues, it analyzes the importance of environmental issues that are currently apparent (see table on right).

As a supplier of products, especially mobility products, to customers throughout the world today, Honda regards climate change and energy issues as the most important global environmental issues.

When emissions of greenhouse gases, which are seen as the cause of climate change, are analyzed from a life cycle perspective, it becomes apparent that carbon dioxide (CO<sub>2</sub>), which is one of the most significant greenhouse gases, accounts for, by far, the largest share of those emissions. For this reason, Honda has set CO<sub>2</sub> reduction targets\* and stepped up its efforts in all regions and domains to meet those targets.

Honda is also analyzing environmental impacts in relation to other environmental issues. Based on the results of these analyses, it formulates plans for specific initiatives in each region and domain to address these problems.



\*Reduction targets are set for identifiable greenhouse gases in each domain.

### Honda's Assessment of Risks and Opportunities in Relation to Climate Change and Energy Issues

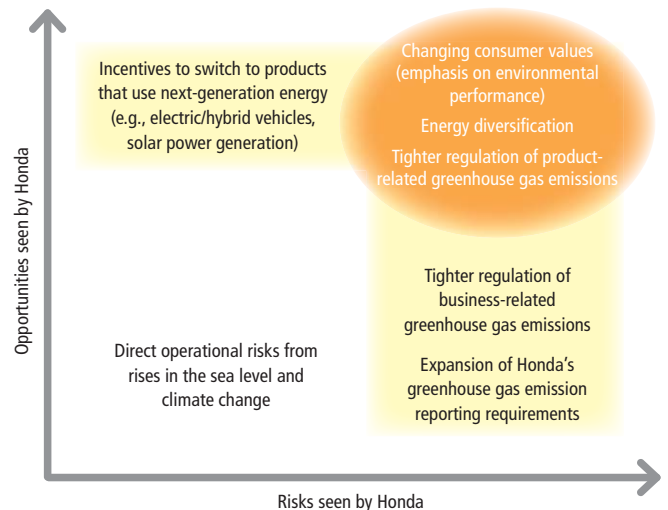
Honda identifies risks and opportunities relating to climate change and energy issues from the perspectives of its business operations in the areas of motorcycles, automobiles and power products, and from a regional perspective under its regional operation management structure. Risks and opportunities are then assessed on a global basis by the World Environmental Committee. Findings from these risk and opportunity analyses are also used by regional operations and regional environmental committees, and by business divisions and functional operations in the formulation of management policies and strategies. This risk management process is carried out annually or as required by global Honda and for each region, product and business site.

As shown in the diagram, Honda assesses risks and opportunities that can currently be anticipated in relation to climate change and energy issues on a global basis. As these risks and opportunities are identified, they are reflected in mid-term management plans and the planning of specific environment-related initiatives.

For example, to minimize risks relating to regulations governing emissions of greenhouse gases from products, Honda is actively working to reduce CO<sub>2</sub> emissions from its products. It has achieved its 2010 reduction targets for CO<sub>2</sub> emissions, which cover more than 90% of all motorcycles, automobiles and power products sold by Honda worldwide (see next page) and set emission reduction targets for new products introduced in the period leading to 2020.

As consumers become more conscious of the environment, values are changing and approaches to energy use are becoming more diversified. Honda is responding to these changes by developing, manufacturing and selling solar cells in Japan and by developing a solar-powered hydrogen station. It has also initiated trials in Japan, the United States and China to verify the benefits of these technologies for mobility in a future low-carbon society based

### Honda's Thinking on Risks and Opportunities of Climate Change and Energy Issues from a Global Perspective

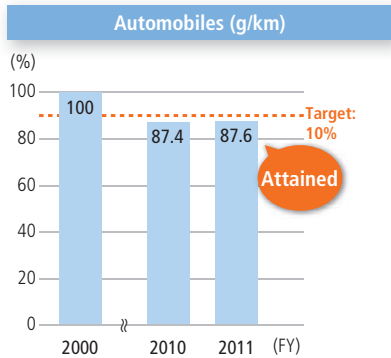


on the use of electric power technology and information and communications technology. Honda will progressively introduce new products resulting from this work.

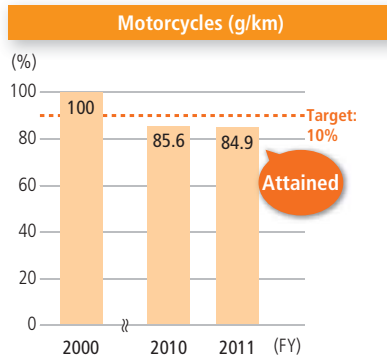
Honda's efforts to meet greenhouse gas emissions standards relating to its corporate activities involve cooperation across all domains and regions. The results of these emissions reduction initiatives are reported to society through Honda Environmental Annual Report 2011.

# Progress toward CO<sub>2</sub> Reduction Targets for 2010

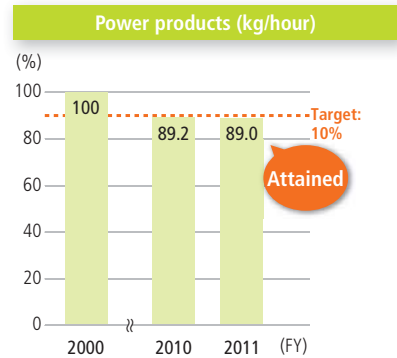
## Product CO<sub>2</sub> emissions reduction



The reductions attained exceeded the target. This reflects increased sales of fuel-efficient products, such as compact and hybrid vehicles, especially in developed countries, as well as improvements in the efficiency of engines in large vehicles.

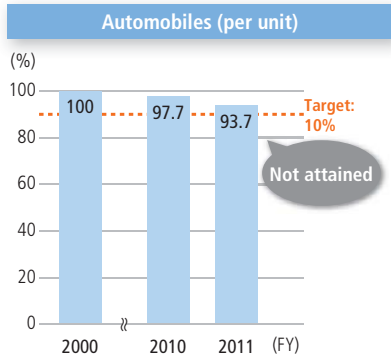


Reductions significantly greater than the target figure were attained, thanks to substantial increases in sales of Wave110, which provides improved fuel efficiency, in Thailand and Vietnam, and compact vehicles with programmed fuel injection (PGM-FI) systems in Brazil.

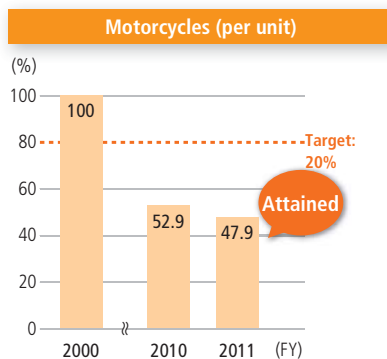


Despite a percentage decline in sales of compact household cogeneration units, which already had relatively low CO<sub>2</sub> emissions, improvements in the efficiency of large engines brought further reductions in emissions per unit, with the result that the reductions attained exceeded the target level.

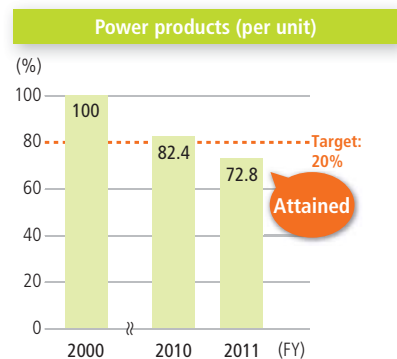
## Production CO<sub>2</sub> reduction



The target was not attained, in part because of substantial reductions in the number of units produced and sold as a result of the economic crisis. However, CO<sub>2</sub> emissions per unit produced have been reduced by 4.0% since FY 2010, mainly through improvements to the efficiency of production facilities.



CO<sub>2</sub> emissions per unit produced have been reduced by 5.0% since FY 2010. This reduction, which is greater than the target level, was achieved through initiatives that included the consolidation of production sites and the reduction of energy use during halts in production.



At 9.6%, the reduction in CO<sub>2</sub> emissions per unit produced since FY2010 allowed Honda to exceed its target level. This was achieved in part through measures to reduce energy use during halts in production.

Honda predicts that demand for motor vehicles and other mobility products will continue to expand in the future. This means that Honda must work to achieve the conflicting goals of mitigating global climate change and keeping pace with growth in demand. In 2006, it adopted global CO<sub>2</sub> emissions reduction targets with the aim of maintaining its ability to supply customers with products that have the lowest CO<sub>2</sub> emissions through corporate activities that also have the lowest CO<sub>2</sub> emissions. When setting these targets, Honda sought to lead the industry in improving the energy efficiency of both products and production operations.

All of these targets have been achieved except production CO<sub>2</sub> reduction, which became unattainable because of massive reductions in the number of vehicles produced and sold and the resulting postponement of these measures after the 2008 global economic crisis.

Honda was particularly successful in its efforts to improve the energy efficiency of its products, and all targets relating to

motorcycles, automobiles and power products were achieved. While one production-related target could not be achieved, Honda still achieved a significant improvement in the energy efficiency of its production operations through the worldwide implementation of standardized measures to reduce CO<sub>2</sub> emissions.

Efforts to reduce environmental impacts in Japan also fell short of the targets in two categories because of the 2008 economic crisis and the effects of the Great East Japan Earthquake in 2011. However, Honda reached its targets in six categories, including waste reduction and water resource utilization, and was able to make significant progress toward the reduction of many environmental impacts. (See the Honda Environmental Annual Report 2011 for the progress toward reduction targets within Japan in FY2010.)

Honda has adopted a new Environmental Vision in 2011 and will continue to work under that vision to minimize CO<sub>2</sub> emissions and other environmental impacts and reduce the use of fossil fuels and other resources.

# Honda Environmental Vision

## Realizing “the Joy and Freedom of Mobility” and “a Sustainable Society where People Can Enjoy Life”

In 2010, Honda announced within and beyond its organization that the company’s direction in the period leading to the year 2020 would be “to provide good products to our customers with speed, affordability and low CO<sub>2</sub> emissions.”

By “good products” we mean to embody customers’ wants and needs in attractive products using Honda’s unique technologies, knowledge and ingenuity. Such good products must be delivered with speed without making our customers wait, and at affordable prices that make our customers happy with their purchase. This is the direction Honda will take.

“With low CO<sub>2</sub> emissions” represents our conviction based on the strong sense of crisis that, as a manufacturer of personal mobility, Honda will have no future unless we

achieve a significant reduction of CO<sub>2</sub> emissions.

This focus is encapsulated in the Honda Environmental Vision of a future in which environmental initiatives will allow people to realize “the joy and freedom of mobility” and “a sustainable society where people can enjoy life.” In this vision, Honda has expressed its strong determination to contribute to a society based on sustainability and harmony so that it can continue to offer excitement to its customers through products and services used for personal mobility and in people’s everyday lives.

Honda is determined to turn this vision into reality by actively implementing environmental initiatives on a global level. Particular emphasis will be placed on the following aspects:

**At each stage of its products’ life cycles (products, corporate activities), Honda aims to**

- Minimize the use of fossil fuel and resources newly recovered from the Earth
- Minimize environmental impacts, including greenhouse gas emissions

**Honda aims to reduce to zero greenhouse gas emissions from Honda products used for mobility and in people’s everyday lives**

### Honda global environmental slogan

## Blue Skies for Our Children

“Blue Skies for Our Children” is the global environmental slogan adopted by Honda to express its commitment to the realization of this environmental vision through expanded environmental initiatives.

The Honda engineers, who took on the challenge to meet the stringent new emissions standards of the 1970s U.S. Clean Air Act, used the phrase “blue skies for our children” as a passionate rallying cry to devote themselves to this effort. Honda wants to pass on the “joy and freedom of mobility to the next generation” (for our children), therefore, we want to realize a sustainable society where people can enjoy life (blue skies). This slogan continues to represent Honda’s passion toward its environmental commitment which has not wavered and will remain resolute in the future.

The Honda global environmental symbol shown on the

right was chosen as the symbol for the environmental slogan. The environmental slogan and environmental symbol will be used in future environmental activities and communication throughout the world, both within and beyond the Honda Group.

Note: “The Power of Dreams” will be retained as Honda’s global brand slogan, and “Blue Skies for Our Children” will be used exclusively for environmental initiatives.



BLUE SKIES FOR  
OUR CHILDREN



# Realizing the Honda Environmental Vision

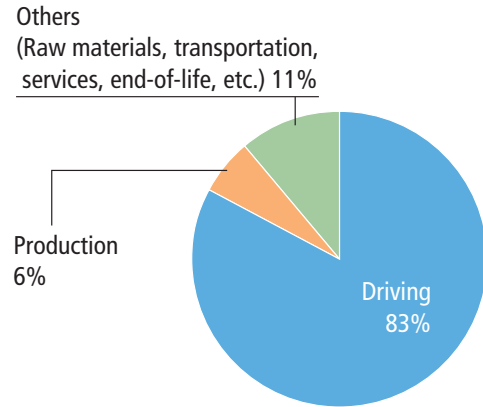
## 2020 Product CO<sub>2</sub> Emission Reduction Targets

As it implements initiatives designed to realize its environmental vision, Honda recognizes the importance of product-related environmental impacts, especially CO<sub>2</sub> emissions through use of its products, to its efforts to reduce environmental impacts across the company's full products' full life cycles.

Honda regards the climate change and energy issue as its most important challenge, and one of the key substances involved in this issue is CO<sub>2</sub>. Estimates made using the Honda LCA Data System indicate that around 83% of Honda-related CO<sub>2</sub> is emitted when vehicles are operated by users. For this reason, Honda believes that the most important way for it to respond to climate change and energy issues is to reduce CO<sub>2</sub> emissions from products. That is why Honda has adopted the 2020 product CO<sub>2</sub> emissions reduction targets.

Having achieved all of its CO<sub>2</sub> emissions reduction targets for FY 2010 products, Honda has set new targets for 2020 calling for a 30% reduction in the fleet average CO<sub>2</sub> emissions of motorcycles, automobiles, and power products compared with 2000 levels. Honda will work to achieve these targets in the period leading to 2020 by

## CO<sub>2</sub> emissions over the life cycle of a vehicle (as assessed with the Honda LCA system)

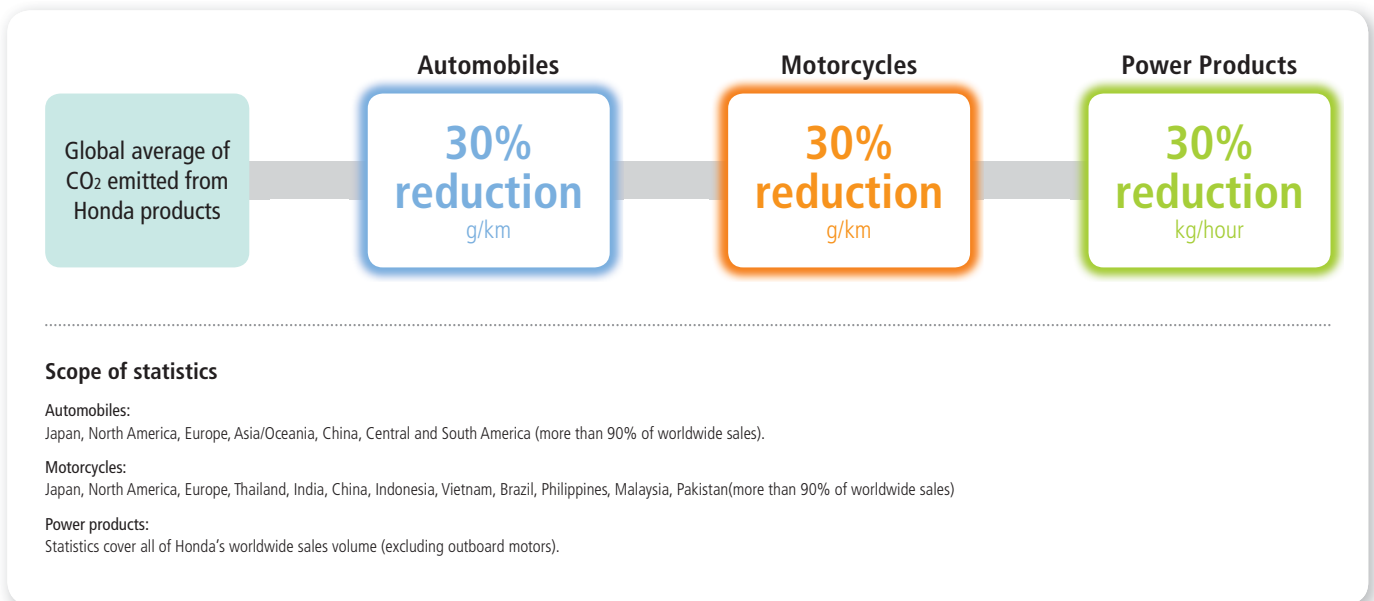


Example based on a conventional model (automobile with gasoline engine)

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

responding to priority challenges, including increased research and development, and the introduction of energy-efficient products to the market.

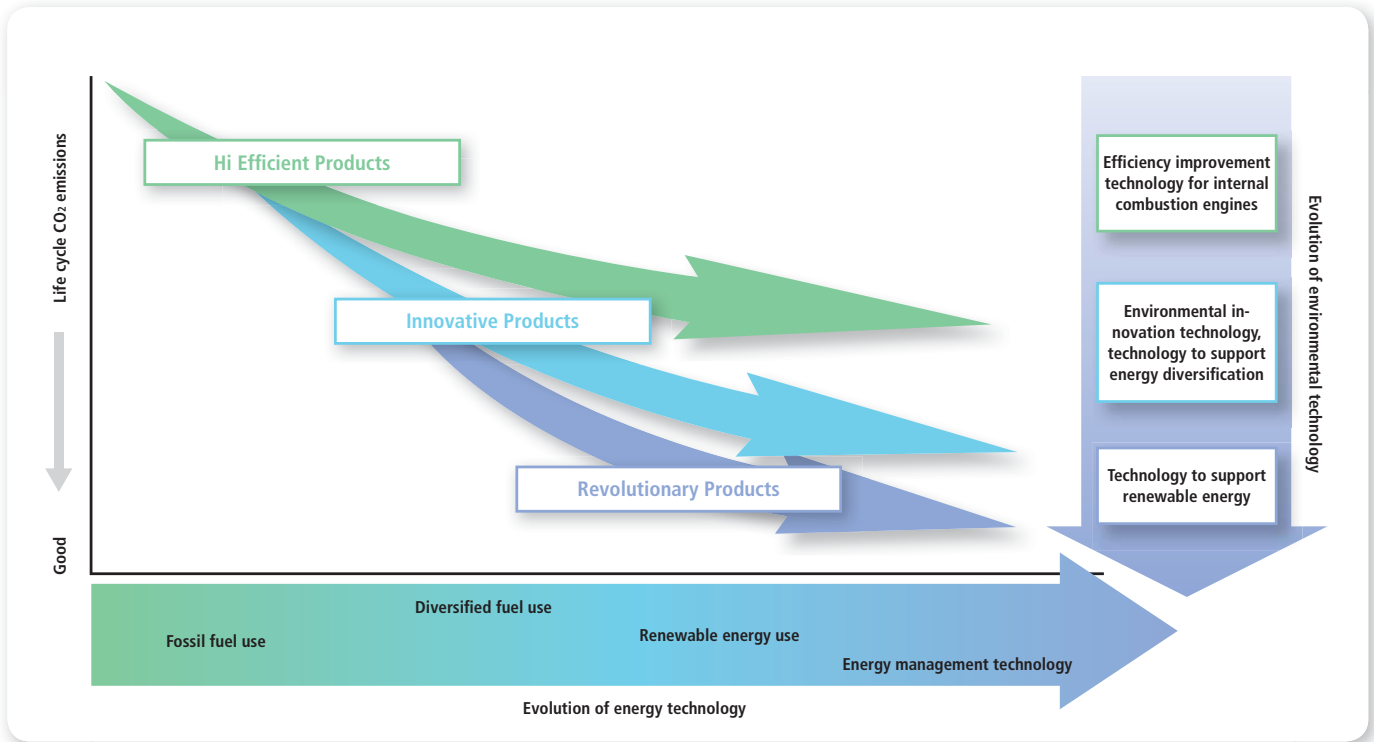
## 2020 Reduction Targets for Product-Related CO<sub>2</sub> (Baseline: 2000)



## Honda Environmental Performance Standards (HEPS)

Honda aims to realize its environmental vision by innovating and combining environmental technology innovation with energy technology innovation. Its approach, as represented in the diagram below, calls for improvements in the efficiency of internal combustion engines, advances in environmental technologies, the adoption of diversified energy technologies, and the use of renewable energy forms, including hydrogen and solar cells. Honda will work to reduce to zero greenhouse gas emissions relating to mobility and other lifestyle areas by combining advances in these fields with energy management technologies.

Under this scenario for a product-based response to the climate change and energy issue, Honda will apply its own classification and approval systems based on the Honda Environmental Performance Standards (HEPS) to products designed to reduce life cycle CO<sub>2</sub> emissions, including products made possible by improvements to the efficiency of internal combustion engines, products based on environmental innovations and energy diversification technologies, and renewable energy products. Through this approach, Honda will progressively introduce the technologies needed to reduce CO<sub>2</sub> emissions to the market and expand their use.



## Biodiversity Initiatives

Honda has a long history of environmental protection activities and initiatives to build harmony with local communities. Tree-planting and industrial water recycling at Honda plants began in the 1960s, and, in 1976, Honda launched a tree-planting scheme known as “Community Forests.” In relation to biodiversity conservation, Honda has adopted guidelines focusing primarily on the reduction of environmental impact and the effective utilization of resources.

### Honda Biodiversity Guidelines

#### [Basic Statement]

We recognize, under the Honda Environment Statement, that biodiversity conservation initiatives are an essential part of our commitment to the preservation of the global environment. We will continue to work toward harmony between this commitment and our activities.

#### Priority Activities

- 1 Development of Environmental Technology**

We will contribute to the conservation of biodiversity by developing and disseminating technologies for fuel-efficient vehicles, next-generation cars, energy-production, and other technologies for the reduction of environmental impacts
- 2 Initiatives Based on Corporate Activities**

We will work to reduce environmental impacts and ensure the effective use of resources through efficiency improvements.
- 3 Cooperation with Communities**

We will implement community-based activities in cooperation with stakeholders, using expertise accumulated by Honda through its initiatives to protect ecosystems, such as the Community Forests and Hello Woods initiatives.
- 4 Disclosure and Sharing of Information**

We will share information with society by disclosing the outcomes of our activities.

Established in May 2011

## Regional topics from around the world

### North America: Product development domain

#### Fifth consecutive award as greenest automaker in the united states

In October 2010, the Union of Concerned Scientists (UCS) selected Honda for its Greenest Automaker award. This is the fifth successive time that Honda has received this award, which is presented every two years. The UCS is an international non-profit organization with a membership consisting of over 100,000 scientists and private citizens. The UCS conducts a biennial survey of air pollutant and greenhouse gas emissions by major automobile manufacturers in the United States. The manufacturer that is found to the lowest average smog-forming and greenhouse exhaust emissions for its U.S. automobile fleet is awarded the title of "Greenest Automaker." Honda has maintained its leadership in the reduction of automobile exhaust emissions ever since the inaugural survey, ten years ago in 2000. By winning this award on five successive occasions, Honda has gained a reputation as the greenest automaker in the United States, and as the producer of automobiles that emit the lowest levels of smog-causing gases and greenhouse gases.

In 2011, Honda's natural gas-powered Civic GX placed first on the Green Book® vehicles list of the American Council for an Energy-Efficient Economy (ACEEE) for the eighth consecutive year. The Civic hybrid and the Insight were also among the top 12 vehicles on the list.



Receiving the Greenest Automaker Award for the fifth consecutive time.



Honda Civic GX, which was chosen as the greenest automobile.

### South America: Product recycling (reduce, reuse, recycle) domain

#### Wheel cap protectors now made from recycled pet bottles

Since 2009, Honda Automoveis do Brasil Ltda. (HAB) has used wheel cap protectors made from recycled PET bottles to protect new Civic, FIT and City vehicles during transport. Previously, the wheel cap protectors were covered by a stick-on film material, a process that produced waste consisting of paper backing detached when the film was applied, and the film itself, which was removed in dealerships. Between July and December 2009, the amount of waste was more than two tons. In addition, the adhesive areas of the film trapped dirt and water, and the film tended to detach from the wheel cap. Since they are designed to slide onto the wheel caps, no adhesive is required. The absence of adhesive has solved several problems, including soiling and peeling, and the environmental impact has also been reduced, since the materials are entirely recyclable. Honda plans to use the covers on new models produced in Brazil and Argentina.



The new wheel caps are easy to attach.

### Europe: Production domain

#### Honda of the UK wins CIWM Environmental Excellence Award

In November 2010, Honda of the U.K. Manufacturing, Ltd. (HUM), and Hills Waste Solutions Limited, with which it has formed a partnership, won the Sustainable Facilities Management Performance of the Year category of the Environmental Excellence Awards, presented by the Chartered Institution of Wastes Management (CIWM). The Environmental Excellence Awards are presented in recognition of excellence in 11 categories relating to the sustainable management of waste and resources, including product development, facility management and recycling. The awards were presented for the fourth time in 2010. HUM and Hills Waste Solutions reduced landfill waste from the automobile plant in Swindon to zero in August. Collaborative efforts between the two companies increased the recycling rate to over 95%, with energy recovery accounting for less than 5%. Compactors are used to reduce waste volumes by 75%, and HUM is working with suppliers to introduce reusable packaging wherever possible. Furthermore, HUM and Hills Waste have worked to reduce landfill waste per vehicle by 71kg. The award recognizes both these determined efforts to reduce landfill waste to zero, and also the companies' environmental improvement activities.



HUM and Hills Waste representatives receive the award.

### Green & Clean Dealer Activities in Thailand

Honda Automobile (Thailand) Co., Ltd., (HATC), an automobile manufacturing and sales company, implemented Green & Clean Dealer activities between 2008 and 2010 as part of the Green Dealer program. The program is based on the concept that dealers contribute to their local communities by giving priority to environmental management systems. After training and environmental improvement activities and the completion of audits, certificates and awards are presented. Green & Clean Dealer certification is provided at two levels. Dealerships complete the "Silver" level by achieving ISO 14001 certification, introducing water-based paints in their body repair shops, implementing the 5S campaign or undertaking CSR activities. If the required standards are attained in all of these categories, "Gold" certification is awarded. Already 86% of dealerships in Thailand have achieved "Gold" dealership status, and the ratio is expected to reach 100% in mid-2010.



The Green & Clean Dealer "Gold" certification.

### Accelerated Green Purchasing Activities by Dongfeng Honda

Dongfeng Honda Automobile (Wuhan) Co., Ltd. (WDHAC), a joint venture established to manufacture and sell automobiles, has been implementing a full-scale Green Purchasing program since 2006. WDHAC has based its Green Purchasing activities on management items in the following three categories.

- (1) In the policy domain, WDHAC is encouraging its suppliers to achieve ISO 14001 certification and providing briefings, education and assistance with this process.
- (2) In the product domain, WDHAC is taking preemptive steps to reduce the use of substances of concern in products.
- (3) In the supplier environmental impact reduction domain, 189 of the company's 207 suppliers (91%) have agreed to raise the level of their environmental policies through initiatives that include the lateral sharing of case studies, the adoption of high standards, and visits to business sites.

WDHAC will continue to contribute to the realization of a low-carbon society through intensive communication and collaborative initiatives.



WDHAC held an environmental conference for suppliers.

### Honda Soltec launches home-use solar cell modules with maximum outputs of 130W and 120W and a power conditioner with a rated capacity of 5.5kW.

Honda Motor subsidiary Honda Soltec Co., Ltd. manufactures and sells solar cells. In August 2010, it launched home-use solar cell modules with maximum outputs of 130W and 120W, and a large-capacity power conditioner rated at 5.5kW. Advances in manufacturing technology have brought improvements in the quality of the generating layer, with the result that 130W module provides conversion efficiency up to 11.6%\*<sup>1</sup> better than that of CIGS\*<sup>2</sup> type solar cells currently on sale in Japan. The 120W solar cell modules and the 5.5kW power conditioner were launched in response to the widely varied requirements for products in this field.

\*1 Based on Honda research

\*2 A solar cell battery formed by Copper Indium Gallium Selenide (CIGS) thin-film compound material



A home-use solar cell module with a maximum output of 130 W.

## Honda's approach to customer satisfaction

In accordance with the Honda philosophy of respect for the individual and the Three Joys of buying, selling, and creating, Honda has always worked closely with its dealerships to maximize customer

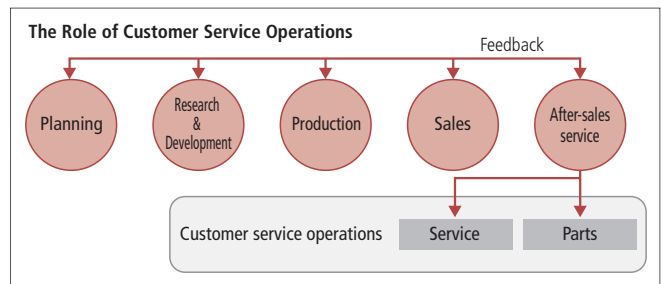
satisfaction. Every step of the way, from purchase to after-sales service, dealerships work hand in hand with Honda to earn and maintain the trust of customers.

### Systems and objectives designed to enhance worldwide customer satisfaction

In order to "provide good products to our customers with speed, affordability and low CO<sub>2</sub> emissions" as stated in Honda's 2020 vision, the Customer Service Operations is striving to realize optimal service operations in markets worldwide to pursue the priority goal of creating customer joy worldwide through local service. In order to achieve this, we set our goals to be No. 1 in customer satisfaction by an overwhelming advantage.

Honda aims to lead the industry in fan-winning customer satisfaction. To achieve this level of satisfaction, the company is working with dealers to delight customers by providing service that exceeds expectations, thereby leading to repeat business, referrals to new customers, and an ongoing increase in the number of Honda fans. To attain this goal, Customer Service Operations has structured its activity policies of improving customer satisfaction and reducing customer complaints, developing an advanced service environment,

and maximizing business efficiency and expanding business operations. It also holds regular meetings and other events designed to enhance cooperation with each region while focusing on creating an environment in which dealers—Honda's point of contact with customers—can address customer satisfaction enhancement more effectively and efficiently.



## Enhancing customer satisfaction

### Conducting customer satisfaction surveys

Aiming to establish lifelong relationships with satisfied customers, Honda takes a proactive approach to conducting customer satisfaction surveys in all product segments: motorcycles, automobiles, and power products. Carefully analyzed survey results are fed back to the departments involved and dealerships in the form of practical suggestions for improvement and put to use in day-to-day activities.

In Honda's overseas automobile operations, for example, survey results are used to compile a Customer Satisfaction Index (CSI) for each product and region. In Japan, an initial questionnaire is distributed to purchasers of new automobiles, and, since FY2004, a questionnaire has also been distributed to purchasers of pre-owned automobiles. In FY2008, a survey was introduced to query customers whose automobiles will soon be due for the periodic automobile inspection required by the Japanese government.

### Earning a No. 1 rank in customer satisfaction surveys around the world

In its overseas automobile business, Honda's activities focus on the "3Ps" in order to meet diverse customer expectations. These initiatives involve increasing the quality of service provided to customers by looking at things from the customer's point of view and identifying and resolving local issues in each of the three points of contact between Honda and its customers: "Premises/Process," "People," and "Product."

We've pursued these activities in earnest for several years at sites worldwide, with the result that service quality has improved measurably.

According to a customer satisfaction survey by a third-party organization targeting consumers in



The No. 1 prize in the 2010 Malaysia Automobile CS Study, which was conducted by a third-party organization

10 major Asian nations, Honda ranked No. 1 in 3 countries, No. 2 in 2 countries, and No. 3 in 2 countries in 2010. Going forward, we will not rest on these laurels, but will rather further enhance our activities in an effort to continue to inspire customer joy worldwide, for example by introducing new surveys that focus on the satisfaction of individual customers and accelerating the global application of activities to emerging nations.



## Customer Relations Center

The Customer Relations Center has a very straightforward slogan: "For the customer." Its mission is to handle inquiries from Honda customers politely, clearly, and quickly, delivering the same high quality in Honda communications as is found in Honda products. The Center also responds to survey requests from the Japanese government and inquiries from consumer advocacy organizations. The Center receives feedback in the form of customer questions, suggestions, requests and complaints 365 days a year, and during FY2011 it processed 241,945 inquiries. To ensure that this valuable information is put to good use in Honda's operations, the facility

shares it in a timely manner with the company's R&D, manufacturing, service, and sales departments in compliance with laws and regulations as well as Honda's own policies concerning the handling of personal information. A system is also in place to allow directors and other associates appropriate access to this information.

Furthermore, Honda has also set up Customer Relations Center on both its website and the Honda Dream mobile site in response to interest on the part of some customers in solving problems themselves. By offering responses to frequent customer inquiries, these sites are designed to meet customer needs in a timely manner.

## Implementing customer satisfaction

### Motorcycle initiatives

#### Developing a package of new D-CSI survey techniques

Honda motorcycle dealerships in major countries conduct dealership-based customer satisfaction surveys so that they can calculate a performance metric known as D-CSI (Dealer-Customer Satisfaction Index). By manifesting and improving areas of weakness on a dealership-by-dealership basis, this approach seeks to improve the level of service offered by individual dealerships and in doing so, to improve the overall customer service experience. To date, the administration of the survey and the analysis of survey results

have been entrusted to local Honda dealerships in each country, necessitating a large amount of time and effort.

Customer Service Operations has developed a standardized survey form and automated analysis tools to form a package of new D-CSI survey techniques. The package, which consists of a standard survey, automated analysis tools, and a 3P-based checklist, helps dealerships speed the analysis process while identifying specific weaknesses. Going forward, we plan to bring this package of new D-CSI survey techniques to dealerships worldwide so that more dealerships can offer customers a higher level of service.

### Automobile initiatives

#### Japan: Honda Maintenance Station

In April 2009 in Japan, Honda Cars and Honda Auto Terrace, Honda's automobile dealerships, adopted the name "Honda Maintenance Station" to denote the full range of after-sales service available to customers. In addition to presenting a dealership atmosphere that is appealing to all customers, the dealers are aiming to provide a place where customers find it easy to seek advice about vehicle ownership and maintenance by providing easy-to-understand information about after-sales service.

In June 2009, dealers launched a series of bundled regular inspection services and the numerous car maintenance service menus in an effort to develop a closer relationship with customers.

#### Japan: Customer support via the Honda C-card

Honda offers the Honda C-card to provide an optimal level of service to customers at all times. As of March 2010, the card, which combines a point-based cash rewards program, preferred service for members, a charitable donation program, and other benefits with basic credit

card functionality, had been issued to a total of some 917,000 members since the start of service in October 1995. Additional "Honda C-card Members" services were added in October 2006, including the ability to reference a vehicle's maintenance history and the ability for cardholders to notify Honda of their address changes 24 hours a day. We've also added a Honda C-card without credit card functionality as an additional choice for customers.



Honda C-card

#### Donating funds based on Honda C-card usage

Each year since its introduction in 1995, Honda has donated a fixed percentage of customers' Honda C-card usage to the Japanese Red Cross Society and the Japan Committee for UNICEF. In 2011, these donations totaled ¥736 million.

## Increasing service staff members' technical skills

### A unique service education system

The Honda Automotive Service Education System helps train service specialists. The program is based on Honda Automotive Service Training (HAST), which incorporates not only technical but also customer service content to foster the simultaneous development of both technical and customer service skills. The program includes training in specialized subjects, training for full-time workers, and training in body repair and painting skills.

### Developing a higher level of staff skill through the Honda Automotive Service Technology Competition

In Japan, the annual Honda Automotive Service Technology Competition provides a venue for competition in service skills, knowledge, and customer service skills by service staff from around the country as well as mutual training for participants and programs to help train the next generation of service specialists.

The competitive events include a service engineer category in which individual participants compete to most accurately diagnose problems and replace parts, a corporate team category in which teams of three compete in customer service and problem diagnostics extending from reception to return of the customer's vehicle, and a reception staff category in which participants compete as reception staff in role-play exercises simulating customer service situations.

In 2010, a maintenance contest in which competitors strive to disassemble, measure, and reassemble functional parts



Academic and practical events at the competition

as quickly and accurately as possible was added to the competition, reflecting Honda's efforts to enhance human resources development initiatives through the Automotive Service Technology Competition.

By participating in an event that showcases skills learned in the course of performing their daily work responsibilities, individual associates gain new motivation to build their skills while improving the quality of service offered by Honda.

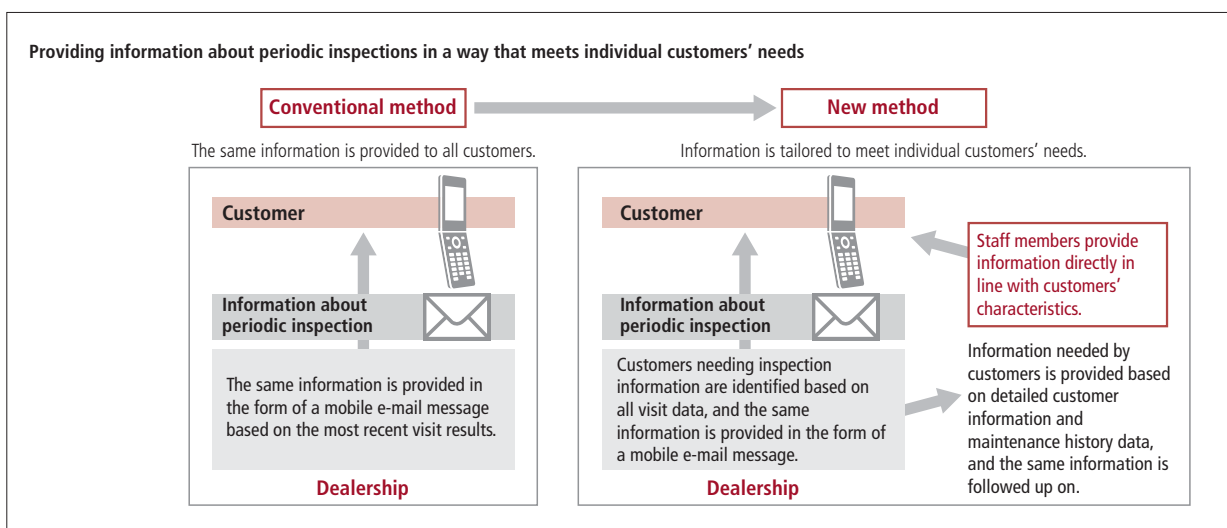
### Overseas: Providing information about inspections in a way that meets individual customer's needs

Based on its desire to be No. 1 in customer satisfaction by an overwhelming advantage, Honda is working to offer optimal service to customers worldwide. Advanced service activities and approaches being used in various countries are shared with the rest of the world through Japan's Customer Service Operations and expanded in line with individual nations' characteristics.

We're working on a daily basis in Asian countries to affect a shift in how we provide information about periodic inspections, which are necessary in order to ensure that customers gain maximum satisfaction over the long term from Honda products. Specifically, we're moving away from providing the same information to all customers and instead offering customers the information they need in line with their driving patterns, the condition of their vehicle, and other individual characteristics, as we do in the United States and Japan. By adapting the manner in which we provide information to customers to take into account individual needs, we are attempting to provide optimal service to customers and help them achieve a comfortable life through cars. Going forward, we will broaden these activities to include emerging nations in an effort to expand the strong bond between customers and Honda to locations worldwide.



Customer relations staff at a dealership provides information about periodic inspections to customers based on individual customer information



## Power products initiatives

### Enhancing the way we provide service information to customers and dealerships: Consumer products edition

In emerging nations, where demand is growing rapidly, products are carried by businesses other than Honda stores, making it necessary to provide appropriate service information to general retailers. Even as we've been building a service network linking Honda stores, we've also enabled the direct distribution of the minimum amount of service information needed by general retailers and customers via the Internet. Specifically, we improved our engine information website to add consumer products information. We also asked for local feedback about the types and categories of service information that should be provided, and we selected, compiled, and otherwise prepared information based on that input. As a result, we began offering service information for generators and outboard engines in addition to engine information in fall 2010.

Additionally, we have developed a survey system on our service information website for disseminating information and gathering market feedback to collect information about needs related to the operation, inspection and maintenance of a product, allowing customers to easily communicate their wishes and views.



Service information by dealers in Africa (left) and the Philippines

## Maintenance support initiatives

### Developing diagnostic support tools

At Honda's service repair sites, we strive at all times to keep customers from waiting. However, customer wait times have been a site issue due to the need for test drives to fully diagnose certain phenomena as well as external factors such as traffic congestion. In response, we have developed support tools that make it possible to easily reproduce the state of the vehicle as it is being driven. Honda's unique way of making idea helps (one that turns conventional wisdom on its head), creating the mount canceller, a unique support tool with no precedent at other companies.

Automobiles use a part known as an engine mount to control engine vibrations and keep them from being transmitted to the interior of the vehicle. By "cancelling" this functionality and instead allowing engine vibrations to be transmitted to the car's interior, it is possible to easily reproduce chassis vibrations that mimic those experienced while the vehicle is being driven—all without actually driving the vehicle.

This tool can be used to dramatically reduce the amount of diagnostic work that requires a test drive (diagnosing various sounds

that can be heard while driving). When introduced in India, where traffic congestion is a serious issue, the tool cut work times in half. In fact, the benefit went beyond reduced work times and extended to improved diagnostic precision. Going forward, we plan to reduce customer wait times around the world by bringing the tool to other countries, harnessing Honda's service and repair work to lay the groundwork for improved customer satisfaction.



Technicians use the mount canceller to diagnose vehicle issues. Vibrations are transmitted to the car's interior, allowing the problem to be accurately diagnosed.



The "mount canceller" support tool

### Initiatives to train experts at local subsidiaries

We offered training to associates responsible for quality in various countries in order to improve our dealer and support organization and facilitate the sale of the Insight in Asia and Oceania. Associates playing this role need extensive knowledge and advanced skills so that they can offer vehicle repair support to dealers over the phone and visit dealers in person to offer repair support.

In developing this training program, we focused on the results of a survey of past support results in Japan and the U.S. that was conducted prior to the launch of the Insight. In terms of its content, the training program was primarily concerned with promoting an understanding of hybrid system structure and functionality as well as diagnostic procedures. Trainees have had high praise for the program, and they report that they have already been able to put the skills

they learned to work at dealer support sites. Thanks to the training program, we have been able to put in place a dealer support system to boost sales of hybrid models. Honda will continue to work to harmonize advanced vehicle technologies and service technical skills and to improve the technical skill level of personnel at local subsidiaries in countries worldwide and quality personnel so that customers around the world can use its products with confidence and peace of mind.



Trainees with their completion certificates and training staff. Local subsidiaries participating in training: Honda New Zealand, Honda Australia, KAH Motors (Singapore)



## Fundamental approach to suppliers

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

stable production and fulfilling our commitment to the continuing enhancement of quality and advanced product performance. Recognizing the importance of its relationship with suppliers, Honda is building long-term relationships and growing hand-in-hand with its business partners.

## Enhancing partnerships

### Recognizing 48 companies at the awards ceremony for suppliers

In addition to sharing business policies and purchasing measures with suppliers, Honda holds awards ceremonies for suppliers. At one such meeting in January 2011, President Takanobu Ito met with participants from 325 companies to explain Honda's policy of harnessing Japan's lead in organizational reform and innovation to provide customers with high-quality products quickly, inexpensively, and in a low-carbon manner. Next, Honda presented letters of

appreciation to 48 suppliers who made outstanding contributions to the company's business in development, cost, quality, parts, and special (superior quality and global quality) categories. Then Masaya Yamashita, Chief Operating Officer of Purchasing Operations, explained Honda's future approach to purchasing and the company's new Green Purchasing Guidelines and asked the assembled suppliers to redouble their cooperation.

### Striving to achieve a safer labor environment

Honda has consistently worked to encourage the creation of safe work environments at its suppliers' manufacturing sites in order to fulfill founder Soichiro Honda's assertion, "There can be no production without safety."

Since 2009, we have been augmenting classroom lectures and training on occupational health and safety management systems by conducting simple audits of manufacturing sites with suppliers and

encouraging each company to move quickly to develop and introduce an occupational health and safety management system that suits the characteristics of its own production system. Going forward, we will continue to work with suppliers to eliminate industrial accidents as part of our efforts to create workplace environments in which employees can do their jobs with peace of mind.

## Building purchasing and procurement systems

### Pursuing CSR with suppliers

Honda has pursued CSR activities together with suppliers in accordance with the Honda Philosophy in areas such as safety, disaster prevention, compliance, environmental conservation, and QCD. In addition to these initiatives, we have published a series of Supplier CSR Guidelines that articulate considerations such as human

rights and labor, asking suppliers to actively conduct CSR activities based on the same awareness as Honda. We also published a CSR Checklist that suppliers can apply to their own operations and those of secondary suppliers.

### Procuring environmentally responsible materials and parts

#### Revising the Green Purchasing Guidelines

In January 2011, we revised the Honda Green Purchasing Guidelines, which serve to guide environmental conservation activities in the purchasing domain, in an effort to assess and reduce environmental impacts such as greenhouse gases throughout the product life cycle, including all domains of business partners' corporate activities.

The revision seeks to move beyond direct suppliers by assessing and reducing environmental impacts throughout the supply chain, addressing operations by all business partners worldwide that provide materials and parts for Honda products through our global parts procurement operations. We began working immediately in January to share the new guidelines with business partners in Japan

and overseas, and on May 23 we held a Green Purchasing Guidelines information meeting at our Aoyama Headquarters for environmental representatives from 218 business partners nationwide. Participants learned about Honda's approach concerning the monitoring and reduction of greenhouse gas emissions in the supply chain domain, and about specific plans for the measurement and reduction of emissions.

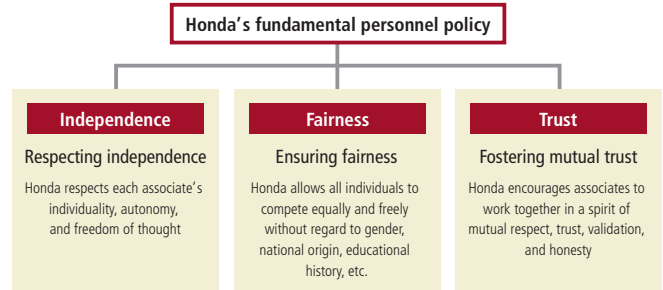


An information meeting was held on May 23, 2011, at the Aoyama Headquarters

## Fundamental personnel policy

Honda is proud of the spirit of independence, fairness, and trust that emerges from our basic principle of respect for the individual. We believe this spirit should permeate all our relationships, not only with those in the Honda Group, but also everyone in all companies with which we do business. Honda also believes that human beings are born to think, create, and express their individuality, thus realizing their hopes and dreams. We strive to attract individuals who share this belief and who will respect one another's individuality. We seek to foster an atmosphere of mutual trust and fairness in which our associates are able to realize their potential and share in the joy of creating new value for society. Our goal is to maintain organizational structures and personnel policies in areas such as recruitment, training, evaluation, and assignments that

foster a free and open atmosphere, encouraging each associate to face new challenges and achieve new successes. We seek to create an environment in which each person's ambitions, abilities, and potential can be fully developed.



## Promoting diversity

Honda maintains an environment in which members of a diverse workforce can make the most of their abilities while recognizing and respecting individual differences without regard to a variety of attributes in accordance with the basic principle of Respect for

the Individual, part of the Honda Philosophy. Honda defines the promotion of diversity in this way, and we began a series of ongoing, companywide initiatives in 2007.

### Expanding opportunity for participation by women

Honda has been pursuing awareness-raising activities since a 2008 decision to focus on expanding opportunities for participation by women as a way to strengthen initiatives to take advantage of diversity, including providing information in company magazines and holding lectures and training sessions.

#### Offering a Career Support Program as a major awareness-raising activity

Honda's approach to fostering the professional development of associates emphasizes two-way communication with supervisors, reflected in the three or more interviews that are held each year.

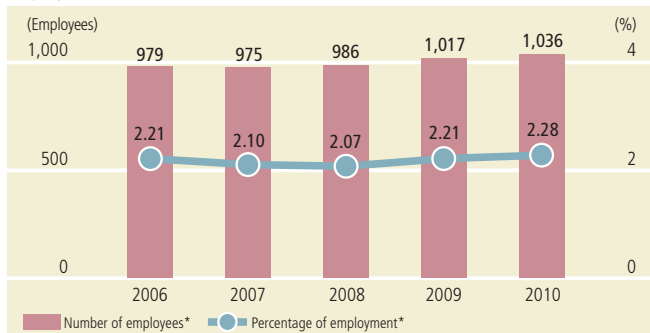
In October 2009, we launched a Career Support Program that enhances this communication for young and mid-level female associates. The same year, we also held career development training for both female associates and their supervisors to encourage opportunities for discussing career plans and goals. In 2010, we augmented this and other training with career consultation meetings to accommodate individual conversations about female associates' career development as part of a larger effort to provide opportunities for increasing awareness of career development and to help associates realize their career plans.

### Employment of people with disabilities

Honda provides jobs to people with disabilities at its facilities in Japan in an effort to expand their employment opportunities. We also offer employment at affiliates Honda Sun, Honda Sun R&D, and Kibunosato Honda. We strive to create an environment that allows associates with and without disabilities to work alongside one

another and to make adaptations to ensure that workplaces and opportunities are fully accessible. Employment of individuals with disabilities at Honda factories in Japan as of June 2010 stands at some 2.28%, or 1,036 individuals, well above the legally mandated level of 1.8%.

Employment of individuals with disabilities



\*Laws governing the employment of people with disabilities stipulate that employment of one individual with a serious disability is equivalent to employing two less severely disabled individuals for purposes of calculating the number of disabled employees and percentage of employment. Data depicted in the graph is current as of June 1 of each year.

#### Holding a workshop of disabled people employment promotion

Honda Sun Co., Ltd., holds Workshops on Promoting Employment of Disabled Individuals. A total of 123 associates from each worksites participated in nine sessions over two days in 2010, which began in June 2009 with the goal of facilitating awareness of how participants can work with disabled individuals and how they think and act. At classroom sessions addressing the characteristics of a variety of disabilities and Honda approach to employment, participants deepened their understanding of the issues surrounding employment of disabled individuals and gained knowledge by visiting facilities such as plants, workplaces and experiencing how to use a wheelchair and do the same work as them.

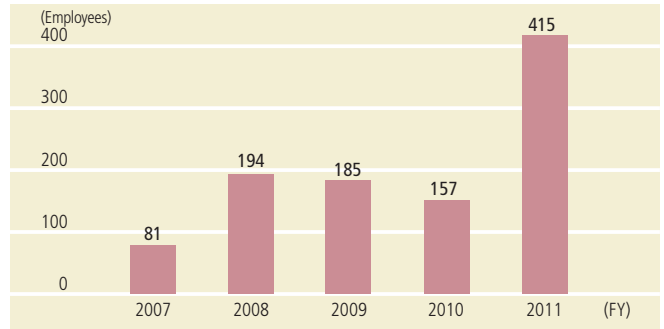
## Rehiring retirees

In view of dwindling birth rates, the need to reinforce the social insurance system in Japan, and the importance of passing on technical expertise crucial to the functioning of the workplace, Honda introduced a series of policies in April 2003 to create opportunities for those associates who reach the retirement age of 60. Our proactive approach preceded the introduction of laws governing the employment of retired individuals.

To provide greater peace of mind and assurance after age 60 and to create an environment in which associates can make the most of skills gained over a lifetime, Honda instituted changes in April 2010 to create a new re-employment program designed to offer re-employment in operations that take advantage of each individual's specialized knowledge to all interested associates until the age of 65. About half of all associates faced with mandatory retirement at age

60 expressed an interest in re-employment, raising expectations that their extensive experience and specialized knowledge will play an important role in a variety of workplaces throughout the company.

Re-employment of retirees



## Building healthy working environments

Honda seeks to create a healthy working environment so that each and every member of its diverse workforce can make the most of

his or her abilities based on the basic principle of Respect for the Individual, part of the Honda Philosophy.

### Optimizing work hours

Honda has been an industry leader in introducing shorter workweeks. The company instituted a five-day workweek in alternating weeks in 1970, followed by a true five-day workweek in 1972. Other initiatives enjoyed by associates for more than 30 years include the banning of overtime on Wednesdays and some Fridays and the introduction of a policy encouraging all associates—both labor and management—to use their allotted vacation time in full.

As a result, total working hours averaged 1,863 per associate

in 2010, and associates averaged 18.6 paid vacation days, putting Honda at the top level of the automobile industry in terms of reducing actual working hours.

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

### Helping associates balance the demands of work, parenting, and nursing care

Honda provides programs that help associates balance the demands of work and personal life.

Honda distributes a guidebook, which summarizes the programs on balancing work and family life care responsibilities, not only to associates with such responsibilities, but also to management-level associates so that those associates will have a good understanding of available programs and utilize them to maximum effect. This information was placed on the corporate intranet in January 2010, making it available to all associates.

In July 2007 we broadened mid-career employment opportunities so that associates who felt forced to leave their jobs to care for a family member or accompany a spouse who had been transferred or assigned to another location could return to work.

### Counseling hotlines

Honda supports associates by operating a variety of counseling hotlines as a way to build a healthier work environment.

### Counseling hotlines dedicated to balancing work and family life care responsibilities

Honda created a counseling hotline at each worksite's general affairs department in January 2010 to accommodate counseling requests from associates striving to balance work and family responsibilities and to promote awareness and utilization of the company's support programs. Each hotline is staffed by a pair of male and female counselors who field counseling requests from both targeted associate groups and supervisors.

### Sexual harassment counseling hotline

Honda has operated a sexual harassment counseling hotline for all associates since 1999 in order to prevent sexual harassment and to facilitate the rapid and appropriate resolution of incidents.

### Life planning seminar hotline

Honda created a life planning seminar hotline to help address associates concerns about health, fulfillment, and financial security after mandatory retirement at age 60. When associates turn 50, regular employees receive a pamphlet about financial security. When they turn 55, they can participate in a life planning seminar together with their spouses as part of a company effort to provide information about post-retirement life. The hotline also provides individual counseling for associates.



Poster informing associates of changes in relevant laws

## Communication with labor unions

Honda values effective communication with associates and strives to bring their views to bear on a broad range of personnel policy.

### Building good labor relations

Honda and the Honda Motor Workers' Union have enjoyed cordial, mutually supportive relations, engaging regularly in frank exchanges on key issues such as employment security, working conditions, occupational safety and health, and production and sales activities at group negotiations, labor-management committee meetings, and

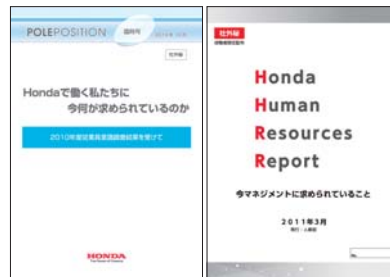
other venues.

Both the company and union respect differences in each other's perspective and approach and strive to maintain a strong labor-management relationship in an effort to achieve sustained company growth and improved working conditions through mutual trust.

### Associate awareness survey

Once every three years, Honda conducts an associate awareness survey to solicit worker feedback for use in building a healthier work environment. The surveys include a variety of questions designed to gauge associate views on organizational culture, the company's personnel system, and management.

In addition to being fed back to associates by means of the company newsletter, survey results are brought to bear on a range of personnel policies, including changes to management training and the company's personnel system.



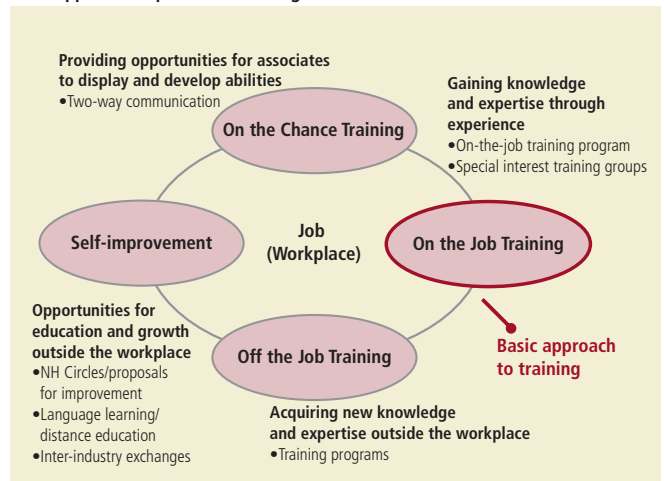
Awareness survey results distributed to associates (left)  
Management guide incorporating issues raised by the associate awareness survey (right)

## Developing abilities and human resources

### An approach based on on-the-job training

Honda's approach to personnel education is based on on-the-job training: building specialized skills and professional capabilities through direct experience. Honda has established on-the-job training programs for each job description, setting qualitative and quantitative targets for the knowledge and skills to be acquired. These programs provide with an opportunity for associates to acquire specialized skills and managerial capabilities while helping supervisors assess and foster the aptitude of the associates they manage. To supplement these on-the-job training programs, Honda also offers off-the-job training designed to provide associates an opportunity to enhance their careers by developing new specialized skills or management capabilities. To support associates who wish to take the initiative to learn new skills, acquire knowledge, and cultivate themselves in order to fully realize their own potential, Honda offers opportunities for language learning, distance education, and inter-industry exchanges.

### Basic approach to personnel training



### Respecting associates' opinions and independence

Honda fosters each associate's drive and independence, and the company has put in place a number of systems to harness those capabilities to contribute to its ongoing reorganization and growth.

### Associate development and evaluation through two-way communication

Reflecting Honda's emphasis on two-way communication with supervisors in associate development and evaluation, associates have at least three interviews with their supervisors each year. During the first interview in April, associates describe the future in their own

words (including aspirations, personal objectives, etc.) and clarify their vision for the future and their direction going forward through their supervisor's advice. They then work out their individual role based on the organization's business goals for the fiscal year in question.

During interviews in June and December, supervisors evaluate associate performance during the preceding six months, explain the reasoning behind their judgments, and share an assessment of each associate's strengths and weaknesses. By facilitating a discussion of subjects such as future objectives and career directions, the interviews pave the way for associates' skill improvement.

## NH Circle

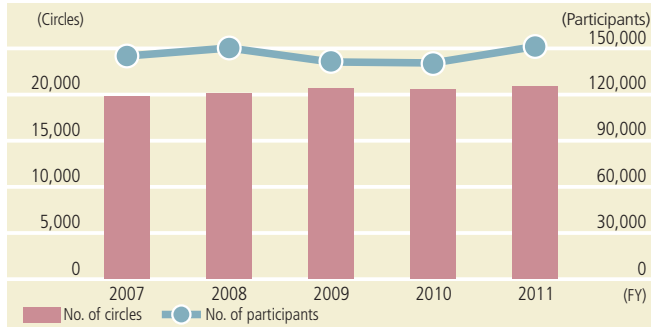
In NH Circle activities, associates take the initiative to get together to discover ways to improve their work, their workplace and their company. The abbreviation "NH" stands for "Now, Next and New Honda." It's all about taking new steps now toward creating the next great Honda improvement.

Based on the principle of respect for the individual, and cherishing independence, fairness and trust, the activity seeks to create dynamic, forward-looking workplaces where individuality is respected; tap the unlimited potential of each and every associate by encouraging them to make the most of their abilities; and contribute to the overall health of the company and its continued development. Together with Regional Contests that are held in six regions worldwide, a World Convention featuring circles selected from each of the Regional Contests provides a venue for participants to showcase the results of their activities, raise mutual awareness, and exchange views and ideas. The scope of the program's activities has expanded each year since its launch in 1973. During FY2011, a total of 151,226 associates and



The Honda Italia Attesa circle "Focus Thread" from Italy gives their presentation.

### NH Circle participation



employees participated in 20,898 circles in 30 countries worldwide, including at suppliers, affiliates, and dealers.

About 1,600 associates and other involved individuals and a total of 80 circles, 41 from overseas and 39 from Japan, that had won district contests participated in the 16th World Convention, which was held at Hamamatsu Factory.

## Improvement suggestion system

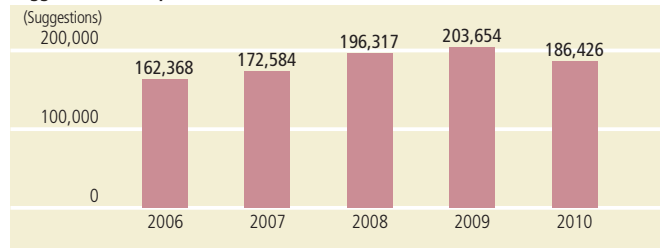
Honda has a system for encouraging all associates to make proposals as to how the company's operations could be improved, whether in large ways or small. Launched in 1953, this initiative is one way Honda seeks to encourage a spirit of independence and innovation, fostering the growth and refinement of skills and capabilities. Each year, some 150,000 suggestions are received, of which about 90% are implemented.

As of July 2010, 186,426 improvement suggestions were received from Honda worksites. Of these, eight proposals received the President's Award and were announced at the Improvement Suggestion No. 1 Convention, which was held at the Aoyama Headquarters building.



Improvement Suggestion No. 1 Convention

### Suggestions for improvement received\*



\*Number of suggestions as of the end of July each year; cumulative total as of the end of July 2009: approximately 8.77 million

# Initiatives for occupational health and safety

## Honda's approach to occupational health and safety

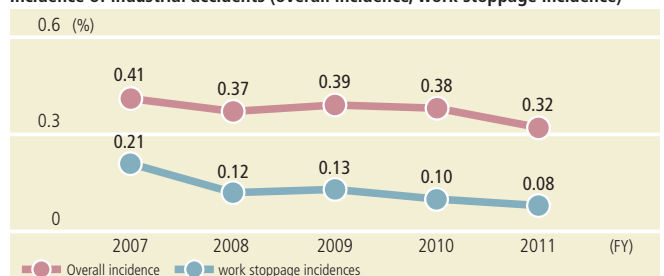
"No safety, no production": that's Honda's policy. Respect for the individual is one of the basic tenets of the Honda philosophy. Along with workplace safety and traffic safety, Honda considers ensuring the mental and physical health of associates to be one of its most

important responsibilities. Besides making these views explicit in its basic policy on occupational health and safety, Honda engages in initiatives designed to ensure that its workplaces are among the safest and most comfortable in the industry.

## Creating safer workplaces

In addition to implementing an Occupational Health and Safety Management System to help prevent occupational accidents, Honda is involved in activities including practicing risk assessment, enhancing health and safety education, and raising associates' safety awareness. In FY2010, we began strengthening measures to ensure workplace safety, focusing on preventing accidents in the workplace, minimizing traffic accidents, and preventing occupational illness. We're setting the bar high on workplace safety and applying the entire organization's resources to achieve the goal of good health for all.

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



# Keeping everyone healthy

## Approach to associate health

Honda has embraced a policy of helping associates lead healthy, well-balanced lives.

As a company, we work to discover health problems early on through medical checkups and to treat them appropriately. Associates whose checkup indicates a health issue are given individual guidance and counseling.

For their part, associates strive continuously to adopt healthy lifestyle habits by paying close attention to their own physical and emotional health and actively taking advantage of opportunities to exercise and improve their health.

### Medical checkups

Honda has implemented a program of medical checkups for new hires, regular checkups, and special checkups as required by law. In addition, we offer government-designated checkups for VDT workers and other checkups as needed. We began offering targeted checkups to individuals judged to be at risk for adult-onset diseases in 2008, and in 2009 we added targeted health guidance in an effort to bring these services to 100% of at-risk individuals.

### Mental health initiatives

Honda has implemented a number of companywide policies designed to foster associates' mental health through rules that address the prevention of mental health problems and improvement of individual motivation, their early discovery and appropriate treatment, and support for associates returning to work after a mental health-related leave of absence.

The company, its associates, and its managers all play a role in helping to create an environment where all associates can take pride in their work, approach their jobs with enthusiasm and passion, and maintain an energetic outlook by valuing individual diversity and communication.

In October 2009, we distributed leaflets and pamphlets to associates in an effort to help create a work environment conducive to both physical and mental health.

### Preventing musculoskeletal disorders\*

Honda is incorporating the perspective of ergonomics into the creation of work environments in line with its concept of people-friendly production processes. Under this approach, worker movements are analyzed and improvements made in order to ensure optimal work position and scope. We're also working to reduce the burden imposed on associates by physically intense labor, for example by installing assistive devices and auxiliary lifts for work that involves lifting heavy objects. We look forward to applying these initiatives in the deployment of new production lines in the future.

\*Injuries to the nerves and muscles of the neck, back, arms, and legs as well as surrounding tissues due to simple, repetitive tasks or work that imposes too great a physical burden on the body

## Total Health Promotion Plan (THP)

In 1988, as part of a health and welfare program designed to help associates enjoy healthy and satisfying lives, Honda established a THP Committee and formulated a Total Health Promotion Plan offering ongoing, systematic support to encourage associates to maintain and improve their health. Consisting of a series of companywide policies based on raising awareness and motivating associates to take the initiative to live healthily, the plan encourages associates to prevent adult-onset diseases, track their physical fitness, participate in "Try Walk" events, and quit smoking. We also offer a range of exercise instruction, nutrition guidance, and related training programs and plan to strengthen efforts to improve exercise habits in response to the aging of the population, boost physical fitness, and redouble our no-smoking activities.

### Guidance for preventing adult-onset diseases

Honda offers guidance in how to prevent adult-onset diseases based on the results of associates' regular medical checkups. We began offering targeted checkups and targeted health guidance in April 2009, with at-risk associates receiving health guidance that encourages them to improve their life rhythm, nutrition guidance that proposes improvements in diet, and exercise instruction that proposes a daily exercise regimen.

### Holding physical fitness measurement sessions, "Try Walk," and other events to improve exercise habits

Honda holds "Try Walk 21," a walking event conceived to spur associates to develop good exercise habits. We also hold events such as physical fitness measurement sessions and exercise courses on an ongoing basis to give associates an opportunity to review their own physical fitness and health.



Record tables distributed at the "Try Walk 21"



A walking event was held

## From segregated smoking areas to a no-smoking policy

Honda has segregated smoking throughout its facilities by creating smoking areas in office and production floor break rooms. Going forward, we plan to shift the focus of these activities from the segregation of smoking to its prohibition as part of a more organizational program to prevent passive smoking and significantly reduce smoking rates.

## Protecting the rights of shareholders and investors

### Our fundamental approach to investor relations

Our investor relations activities for shareholders and investors have two focuses: ensuring timeliness, accuracy, and fairness, and communicating the true state of the company's operations in a straightforward manner. In order to help our shareholders and the broader investor community reach an even deeper appreciation of Honda's activities, we are proactive in providing

### Profit distribution policy

Conducting operations from a global perspective, Honda strives to maximize corporate value throughout its worldwide organization. With respect to the redistribution of corporate profits to shareholders—one of the company's most important responsibilities—Honda's basic policy for dividends is to make distributions after taking into account our long-term consolidated earnings performance. Honda will also acquire its own shares at optimal times with the goal of improving the efficiency and

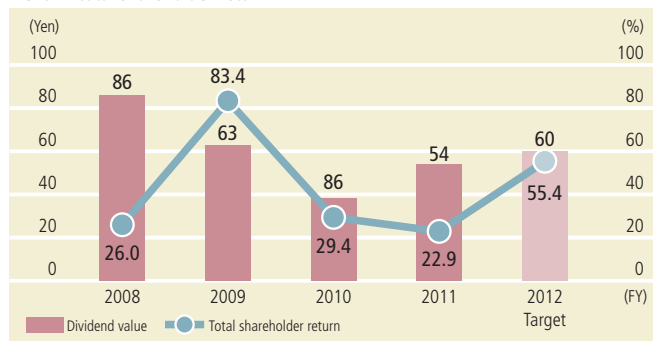
forums for communication. To ensure that our communications are not unilateral, we work hard to remain attuned to the voice of the market. We also work to promote close dialogue, maximum understanding and mutual communication in our relations with shareholders and investors through general shareholders' meetings, investor seminars and other activities. By continuing to build and maintain an atmosphere of trust and respect, we hope to receive a fair recognition of our corporate value by the market.

dynamism of the company's capital structure.

The present goal is to maintain a shareholder return ratio (dividends + share buyback) of approximately 30%.

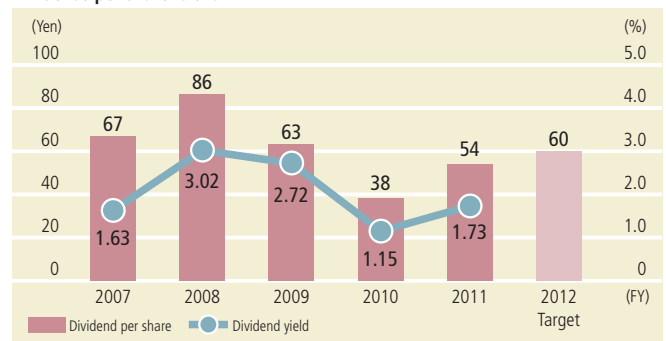
With regard to capital reserves, Honda aims to strengthen its balance sheet by working on improving its financial performance. The company plans to do this by stepping up its investments in R&D and operational expansion, both of which are essential for future growth.

Trend in total shareholder return\*



\*Total shareholder return  
The total amount of dividends and treasury stock acquisitions as a percentage of consolidated return

Dividends per share: trend



Note: Regarding dividend yield  
For FY 2007 – 2011, dividend yield is based on the share value recorded on the last day of the respective FY.

## IR Communication

### Implementing timely and appropriate IR initiatives

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

To fulfill these objectives, in addition to an annual report, we publish reports and a shareholders' bulletin on a quarterly basis. We hold quarterly meetings with analysts and institutional investors. For our institutional investors in North America, Europe, and Asia

we offer biannual corporate briefings at which we present our financial performance and business strategy in order to deepen their understanding of Honda as a company. These publications and material from briefings and financial results meetings can be found at the IR section of the Honda website (<http://world.honda.com/investors>), which also includes information for our shareholders provided as and when required.

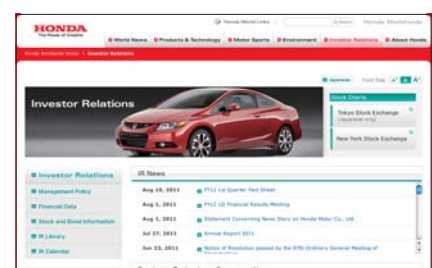
Further, beginning in the third quarter of FY2007, Honda began issuing quarterly dividends in an effort to share profits with shareholders as expeditiously as possible.

### Redesigning Honda's investor relations website

In March 2011, Honda completed a major redesign of its investor relations website.

By categorizing content in an appropriate manner, incorporating important content into the main page in an easy-to-understand manner, and enhancing site guidance, navigation, and accessibility, we have delivered improved usability for visitors seeking IR information. We have also enhanced the amount of information relating to finance, business performance, and company shares in an effort to

create a website that offers useful financial information from the standpoint of the user.



"Investor Relations" main page

## Our fundamental approach

Since the company's foundation, Honda has sought to contribute to society by creating quality products and technologies while coexisting harmoniously with the communities that host its operations. In the 1960s, while the company was still in a period of early growth, Honda began to launch philanthropic initiatives designed to strengthen ties with local communities. In the 1970s, striving to strengthen its contributions to society and build a brighter future, Honda established foundations in Japan to foster broad-ranging research, education, and cultural exchange. Throughout the 6 regions of Honda's worldwide operations, Honda is working to help people realize their dreams.

### Honda philanthropy: Vision

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

### Honda philanthropy: Basic principles

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

### Global directions

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

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

### Areas of activity

#### Education initiatives

Honda is involved in activities conceived to communicate to children the pleasure and wonder of having dreams and striving to make them come true.

#### Environment initiatives

Honda is actively pursuing activities from a global perspective with the theme of coexistence between local communities and nature.

#### Traffic safety initiatives

Honda is working to realize a rich, mobility-oriented society by offering traffic safety education and promoting safe driving in ways that meet local communities' needs.

#### Community initiatives

Honda is pursuing a variety of activities that suit local characteristics at domestic facilities, dealerships, Group companies, and other facilities worldwide.



#### The watchword is "Together for Tomorrow"

This symbol captures the Honda Philanthropy approach of striving to create communities that can realize dreams by working together.

### Activity structures

Honda actively encourages the autonomy of its local operations. We also strive to undertake initiatives that reflect local circumstances in our corporate activities overseas. We seek to share joy while communicating with customers and local residents in a total of 6 regions, including Japan.

### Japan: Children's Idea Contest Education

This contest, which encourages elementary school students throughout Japan to draw a picture of their future dreams, was launched in 2002 in an effort to help children experience the pleasure of striving to make their dreams come true as well as the appeal of manufacturing. Honda's ASIMO, the humanoid robot, visits the schools of the winners to conduct a special class. We began holding similar contests in Thailand in 2005 and in Vietnam in 2008. During 2010, more than 1,300 children submitted entries.



Grand prize winner presenting his project

### Japan: Nature Wagon Education

Nature Wagon is a traveling environmental learning program that brings a van filled with natural objects and materials from the ocean and mountains to elementary schools, community centers, and similar factories. Retired Honda associates volunteer to conduct lectures on natural mechanisms and the importance of conserving the environment, lead children in making crafts with wood and stones, and help them gain new awareness of—and think in new ways about—nature and the environment. During FY2011, a total of 11,800 children participated in 265 Nature Wagon sessions conducted by 5 Honda factories.



Volunteers help children extend their own autonomy



**Japan: Dream Hands** Education

Dream Hands is an introductory handicraft program that children can experience while having fun creating Honda-designed crafts cardboard. Current and retired Honda associates volunteers provide support as participating children experience the joy of creating things. During FY2011, about 11,500 children participated in a total of 180 Dream Hands sessions conducted by 8 Honda facilities.



Children assemble a large number of parts one at a time with their own hands, not stopping until the project is finished.

**Japan: Honda Beach Clean-up activities** Environment

Working with local residents, current and retired Honda Group associates participate in Honda's beach clean-up activities where they clean sand beaches throughout Japan using a simple, compact, and lightweight towable beach cleaner designed for easy operation. The device was developed by Honda based on the desire of associates to preserve barefoot beaches for future generations. During FY2011, some 2,800 people participated in 31 beach-cleaning events.



Honda associates clean a beach together with local residents.

**Japan: Watershed preservations in Japan** Environment

The water we use is carried by rivers from the mountains to the sea. Forests near river headwaters store water over long periods of time and help sustain the flow of rivers. Honda is involved with forest conservation activities led by current and retired associate volunteers at all of its facilities in order to help preserve these precious Watersheds for future generations. During FY2011, more than 600 volunteers participated in a total of 12 projects in 7 locations.



Associate volunteers participate in a project to watershed preservations activity.

**USA (Ohio): Supporting the Girl Scouts** Education

Honda of America Mfg\* supports "It's Your Planet—Love It!," a program of the Girl Scouts in Ohio that helps to develop an understanding of the importance of protecting the Earth's resources, particularly energy, the atmosphere, and natural resources by analyzing the amount of energy used. By helping them learn that they play a role in protecting natural resources through these activities, the program prompts new interest in environment-related technologies.

\*Mfg: Manufacturing (the same hereinafter)



Girl Scouts involved in the "It's Your Planet—Love It!" environmental program

**Mexico: Improving water quality and other environmental conservation activities** Environment

Honda de Mexico uses an on-site wastewater treatment system to improve the quality of wastewater discharged from industrial processes. As a result of a local government-led effort to analyze discharges of industrial wastewater in 2010, Honda de Mexico's water quality improvement initiatives received high praise and groups including the state's Water Measures Committee recognized the plant for the quality of its treated water.



Water whose quality has been improved is reused to water on-site gardens and greenbelt areas.

**Mexico: Holding safe driving workshops for motorcycle riders** Traffic safety

Honda de Mexico held a series of safety driving workshops in 2010 in 13 major cities, attracting some 1,150 motorcycle riders. Participants practiced their skills on the road during practical training sessions, attended classroom sessions at dealers, and learned how to properly use safety gear and how to safely operate their motorcycles from motorcycle sales department staff.



Participants attend a workshop held in Puerto Vallarta in the Mexican state of Jalisco in July 2010.

**U.S.A. (Ohio): Donating a Civic to a pediatric rehabilitation facility** Community

Honda of America Mfg became a major beneficiary with the construction of a pediatric rehabilitation center known as Easy Street. Since automobiles provide a critical form of mobility for children who are patients and their families, Honda provided one of its Civic models to the facility, which plans to have patients practice skills such as getting into and out of the vehicle and installing wheelchairs and other assistive devices. In providing the car, associates at Honda R&D Americas' Ohio Center removed the engine and other components from the vehicle to make it lighter, and transported it inside the building during its construction. We will improve mobility and quality of life through this activity.



Moving a Civic with various rehabilitation-related modifications into the new hospital building

**Brazil: Helping young people find jobs** Education

Moto Honda da Amazonia holds the Honda Social Project every year since 2007 to contribute to the resolution of issues with Brazil's education system. Honda trains young people from age 17 to 19. The program goes beyond offering training to become a mechanic by also qualifying trainees to work as mechanics and office workers at Honda dealerships. Since the project was launched, 80 young people have participated.



Young people studying to be mechanics

**Brazil: Traffic safety initiatives targeting elementary school children** Traffic safety

Honda South America launched Clubinho Honda, a traffic safety education website for lower elementary students and their parents and teachers. Parents and teachers can download *Duas Ruas e Quatros Aventuras* ("A Street, a Sidewalk, and Four Adventures"), a cartoon for children, from the site. Parents can also participate along with their children as a superhero teaches them about traffic safety in a fun and engaging manner. During FY2011, not only did 27,200 visitors access the site, but more than 16,600 children participated in activities that allowed them to actually learn about traffic safety. Additionally, 160,000 comic books and safety textbooks were distributed at dealerships, schools, and local government facilities.



Learning about traffic safety through a cartoon

**Argentina: Cooperating in a charity dinner** Community

Honda Motor de Argentina supports the Las Lomas Oral School for the Deaf, which is run by a philanthropic organization. The company cooperates in an annual charity dinner to provide funding for the school.

To support the growth and education of hearing-impaired children, the school teaches its students how to read and write through a variety of workshops so that they will be able to live as autonomous members of society in the future.



Charity dinner for a school for the deaf

## United Kingdom: Helping foster the next generation through broad support for education

Education

The Honda Group in the United Kingdom is involved in a broad array of activities for children who will make way for the future. Honda UK Manufacturing has created programs for all age groups in the industrial city of Swindon, including Swindon Academy for ages 0 to 19; School of Dreams for ages 9 to 14; Windsor Festival Education Programme for ages 14 to 17; and the World Skills London program for ages 17 to 22. Honda will continue to contribute to the UK's next generation by offering broad educational support for young people from infancy through young adulthood.



A poster for the School of Dreams

## South Africa: Fundraising and sponsorship of a motorcycle race

Education

Working with UNICEF and the Nelson Mandela Children's Fund, Honda South Africa conducts biannual fundraising campaigns to coincide with its sponsorship of the Enduro Africa off-road motorcycle race. Held twice a year, Honda began its fundraising program in 2008. Funds donated by motorcycle fans worldwide and other individuals involved in the industry are used to provide assistance to orphans and other disadvantaged children in the Republic of South Africa and the Kingdom of Lesotho in southern Africa.



Race prize winners and children

## Italy: Working with the NPO Voloentieri

Community

In 2008, Honda Italy Industriale began working with Voloentieri, an NPO created in 2007 to provide assistance to disabled individuals who have difficulty participating in society. The group and Honda share the same value of respecting the individual. Honda Italy Industriale asks participants to perform work such as disassembling motorcycles and reclassifying parts, which are also environmentally friendly. The workers' enthusiasm helps improve the motivation of other associates.



Workers disassemble a motorcycle

## Thailand: Studying how to coexist with nature at Green Camp

Education

Honda Automobile (Thailand) held its second Green Camp in May, 2010 in an effort to awaken a love of nature and environmental awareness on the part of participating children so that a balanced relationship between people and nature can be maintained in the future. The program was held as part of the Honda Green Way Program, which seeks to protect mangroves forests. One hundred children were selected from a pool of applicants from throughout Thailand to explore an invaluable mangrove forest under the slogan, "Protecting the Earth to Save Our World." Participants gained an understanding of how all animals play important roles in ecosystems in order to maintain balance while learning about the need for wildlife and humankind to coexist.



Children planted seedlings in a mangrove forest on the Chao Phraya River

## Thailand: Founding the Environmental Learning Center

Education

The Sa School, a middle school in the area in the Wiang Sa district of the Thai province of Nan, embarked on a series of environmental initiatives to encourage awareness and importance of protecting the environment. In 2007, the school was appraised for its participation in Honda's School Environment Project with the theme of "Fighting waste to secure a better future for society" and was awarded the King's Cup. Then in 2011, the Honda Group in Thailand founded the Environmental Education Center at Sa School to commemorate the 84th birthday of His Majesty the King of Thailand. The Center works to encourage environmental awareness on the part of Sa School students through five "Eco Friendly Activities." Residents who are interested in these activities are free to participate in the Center's programs for a half-day or day.



Students observe and foster the development of plant life that is unique to Thailand.

## Indonesia: My Green Jakarta, an urban afforestation project Environment

P.T. Honda Prospect Motor is helping local government greenify the nation's capital through the My Green Jakarta project. During FY2011, company volunteers planted more than 1,600 trees in neighborhoods in the Tebet area of south Jakarta to create a leafy park named Tebet Honda Park. The park's establishment was partially funded by sales proceeds from Honda automobiles at the previous year's Indonesia International Motor Show. Since its launch in 2005, My Green Jakarta has been held five times and a total of about 8,950 trees have been planted along rivers, downtown, in suburbs, along railway lines, and in other locations.



A My Green Jakarta commemorative event

## New Zealand: Raising tree-planting funds through new vehicle sales with the Honda Tree Fund Environment

In April 2004, Honda New Zealand began raising tree-planting funds through new vehicle sales with the Honda Tree Fund. The company, which donates funds equivalent to 13 indigenous seedlings for each new automobile sold, had reached a total of more than 420,000 seedlings by FY2011. Customers can not only reduce greenhouse gas emissions from the vehicle, but also contribute to the resolution of regional environmental issues by conserving biodiversity and restoring water quality. The company was able to deepen customers' understanding of indigenous tree species through tree-planting events and looks forward to increasing participation in the future.



Customers planting indigenous New Zealand seedlings

## China (Beijing): Holding social events for children Education

ASIMO has been traveling throughout China to hold "meet-and-greet" events with Chinese children. In August 2010, ASIMO visited the Japanese School in Beijing to interact with the children. The children were excited to see ASIMO up close for the first time and watched the robot's every move with intense curiosity. After learning about how ASIMO walks, the children danced with the robot, played games such as seeing who could balance longest on one leg. Honda plans to continue this program as a way to encourage interest in technology for Japanese children living in China.



Children playing with ASIMO at the Japanese School of Beijing

## China (Shanghai): Holding the Eco Mileage Challenge Fuel Economy Contest Environment

In September 2010, the 4th Honda China Eco Mileage Challenge Fuel Economy Contest was held at the Shanghai International Circuit. Participants compete to see whose team can travel farthest on one liter of gasoline. The international event attracted a total of 131 teams—the most in the history of the contest—including middle school, high school, and college students, members of the media; and the winning team from a similar event in Thailand. The overall winning team achieved fuel economy of 2,147 km/L. The teams exceeded fuel economy figures from the first contest by a factor of about four, illustrating the rapid evolution of Chinese technology. Honda will continue to foster a challenging spirit among Chinese youth and increase their awareness of environmental issues through this competition.



At the start of the Eco Mileage Challenge Fuel Economy Contest

## Disaster relief aid

Honda actively provides aid in the wake of natural and other disasters in Japan and overseas, including by sending people and supplies.

**Japan: Great East Japan Earthquake** - Honda has donated ¥300 million in aid to assist in the recovery from the Great East Japan Earthquake, which struck off the Sanriku coast in Japan's Tohoku region on March 11, 2011. We also provided a total of 1,000 generators, 1 outboard motor, 65 motorcycles, and 8 automobiles.

**New Zealand: Earthquake aid** - Honda donated a total of about ¥10 million through the Mayoral Relief Fund (which serves as a clearinghouse for aid to New Zealand) and the Japanese Red Cross Society to aid in recovering from the earthquake that struck the city of Christchurch on the country's South Island on February 22, 2011.

**Pakistan: Flood relief** - Honda donated about ¥50 million to the Embassy of Pakistan in Japan, state governments, and the federal

government in response to the massive flooding that struck the country in July 2010.

**Poland: Flood relief** - Serious flooding occurred in the Vistula River watershed in the southern part of Poland following a week of continuous heavy rain starting on May 10, 2010. Working with local power products distributors, Honda Poland donated 8 boats, including outboard motors and trailers, and 30 generators (EU20i) to fire companies in June.

**Qinhai Province, China: Earthquake aid** - The Honda Group donated a total of about ¥43.14 million through Chinese relief organizations and the Japanese Red Cross Society to aid in recovery efforts in the wake of the earthquake that struck Yushu Tibetan Autonomous Prefecture in western China's Qinhai Province on April 14, 2010.

## Basic stance on corporate governance

Based on its fundamental corporate philosophy, Honda is working to enhance corporate governance as one of its most important management issues. Our aim is to have customers and society, as well as shareholders and investors, place even greater trust in us and to ensure that Honda is a company that society wants to exist.

To ensure objective oversight of the Company's management, outside directors and outside auditors are appointed to the Board of Directors and the Board of Corporate Auditors, which are responsible for supervising and auditing corporate operations. The Company has also introduced an operating officer system aimed at strengthening both the execution of business operations at the regional and local levels and making management decisions quickly and appropriately. The term of office of each director is limited to one year, and remuneration payable to directors is determined according to a standard that reflects the Company's business performance. These policies are to maximize the flexibility with which our directors respond to changes in the operating environment.

With respect to business execution, Honda has established a system for operating its organizational units that reflects its fundamental corporate philosophy. For example, separate headquarters have been set up for each region, business, and function, and an operating officer has been assigned to each headquarters and main division. In addition, we have implemented a system that enables prompt and appropriate decision-making by having the Executive Council and regional operating boards deliberate important management issues.

With respect to internal controls, compliance and risk management systems have been designed and implemented appropriately following basic policies for the design of internal controls and decided by the Board of Directors.

To enhance even further the trust and understanding of shareholders, investors and society, Honda's basic policy emphasizes the appropriate disclosure of Company information, such as by disclosing financial results on a quarterly basis and giving public notice of such financial results and disclosing its management strategies in a timely and accurate manner. Going forward, Honda will continue to raise the level of transparency in its operations.

## Organization

### Board of Directors

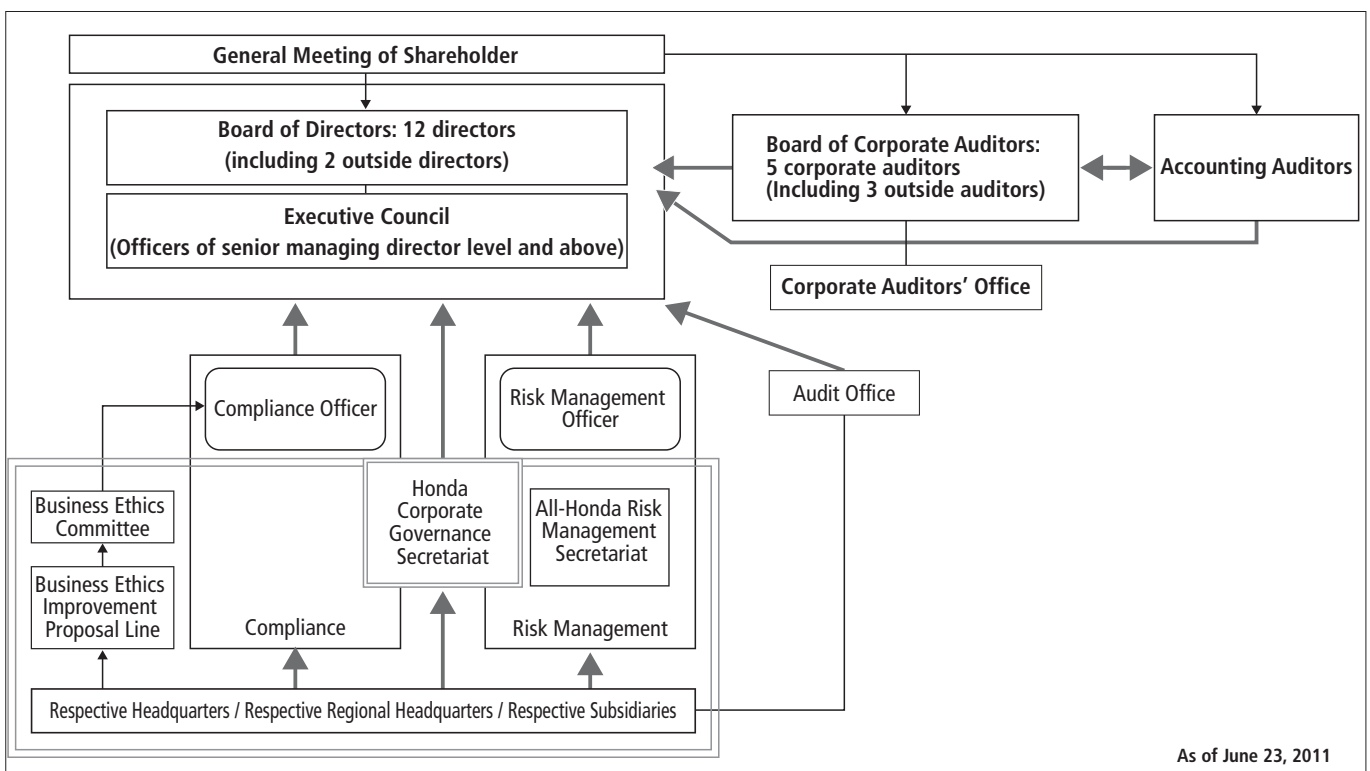
The Board of Directors consists of 12 directors, including two outside directors. The Board deliberates important management issues including business execution and other items designated by law in accordance with established rules of procedure, assesses business risk, and then makes decisions on such matters after due consideration. The Board also oversees and supervises the execution of business operations. The Board of Directors met 12 times in FY2011.

### Board of Corporate Auditors

The Board of Corporate Auditors consists of five corporate auditors, including three outside auditors. In accordance with auditing standards, auditing policies, apportionment of responsibilities, and other as determined by the Board of Corporate Auditors, each corporate auditor audits directors' execution of duties. Corporate auditors accomplish this responsibility through various means, including attendance at meetings of the Board of Directors and inspection of the state of the Company's assets and liabilities.

The Company has established Corporate Auditor Reporting Standards to ensure accurate and timely reporting of information to corporate auditors. In addition to regular reporting of the state

Corporate governance



As of June 23, 2011

of operations at the Company and its subsidiaries and the state of implementation and operation of internal control systems, these standards mandate the reporting of information that may have a significant impact on the Company's operations. Additionally, corporate auditors attend Executive Council and other important meetings. The Board of Corporate Auditors met 12 times in FY2011.

#### **Initiatives to Enhance the Effectiveness of Corporate Auditors**

Honda has established a Corporate Auditors' Office to provide support staff for the Board of Corporate Auditors. Based on his level of operational experience in finance and accounting departments at the Company and its subsidiaries, corporate auditor Hideki Okada serves as "an auditor with a high level of expertise in finance and accounting" as defined in Article 121 Item 8 of the Ordinance for Enforcement of the Companies Act. Serving in the same role is corporate auditor Hirotake Abe, who brings extensive expertise and experience as a certified public accountant. Additionally, Okada and Abe have been certified as "audit committee financial experts" as defined by U.S. Securities and Exchange Commission regulations in accordance with Section 407 of the Sarbanes-Oxley Act.

#### **Selecting candidates for director positions**

Candidates for director positions are selected by resolution of the Board of Directors. Candidates for corporate auditor positions are selected by resolution of the Board of Directors with the consent of the Board of Corporate Auditors.

#### **Organization**

The Company has six administrative regions around the world to execute and develop business based on its fundamental corporate philosophy. These regional administrations adopt long-term perspectives and maintain close ties with local communities. Honda's four business divisions—motorcycles, automobiles, power products and components—formulate medium- and long-term business plans. Each division aims to maximize its performance on a global basis. Each functional operation, including Customer Service Operations, Production Operations, Purchasing Operations, Business Support Operations and Business Management Operations, supports the other functional operations, with the aim of increasing Honda's operational efficiency.

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

#### **Business Execution Officer System**

The Company assigns an operating officer to each regional, business and functional headquarters, research and development subsidiary and any other important organization to ensure swift and optimal decision-making in each region and workplace.

#### **Executive Council**

The Company has established an Executive Council consisting of operating officers at the senior managing director level and above. The Executive Council discusses agenda items for upcoming meetings of the Board of Directors and deliberates important management issues within the scope of authority conferred upon it by the Board of Directors.

#### **Regional Operating Boards**

To enhance the independence of regional operations and ensure swift decision-making, a regional operating board has been established at each regional operations headquarters to discuss important management issues in the region within the scope of authority conferred upon it by the Executive Council.

#### **Justification of Existing System**

The Company considers trust from shareholders, customers, and society to be the foundation of corporate governance.

For this reason, it is critical that all departments at Honda take the initiative to implement thorough compliance and risk management in their areas of operations, and that management mechanisms exist for verifying the effectiveness of those efforts. Honda considers the optimal system for supervising and auditing its operations to be a Board of Directors consisting of internal directors with a thorough knowledge of corporate operations along with two outside directors as well as a Board of Corporate Auditors of which outside auditors form a majority, as required by the corporate auditor system in Japan.

#### **Internal audits**

In addition to conducting business audits in the company's various departments, the Audit Office, a 29-person independent department that reports directly to the president, works to enhance the Group's internal audit system.

#### **Accounting audits**

The Company's accounting audit, as required by the Companies Act, the Financial Instruments and Exchange Act and the U.S. Securities Exchange Act, is carried out by KPMG AZSA LLC.

#### **Collaboration**

During the current business year, there were 10 meetings held between corporate auditors and accounting auditors where the accounting auditors explained accounting auditing plans and the results to the corporate auditors, and views were exchanged between them.

The corporate auditors are regularly informed of auditing policies, plans and results from the Audit Office which belongs to the internal audit division. The corporate auditors and the Audit Office carry out auditing singly or in liaison with each other.

Accounting, legal, and other departments with governance-related responsibilities regularly report information needed for audits to corporate auditors in accordance with the Corporate Auditor Reporting Standards.

For more information on fundamental approach and current status of the internal controls system, please refer to Honda's Annual Report

[http://world.honda.com/investors/library/annual\\_report/](http://world.honda.com/investors/library/annual_report/)

# Company Overview

Company Name ■ Honda Motor Co., Ltd.

Head Office ■ 1-1, 2-chome, Minami-Aoyama, Minato-ku, Tokyo 107-8556, Japan  
Tel: +81-(0)3-3423-1111

Established ■ September 1948

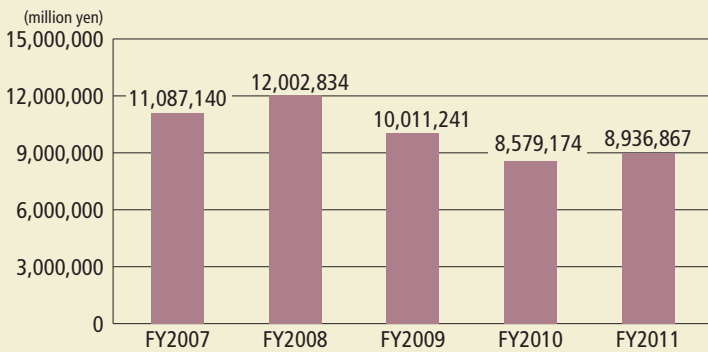
President & CEO ■ Takanobu Ito

Capital ■ ¥86 billion (as of march 2011)

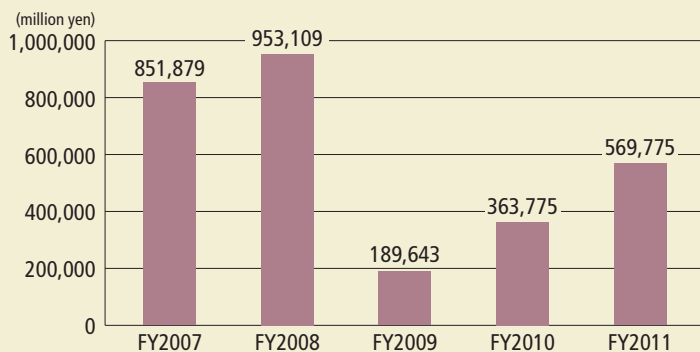
Business ■ Motorcycles, automobiles, financial services, power products and other businesses

## Major financial highlights (consolidated)

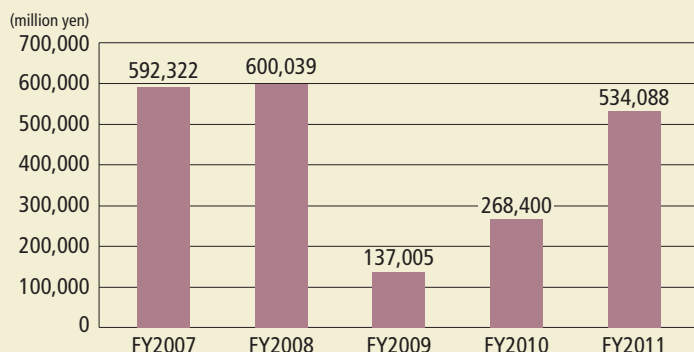
### • Sales



### • Operating income

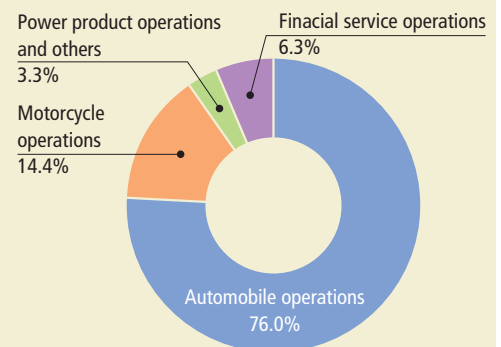


### • Current net income



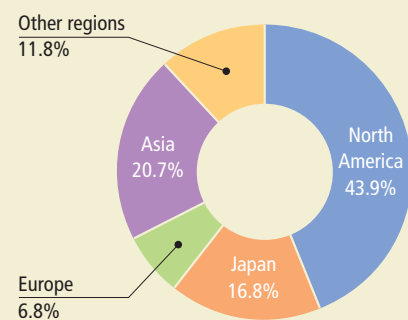
### • Sales ratios by business operations

(Consolidated: FY2011)



### • Sales ratio by region

(Consolidated: FY2011)





CSR Report 2011

**Honda Motor Co., Ltd.**

2-1-1 Minami-Aoyama, Minato-ku, Tokyo 107-8556, Japan  
Published in September 2011