Message from the President & CEO

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

Striving to be a company society wants to exist

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

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

Leading the way in environmental technology

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

With 20% of world CO$_2$ emissions coming from automobiles and oil prices skyrocketing, and as fuel economy standards in Europe, Japan and the United States become more and more stringent, confronting global warming is a top management priority for Honda. As demand for motorcycles and automobiles continues to grow around the world and especially in developing nations, our operations in manufacturing and selling mobility products help make life more convenient for our many customers. However, we must face the fact that our operations also have an impact on the environment.

Our efforts to help create sustainable mobility are therefore of the utmost importance, and we are leveraging the results of our ongoing advanced environmental initiatives and confronting the problem of global warming squarely. In keeping with our objective of producing the world’s cleanest and most efficient products at the world’s cleanest and most efficient factories, we have announced voluntary worldwide CO$_2$ output reduction targets for 2010 and continue to strengthen our leadership in environmental technologies through new initiatives in development and manufacturing.

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

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

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

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

As the scope of our business grows worldwide, so does the number of Honda associates, supplier employees and other persons working to support our goals, and thereby increasing our positive impact on the communities that host our operations.

For this reason, while sharing the Honda philosophy of respect for the individual and The Three Joys with the new friends we make everywhere, we must work ever harder to achieve harmony with local cultures, respect the rights of all humans, and strive to be a company that each and every society we serve wants to exist.

To support the growth of our global operations, in Japan we are strengthening production and R&D while enhancing our systems to protect and conserve the environment. While accelerating our development of advanced safety and environmental technologies, we are implementing initiatives to enable us to
create the automobile of the future. A new R&D Center under construction in Sakura City, Tochigi prefecture, is slated to begin operations in 2010, and two new plants in Saitama prefecture, an automobile plant and an automobile engine plant, are scheduled to begin production in the period 2009–2010.

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

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

Each associate helps drive Honda forward

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

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

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

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