North American Corporate Profile

<table>
<thead>
<tr>
<th>MAJOR SEGMENTS</th>
<th>PRODUCTS</th>
<th>FISCAL YEAR 2006 SALES</th>
<th>DEALER NETWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles</td>
<td>Passenger cars, minivans, sport utility vehicles, and light trucks</td>
<td>More than 1.6 million cars and light trucks</td>
<td>More than 1,500 Honda and Acura dealers</td>
</tr>
<tr>
<td>Power Sports</td>
<td>Motorcycles, scooters, all-terrain vehicles, and personal watercraft</td>
<td>More than 620,000 motorcycles, all-terrain vehicles, and personal watercraft</td>
<td>More than 1,300 Honda dealers</td>
</tr>
<tr>
<td>Power Equipment</td>
<td>Lawn-and-garden equipment, generators, general-purpose engines, and outboard engines</td>
<td>More than 2.5 million engines and power equipment products</td>
<td>More than 2,000 Honda dealers</td>
</tr>
</tbody>
</table>

Capital Investment
More than $9 billion in North America

Employment
More than 35,000 associates in North America

Suppliers/Purchasing
More than $16 billion in North American parts and materials purchased by Honda from more than 600 original equipment manufacturing suppliers in the fiscal year ending March 31, 2006
A Letter from Our North American Chief Operating Officer

As one of the largest markets in the world for the production and sales of automobiles, power sports, and power equipment products, Honda’s North American region has a critical responsibility in the company’s global effort to create cleaner and more efficient forms of transportation.

Over the years, Honda has made a significant commitment to improve fuel efficiency, to reduce emissions, and to advance new technologies in its automobile, power sports, and power equipment product lines. However, an ever-increasing global demand for energy has made the challenges of global climate change and energy sustainability critical concerns requiring action by Honda and other companies involved in the business of providing people with mobility.

CO₂ Reduction Targets

Accordingly, in May 2006, Honda set global targets for reduction of its CO₂ emissions with the establishment of a goal to reduce global vehicle-average CO₂ emissions by 5 percent from 2005 levels by the year 2010. This goal is in addition to a 5 percent global reduction already achieved from 2000 to 2005.

In support of this new goal, in North America, we will aim to improve Honda’s already industry-leading corporate average fuel economy (CAFE) for cars and light trucks by 5 percent from 2005 to 2010. This involves continued advancements in gasoline internal combustion engine technology, as well as the introduction in 2009 of a new more affordable purpose-built gas-electric hybrid vehicle, and the introduction within three years of a vehicle equipped with new clean diesel engine technology that achieves U.S. EPA Tier 2 Bin 5 emissions levels.

Alternatives to Gasoline

As society’s needs for new forms of energy grow, we continue to accelerate the development of alternatives to gasoline, such as natural gas and the hydrogen fuel cell. In 2006, we celebrated the one-year anniversary of placing a Honda FCX fuel cell vehicle in the hands of an individual customer. I am pleased to report that our customer’s experience with the FCX has been a very positive one. This relationship has also given us a valuable perspective on the many obstacles and opportunities we face with the further development of this technology. Further, one year after beginning retail sales of the Civic GX natural gas vehicle in tandem with the Phill™ natural gas home refueling appliance (made by Fuel Maker), we are expanding sales of Civic GX to New York. We will continue our efforts to make owning and operating an alternative fuel vehicle more practical.
Importantly, as we improve fuel efficiency and advance technologies in our products, we won’t sacrifice other critical areas of company leadership, including emissions and safety. In fact, in 2006, we fulfilled our “Safety for Everyone” commitment to apply a core suite of advanced safety technologies to Honda and Acura cars and light trucks, regardless of vehicle size or price. This was done while maintaining our industry-leading performance in both fuel efficiency and emissions.

**Increasing Operating Efficiency**

We are also seeking new and better ways to improve the efficiency of our facilities, especially our manufacturing plants. To have the least impact on the environment, we’ll continue to conserve energy and other resources, while minimizing waste and emissions.

The key to protecting the environment lies not with the actions of one company, but with the actions taken by individual people. So as we strive to meet the needs of our customers and society as a whole, we encourage our associates at all levels and in all areas of our operations to find ways in which we can further improve our environmental performance.

I hope you will find the following information useful in increasing your understanding of Honda’s environmental footprint and ongoing efforts to improve our environmental performance. We welcome your comments on this report and on our environmental activities in North America.

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*...ever-increasing global demand for energy has made the challenges of global climate change and energy sustainability critical concerns requiring action by Honda and other companies...*
Our Responsibility to the Environment

Global Climate Change: Honda’s Perspective

Honda recognizes climate change and energy sustainability as two of the most critical global issues facing society today. These issues require the best efforts of industry, government, and the private sector. This viewpoint reflects the company’s extensive history of working to meet critical environmental challenges by improving the efficiency and environmental performance of its products and operations.

In Honda’s view, the energy and environmental challenge involves three critical issues — air quality, climate change, and energy sustainability. These issues require the three strategies described at right.

In addition to Honda’s long-standing commitment to fuel efficiency, the company’s early efforts to advance its environmental performance focused on air quality and the role its vehicles and plants played in creating air pollutants. While the company continues to reduce vehicle and factory emissions, it also understands that transportation itself is a major source of anthropogenic greenhouse gas emissions.

In fact, as the world’s largest producer of gasoline-powered products, Honda believes it has a responsibility to reduce greenhouse gas (GHG) emissions, such as CO₂, through continued advancements in gasoline engine efficiency and alternative energy technologies.

In its efforts to respond to the threat of global climate change, the company considers Life Cycle Assessment (LCA) and well-to-wheel modeling (analysis of environmental impact from energy production through energy use) to be critical tools for understanding the total impact of our activities with respect to GHG emissions. Two key ways to reduce the total GHG impact of our activities are to minimize fuel consumption by our products during customer use (in-use CO₂ emissions) and to minimize energy and corresponding CO₂ emissions related to the manufacture of Honda products.

Climate change is a global issue. Honda has established voluntary global CO₂ targets for its products and manufacturing activities, which represent a reduction in average CO₂ from both exhaust and manufacturing emissions per automobile from 2005 levels.
Global Climate Change: Honda’s Perspective

Honda Direction and Commitments

Environmental issues have long been a top priority at Honda. Top-level fuel efficiency is a central goal of every new model development at Honda. This involves using weight and drag reduction technologies, while maximizing engine and power transfer efficiency. Honda has been a consistent leader in the development and broad application of fuel-efficient technologies, including all-aluminum low-friction engines; variable valve timing and lift electronic control (VTEC™); 5-speed, electronically controlled automatic and continuously variable transmissions; weight-saving materials such as aluminum and high-tensile steel; and advanced fuel-efficiency technologies. The company has also led in the development of advanced technologies including Variable Cylinder Management (VCM™) cylinder idling system and Honda’s Integrated Motor Assist (IMA™) gas-electric hybrid technology.

Voluntary Targets for Reduction of CO₂ Emissions Globally

Honda has established voluntary global CO₂ reduction goals for its products and production activities.

Reducing CO₂ emissions from products globally

• In 2000, the average Honda automobile produced 179.5 grams of CO₂ per kilometer driven. From 2000 through 2005, Honda reduced its average vehicle CO₂ emissions by approximately 5 percent. Honda now strives to achieve a further reduction of 5 percent or more, targeting a total 10 percent reduction in average CO₂ emissions for its automobile, power sports, and power equipment products by the year 2010, compared with 2000 levels.

Reducing CO₂ emission from manufacturing globally

• Automobiles: Honda is working toward a reduction of 5 percent or more in CO₂ emissions per unit of production by 2010 (compared to 2005 levels) to approach a total reduction of 10 percent from the 2000 level.
• Power Sports and Power Equipment: Honda’s goal is to reduce CO₂ emissions by 20 percent per unit of production from 2000 levels by 2010.

North American targets

As part of this global commitment, the company has set a specific target for its North American region, the largest producer and consumer of Honda automobiles.

• Automobiles: Honda will aim to increase the company’s already industry-leading corporate average fuel economy (CAFE) by 5 percent from 2005 levels by 2010.
• Power Sports: Honda will replace 100 percent of its 2-stroke engines with cleaner and more efficient 4-stroke engines in all of its North American power sports products by the 2008 model year.
• Honda will seek further reductions in manufacturing energy use, as measured by gigajoules per auto (GJ/auto), where technically and economically feasible (see pages 36-38 for more details on Honda’s manufacturing energy reduction efforts in North America).
How Do We Achieve Our Goals?

Honda takes a comprehensive approach.

Honda is investing in near-term and long-term technology to advance the efficiency of its products and production operations. These actions reflect the company’s belief that the greatest benefit in the near term will be realized through further advancements in the efficiency of the internal combustion engine. Longer-term gains will come in the form of real-world alternatives to gasoline, such as natural gas and, ultimately, hydrogen-powered fuel cell technology. In addition, Honda will continue to work with policymakers to help ensure that appropriate policy actions are taken to encourage continued progress within the industry and in the marketplace. Specific actions that Honda is taking include those listed below.

Developing Fuel Efficient Powertrains While Continuing to Reduce Emissions and Enhance Vehicle Safety

- **Gasoline engine efficiency**
  Continue to improve the fuel efficiency of our gasoline vehicles, including the introduction by 2010 of more advanced versions of Honda’s i-VTEC™ variable-valve timing technology and Variable Cylinder Management (VCM) technologies.

- **Fuel cell technology**
  Accelerate the development of Honda fuel-cell vehicle technology, including introduction in 2008 of an all-new fuel cell vehicle based on the FCX Concept, with enhanced performance range and efficiency. [See page 22 for more details.]

- **Hybrid technology**
  Continue advancement and application of Honda hybrid technology, including the introduction of a new, more affordable, purpose-built hybrid vehicle by 2009.

- **Alternative fuel infrastructure**
  Further advance alternative fuel infrastructure, including home refueling technologies such as Phill (CNG) and Honda’s experimental hydrogen Home Energy Station. [See pages 21 and 23 for more details.]

- **Clean diesel**
  Introduce within three years a new vehicle or vehicles equipped with high-efficiency 4-cylinder clean diesel engine technology that achieves U.S. EPA Tier 2 Bin 5 emissions levels.

- **Power sports and power equipment**
  Continue to advance the efficiency and performance of Honda power sports and power equipment products, including application of programmed fuel injection (PGM-FI) technology to most of its worldwide motorcycle fleet by 2010.

- **Alternatives to gasoline**
  Continue to advance Honda alternative fuel vehicles with lower GHG emissions, including bridge technologies such as compressed natural gas (CNG). Honda expanded the availability of its CNG-powered Civic GX and the Phill home refueling appliance to additional markets in California and New York in calendar year 2006.

- **Efficiency and safety**
  Continue to advance and promote the compatibility of high fuel efficiency and safety as epitomized by Honda’s leadership in both CAFE and application of safety features through its “Safety for Everyone” initiative.

Challenges for the Future

Many challenges remain in making greenhouse gas reduction a priority in personal transportation.

Although fuel prices in North America are high in absolute terms, as a percentage of household income fuel remains relatively inexpensive. As a result, many consumers do not recognize fuel efficiency as a top priority. At the same time, the cost of pinnacle technologies such as gas-electric hybrids remains high relative to the value for the customer. Honda is working to encourage greater consumer acceptance by making its fuel-efficient technologies even more efficient and affordable. Honda believes there is a need to constructively pursue national policy initiatives that encourage the industry to advance products in a technically feasible, fair, and effective manner, while helping to increase consumer interest.
in fuel economy. Further, the perception that smaller cars are not safe is a persistent marketing challenge that leads some consumers to purchase larger cars, SUVs, and trucks. Through the introduction of new technologies and its “Safety for Everyone” initiative, Honda is working to demonstrate that it is possible to offer vehicles that deliver both industry-leading fuel efficiency and standard safety equipment.

**Honda Position on GHG Regulation in the United States**

Honda takes a constructive role in urging government to address greenhouse gas (GHG) emissions.

At the federal level, Honda has urged the National Highway Traffic and Safety Administration (NHTSA) to raise fuel economy standards both for light-duty vehicles and passenger cars. Honda was an early advocate for size-based attribute standards. It sponsored critical research that demonstrated the capacity for vehicles to be made more fuel-efficient without compromising safety.

Honda strongly believes that mobile source initiatives must be undertaken at the national level, for two reasons: (1) climate change does not stop at the border of any one state; and (2) the technology necessary to reduce GHG emissions is fundamental to the design of a vehicle and its powertrain. It is difficult and costly to tailor fuel efficient technologies to meet different requirements for different states and to market them for specific states.

For these reasons and because fuel efficiency is regulated exclusively at the federal level, in 2004, the auto industry’s trade associations, including Honda’s, challenged California’s attempts to regulate greenhouse gas emissions at the state level.

Since that time, Honda has continued to support national standards to increase and strengthen fuel economy. Honda provided a statement to the U.S. House Energy and Commerce Committee supporting legislation to authorize NHTSA to set attribute-based standards for passenger cars. Further, Honda is the only automaker to have submitted a statement to the U.S. Senate Energy Committee addressing the proper structure for a cap-and-trade system for GHGs for motor vehicles. Honda also has been a long-term supporter of federal and state incentives for alternative-fuel vehicles and infrastructure and for hybrid vehicles.

**Renewables**

Honda believes there is no single solution to America’s future energy needs. Advanced technologies and alternative fuels will both play a role.

Honda’s work with natural gas and hydrogen fuel cells is an example of its leadership in alternative-fuel technologies. Although Honda does not currently sell a flex-fuel vehicle in the United States, it sees a potential role for biofuels in this country. For the near term, gasoline blended with up to 10 percent ethanol can displace a significant amount of petroleum. All Honda gasoline-fueled vehicles and products are currently capable of operating on such ethanol-blended fuels. The key to wider use of renewable fuels is to find economically viable and environmentally sustainable methods of producing them. Research into cellulosic materials, such as switchgrass and agricultural waste, has been promising. Biodiesel and biogas (such as methane and hydrogen) also have a role in meeting our future energy needs and reducing greenhouse gases. Standardization of the fuels nationally is important to ensure quality of the fuel and efficient engine performance. Honda is also exploring hydrogen production from renewable solar energy; the company will begin solar module production next year in Japan. Honda opposes all government mandates that specify particular technologies as opposed to performance mandates, including those that require manufacturers to produce flex-fuel vehicles.
Based on its challenging goal of being “a company that society wants to exist,” Honda has long viewed the preservation of our natural environment as a core management responsibility and a critical component of our long-term viability as a mobility company.

Environmental Management Philosophy

Honda’s commitment to the environment is based not only on meeting government regulations, but also on making positive contributions, beyond regulatory requirements, that lead to a healthy environment for its customers and for society as a whole.

This commitment is reflected in all Honda products, technologies, and business operations. In formalizing this commitment, Honda established in 1995 a World Environmental Committee with the responsibility to implement the Honda Environment Statement throughout the company’s global operations. In keeping with Honda’s environmental philosophy and vision, the committee sets the directions and goals for Honda’s companywide environmental efforts. With guidance from the Environmental Committee, regional environmental committees set their own goals in each of Honda’s six operational regions (North America, South America, Europe, Asia/Oceania, China, and Japan).
Honda’s 2010 Vision focuses the company’s global operations on the environmental challenge

Established in 1998, on the 50th anniversary of the Honda Motor Co., Ltd., the parent company of Honda’s North American operations, the 2010 Vision incorporates three key themes:

**Value Creation** focuses on original technologies that advance both product efficiency and performance to create new value for customers and society.

**Glocalization** represents Honda’s initiative to meet the growing needs of customers through the expansion of local research and development and manufacturing operations close to the customer.

**Commitment for the Future** represents Honda’s dedication to creating advanced technologies for products that can be enjoyed by customers and provide advanced levels of safety, while limiting the environmental impact all the way from the research and development stage through final recycling.

Viewed in total, the ultimate goal of Honda’s 2010 Vision is for Honda to be recognized as “a company that society wants to exist.”

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**Honda Environment Statement**

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

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

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

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

4. We will consider the influence that our corporate activities have on the regional environment and society, and endeavor to improve the social standing of the company.”
**Product Development**

From the earliest stages of a new product development, Honda’s R&D, sales and manufacturing operations work together to establish targets for vehicle performance, size and functionality. Thus, vehicle weight, fuel economy, and emissions performance are considered as part of the foundation of each product. In virtually every area, Honda targets best-in-class levels of performance.

Each new-product development project is also responsible for meeting certain corporate environmental targets, including vehicle recyclability and reduced use of toxic substances. These goals are vigorously pursued throughout product development, in balance with other key criteria. Further, top executives from Honda’s sales, manufacturing and R&D operations evaluate the development at key stages to uphold the integrity of these goals and to ensure that the company is meeting its commitment, both to the customer and to society.

**Sustainable Buildings**

To be consistent in its corporate commitment to reduce the environmental footprint of its operations in all areas, Honda is finding ways throughout its North American sales, manufacturing and R&D operations to reduce its waste product through the reuse and recycling of materials. Honda is also working to meet U.S. Green Building Council certification standards in a number of its new and existing facilities. The company is making steady incremental improvements to its reuse and recycling processes in all of its North American facilities.

*In virtually every area, Honda targets best-in-class levels of performance.*
Environmental Management

Communications

Honda is committed to transparency in reporting its progress on environmental issues in all areas of its North American operations. In 2005, the company first published an annual report on its environmental performance in the region, which encompasses the United States, Canada, and Mexico. This report is distributed in print form to policymakers, stakeholders, and environmental organizations and opinion leaders in North America. It is made available to all interested individuals through the company’s consumer Web site, www.honda.com. Additionally, Honda Motor Co., Inc., publishes an annual environmental report focusing on Japan, which also includes key regional activities and a summary of global product and manufacturing emissions.

Risk Management

Honda considers risk management an integral part of environmental management. Honda’s approach to risk management is reflected in various activities, including putting systems in place to prevent spills and releases, reducing volatile organic compounds (VOCs) and other air emissions, and recycling products and components in order to minimize landfill waste. From long-term planning to daily operations, Honda makes efforts to understand the risk of environmental damage and tries to make prudent decisions to minimize such damage wherever possible.

Product Recall Policy

Honda’s policy on product recalls, including emissions-related recalls, is in accordance with the procedures of its Quality Committee, which is composed of senior executives from various divisions of the company. The Japan-based Quality Committee makes decisions about Honda products manufactured and sold throughout the world, relying upon recommendations from Honda experts in each region. In making decisions, Honda targets best-in-class procedures, with only a few exceptions. During the fiscal year ending March 31, 2006, Honda filed six product update reports and one warranty extension report under the U.S. EPA’s Voluntary Emission Recall reporting requirements.

Compliance with Environmental Laws and Regulations

Environmental compliance is fundamental to the performance of Honda products and operations in North America. All Honda companies have systems in place to ensure that their activities are in compliance with all applicable legal requirements.

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<tr>
<th>North American Environmental-Related Fines</th>
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<tr>
<td>COMPANY</td>
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<tr>
<td>Honda</td>
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Honda was not assessed any material environmental-related fines in the fiscal year ended March 31, 2006. (Material fines are $100,000 or more, as defined in the regulatory disclosure guidelines.)
Environmental Technology Milestones

- First fuel cell family: Honda makes Jon and Sandy Spallino of California the world’s first individual customers of a fuel-cell vehicle, with the lease of a Honda FCX.
- The city of Las Vegas, Nevada, leases two Honda FCX vehicles.
- No. 1 fuel economy status maintained: Honda has the highest corporate average fuel economy (CAFE) rating among the six major automakers. Honda makes four of the top five most fuel-efficient vehicles, according to the U.S. EPA.
- First application of hybrid technology is made to an existing mass-market car: the Civic Hybrid.
- Honda FCX becomes the first and only hydrogen-powered fuel cell vehicle to receive both U.S. EPA and CARB certification for commercial use, and the first to meet applicable federal motor vehicle crash safety standards.
- Honda is first with an entire personal watercraft lineup of 4-stroke engines. Honda has produced only 4-stroke PWCs.
- World’s first commercial application of a fuel cell vehicle occurs.
- The city of Los Angeles begins a lease program for five Honda FCX vehicles.

2006
- 2006 Civic hybrid introduced with 4th-generation Honda IMA technology with 50 mpg combined EPA city and highway fuel economy.
- Company announces it will aim for a 5% improvement in its U.S. corporate average fuel economy (CAFE) from 2005 levels by 2010.
- North American debut of Honda FCX Concept with more compact, powerful and efficient V Flow stack, pointing toward an all-new Honda fuel cell vehicle to be introduced in 2008.

2005
- First natural gas home refueling device, “Phill,” is offered for lease in California together with Honda Civic GX natural gas vehicle.
- Honda introduces the iGX, a revolutionary intelligent computer-controlled general-purpose engine. It sets an even higher standard for fuel efficiency and quiet operation.

2004
- FCX vehicles are leased to the state of New York, the city of San Francisco, the city of Chula Vista, and the South Coast California Air Quality Management District.
- 2005 FCX, Honda’s second-generation fuel cell vehicle, is certified by CARB as a zero-emission vehicle (ZEV) and by the U.S. EPA as a Tier 2 Bin 1 (ZEV) vehicle.
- First V6 hybrid car is introduced: 2005 model year Honda Accord.
- Union of Concerned Scientists gives Honda its Greenest Automaker award.

2003
- First production motorcycle certified to meet California Air Resources Board 2008 emission standards, the Honda Gold Wing, is sold.
- Honda is the first mass-market automaker to offer an entire lineup of cars and light trucks as low-emission vehicles (LEV) or better: 2002 Honda and Acura models.
- First solar-powered hydrogen production and fueling station for fuel cell vehicles built and operated by an automaker opens at Honda R&D Americas’ Los Angeles Center.

2002
- First 50-state ultra-low-emission vehicle (ULEV), the 2001 Civic, is introduced.
- First product of any kind receives the Sierra Club Excellence in Environmental Engineering Award: the 2000 Honda Insight.
- First vehicle is certified as an advanced technology partial zero-emission vehicle (AT-PZEV) by CARB: the 2001 Civic GX.

2001
- First V6 hybrid car is introduced: 2005 model year Honda Accord.
- Union of Concerned Scientists gives Honda its Greenest Automaker award.

2000
Honda announces Compound Vortex-Controlled Combustion (CVCC) engine technology that meets U.S. Clean Air Act standards without a catalystic converter.

Honda becomes the first automaker in America to use waterborne basecoat paint in mass production.

Honda introduces 4-stroke marine engines that are cleaner, more fuel-efficient and quieter than the 2-stroke outboard motors standard at the time. Honda has manufactured only 4-stroke outboard motors since 1973.

Honda becomes the first automaker to introduce low-emission vehicle (LEV) technology voluntarily in mass-market vehicles (Honda Civic) throughout the U.S. and Canada.

First CARB-certified gasoline ultra-low-emission vehicle (ULEV) is introduced: the 1998 Honda Accord.

First CARB-certified gasoline super-ultra-low-emission vehicle (SULEV) in the industry is introduced: the 2000 Honda Accord.

World’s first 360-degree inclinable mini 4-stroke engine for handheld power equipment is introduced by Honda. It is more fuel-efficient and virtually smoke-free, with ultra-low noise.

First gasoline low-emission vehicle (LEV) in the industry is introduced by Honda. It is the only automatic transmission vehicle to make the U.S. EPA’s top-10 list of fuel-efficient cars.

First gas-electric hybrid vehicle is introduced in North America: the 2000 Honda Insight.

First four-passenger advanced battery-powered electric vehicle is introduced and leased to customers: the 1997 Honda EV PLUS.

First super-ultra-low-emission vehicle (SULEV) in the industry is introduced: the 2000 Honda Accord.

Honda introduces fuel-cell prototype vehicles: the FCX-V1 and the FCX-V2.

First CARB-certified gasoline super-ultra-low-emission vehicle (SULEV) in the industry is introduced: the 1998 Honda Accord.

Honda becomes the first automaker to introduce low-emission vehicle (LEV) technology voluntarily in mass-market vehicles (Honda Civic) throughout the U.S. and Canada.

World’s first 360-degree inclinable mini 4-stroke engine for handheld power equipment is introduced by Honda. It is more fuel-efficient and virtually smoke-free, with ultra-low noise.

First four-passenger advanced battery-powered electric vehicle is introduced and leased to customers: the 1997 Honda EV PLUS.

Foundation technology for Honda’s achievements in low-emission, high fuel efficiency, and high performance engines is achieved with the announcement of the Variable Valve Timing and Lift Electronic Control auto engine (VTEC).

The Honda Civic CRX-HF is the first mass-produced 4-cylinder car to break the 50-mpg fuel economy mark.

A Honda car is No. 1 on the U.S. EPA list of most fuel efficient cars: the Honda Civic.

Fuel economy leadership puts four Honda models on the U.S. government’s list of the 10 most fuel-efficient cars.

The Honda Civic GX Coupe with a continuously variable transmission is the only automatic transmission vehicle that meet the U.S. EPA’s top-10 list of fuel-efficient cars.

Honda introduces ultra-quiet portable inverter generators that achieve substantially higher fuel economy and lower emissions than conventional generators.

Honda becomes the first company to introduce an entire line of high-performance outboard motors that meet the U.S. EPA emission standard proposed for the year 2006.

U.S. EPA recognizes the 1998 Honda Civic GX natural gas vehicle as the cleanest internal combustion engine it has ever tested.

Honda becomes the first automaker to introduce low-emission vehicle (LEV) technology voluntarily in mass-market vehicles (Honda Civic) throughout the U.S. and Canada.

First CARB-certified gasoline ultra-low-emission vehicle (ULEV) is introduced: the 1998 Honda Accord.

Honda introduces fuel-cell prototype vehicles: the FCX-V1 and the FCX-V2.

First gas-electric hybrid vehicle is introduced in North America: the 2000 Honda Insight.
Environmental Goals, Status, Commitments

Honda is guided by the following goals and commitments it has established to ensure ongoing progress. In future reports, Honda will update its progress in achieving these goals and fulfilling its commitments.

Honda has established key goals with regard to its products and operations. Current progress toward these objectives and Honda’s commitment to future improvement are noted below and on the following pages.

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<th>CATEGORY</th>
<th>GOAL</th>
<th>CURRENT STATUS</th>
<th>COMMITMENT</th>
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<tbody>
<tr>
<td>PRODUCTS</td>
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<tr>
<td>Automobile</td>
<td>Honda will maintain top-level fuel economy in its combined car and truck fleet among the six major automakers as measured by U.S. corporate average fuel economy (CAFE)</td>
<td>Industry-best CAFE for the model year 2005 vehicle fleet (29.2 mpg)</td>
<td>Honda will aim to improve its CAFE by 5% over 2005 levels by 2010</td>
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<td></td>
<td>In 2005, 100% of Honda and Acura vehicles employed VTEC engine technology for improved fuel efficiency, while application of Honda’s Variable Cylinder Management (VCM) technology was expanded to the 2006 Honda Pilot Suv</td>
<td>Introduce by 2010 a vehicle or vehicles equipped with more advanced versions of Honda’s 4-cylinder i-VTEC technology, and advanced VCM cylinder-idling system for V6 engines</td>
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<td>In 2005, Honda introduced the fourth generation of its hybrid technology in the 2006 Civic Hybrid, with 50 mpg combined city/highway fuel economy, and better power and efficiency than the first-generation Civic Hybrid</td>
<td>Continue to advance Honda hybrid technology and introduce in 2009 an all-new, more affordable, purpose-built hybrid car positioned below the current Civic Hybrid</td>
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<td>Developing new clean diesel engine technology that achieves U.S. EPA Tier 2 Bin 5 emissions levels</td>
<td>Introduce within three years, in the U.S. and Canada, a vehicle or vehicles powered by new generation of clean diesel engine technology</td>
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<td>The Honda FCX hydrogen-powered fuel cell vehicle has over 50% efficiency on the EPA city driving cycle, nearly three times that of a conventional gasoline-powered car and almost twice the efficiency of a gas-electric hybrid car</td>
<td>Introduce in 2008 an all-new fuel cell vehicle based on the FCX Concept that targets a smaller, lighter fuel cell stack with higher output and even greater fuel efficiency and driving range</td>
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<tr>
<td>Power Sports</td>
<td>Continuous improvement in efficiency worldwide of Honda motorcycle, ATV, and personal watercraft products</td>
<td>A33.1% improvement in global motorcycle fleet average fuel efficiency in 2006 compared with 1995 levels (total average in Japan, U.S., EU, and Thailand)</td>
<td>Application of programmable fuel injection (PGM-FI) on most Power Sports products worldwide by 2010</td>
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<tr>
<td>Power Equipment and Marine</td>
<td>Continuous improvement in fuel efficiency worldwide of Honda Power Equipment products</td>
<td>A31% improvement in global fleet average fuel efficiency in FY06 versus FY95, exceeding the original target of a 30% improvement</td>
<td>Continuous improvement in Power Equipment fuel economy through development and application of new technology</td>
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<td>EMISSIONS</td>
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<tr>
<td>Automobile</td>
<td>Continuous reduction in emissions from automobiles</td>
<td>99 percent of 2006 model year Honda and Acura vehicles met or exceeded U.S. EPA and Environment Canada Tier 2 Bin 5 emissions standards</td>
<td>Strive to meet or exceed all regulatory requirements pertaining to emissions standards ahead of established deadlines</td>
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<td>Honda has three vehicles certified as Advanced Technology Partial Zero Emissions vehicles in California and states adopting California emissions regulations: the 2006 Accord Hybrid, Civic Hybrid, and CNG-powered Civic GX</td>
<td>Seek to broaden availability of advanced technology vehicles with near-zero emissions, including the expansion of Civic GX retail sales to New York beginning in fall 2006</td>
<td></td>
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<tr>
<td>Power Sports</td>
<td>Continuous reduction in emissions from its Power Sports products</td>
<td>Honda accomplished the complete integration of 4-stroke engine technology in all of its Power Sports products, except for a few special competition models</td>
<td>Expand application of fuel injection and achieve application of 4-stroke engine technology to all Honda Power Sports products by the 2008 model year</td>
</tr>
<tr>
<td>Power Equipment and Marine</td>
<td>Continue to reduce emissions in its Power Equipment products</td>
<td>A39% reduction in global fleet average HC+ NOx emissions in FY06 compared to FY95 levels, exceeding the original target of a 30% reduction, achieved in FY01</td>
<td>Continue to reduce emissions in Power Equipment products through development and application of new technology</td>
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<tr>
<td>CATEGORY</td>
<td>GOAL</td>
<td>CURRENT STATUS</td>
<td>COMMITMENT</td>
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<tr>
<td>MANUFACTURING</td>
<td>Achieve and maintain ISO14001 certification at each major manufacturing operation in North America</td>
<td>All 13 major North American plants operating in FY06 were certified to the ISO14001 standard</td>
<td>Continue efforts to achieve certification for Honda Precision Parts Georgia (HPPD) to ISO14001:2004</td>
</tr>
<tr>
<td>ISO Certification</td>
<td>Reduce releases of air pollutants</td>
<td>North American auto body painting volatile organic compound (VOC) emissions were reduced from 22.8g/m² in FY05 to 20.8 g/m² in FY06 (excluding Mexico)</td>
<td>Reduce average VOC emissions at Honda’s North American assembly plants to less than 20g/m² by 2010</td>
</tr>
<tr>
<td>Air Emissions</td>
<td>Achieve zero waste to landfill (excluding mineral waste and certain construction debris)</td>
<td>Landfill waste in North American in FY06 was reduced 17% from FY05 levels to 8,765 metric tons. This includes zero waste to landfill at Honda’s Alabama auto and engine plant, North Carolina power equipment plant, and El Salto, Mexico, auto plant</td>
<td>Reduce total landfill waste by 70% from a fiscal year 2001 baseline by 2010</td>
</tr>
<tr>
<td>Landfill Waste</td>
<td>Improve manufacturing energy efficiency</td>
<td>Energy consumed per unit of vehicle production was reduced from 7.1 GJ/ auto in FY05 to 6.7 GJ/auto in FY06</td>
<td>Continue efforts to reduce energy use in all North American manufacturing facilities</td>
</tr>
<tr>
<td>Energy</td>
<td>Promote certification by original equipment manufacturers (OEM) suppliers to ISO14001 standards</td>
<td>93% of key suppliers and 58% of all OEM suppliers in North American have achieved 3rd-party certification to the ISO14001 standard</td>
<td>Promote certification of key suppliers to new ISO14001:2004 standard</td>
</tr>
<tr>
<td>ISO Certification</td>
<td>Expand the use of returnable containers for Honda manufacturing operations</td>
<td>All automobile models exceed 90% returnable container use</td>
<td>Continue efforts to increase use of returnable containers</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Implementation of transportation management system to consolidate parts shipments for 10 North American manufacturing facilities</td>
<td>Implement parts delivery logistics</td>
<td>Promote reduction in vehicle miles traveled (VMT) for shipment of parts inbound to North American manufacturing facilities</td>
</tr>
<tr>
<td>WASTE MINIMIZATION</td>
<td>Increase the design recyclability of automobiles in North America</td>
<td>Every 2006 model vehicle has achieved 90% or greater recyclability</td>
<td>Maintain 90% or greater design recyclability for future automobiles and 95% or greater recyclability for power sports and power equipment products (Honda calculation method, based on the ISO standard with certain modifications)</td>
</tr>
<tr>
<td>Products</td>
<td>Reduce and, if possible, eliminate substances of concern (SOCs), including mercury, lead, hexavalent chromium, cadmium, brominated substances, and polyvinyl chlorides (PVCs)</td>
<td>Mercury: Used only in HID headlights and in navigation and entertainment systems. Honda maintains a closed-loop recycling process for damaged or replacement video screens</td>
<td>Phase out mercury in components where technically feasible and economically practical</td>
</tr>
<tr>
<td>Substances of Concern (SOCs)</td>
<td>Promote reduction in vehicle miles traveled (VMT) for shipment of parts inbound to North American manufacturing facilities</td>
<td>Lead: Eliminated lead wheel weights in automobile and motorcycle products and from machined steel and electro-deposition coatings for automobiles</td>
<td>Eliminate the use of lead in steel used to produce ATV wheel hubs when technically feasible</td>
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<td>Green Building</td>
<td>Green Building</td>
<td>American Honda’s Northwest Regional Facility in Gresham, Oregon, and Honda R&amp;D Ohio’s Central Plant in Raymond, Ohio, have earned the U.S. Green Building Council’s LEED Gold Certification</td>
<td>Certify at least two new buildings to the U.S. Green Building Council’s LEED Gold standard by July 2007</td>
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Environmental Impact of Honda Products

Honda is the world’s largest engine manufacturer, and North America is one of its largest and most diverse markets. Through three main product groups — automobiles, power sports, and power equipment — the company produces, sells and services a vast array of products throughout the region.

Honda Automobiles
Honda sells a full-line of light-duty passenger cars and light trucks under the Honda and Acura brands. Today’s families of Honda and Acura vehicles are the cleanest and most efficient in the industry, covering a broader spectrum of the market than ever before. In each product segment, Honda has sought to apply its latest technology and innovative thinking in automobile design to achieve class-leading levels of efficiency and low emissions while continuing to exceed its customers’ expectations for performance, functionality, quality and value.

Honda Power Sports
Honda sells and services a full line of power sports products in North America, including on- and off-road motorcycles, motor scooters, all-terrain vehicles (ATVs), and personal watercraft (PWCs). In 2005, customers purchased more than 500,000 Honda power sports products in North America. The company continues to advance its technology for improved fuel efficiency and product emissions. It is actively engaged on many fronts to educate and train customers about the safe and environmentally responsible use of its products.

Honda Power Equipment
Honda Power Equipment (HPE) markets a complete range of products for commercial, rental and residential use, including outboard marine engines, lawn mowers, generators, tillers, and trimmers. The company also supplies general-purpose engines to more than 200 original equipment manufacturers. Honda Power Equipment leads the industry in the application of cleaner, more fuel-efficient and quieter 4-stroke gasoline engine technology.

IN FACT
North America is Honda’s single largest region for the manufacture and sales of Honda and Acura automobiles. It represents one of the most significant opportunities for reducing the company’s global CO₂ emissions through improvements in fuel efficiency and advancement of gasoline alternatives such as natural gas and hydrogen fuel cells.
Honda is committed to remaining an industry leader in the development and application of new technologies that improve the fuel efficiency and emissions performance of cars and light trucks. This challenge involves three critical issues: air pollution, greenhouse gases, and energy sustainability. The reduction of greenhouse gas emissions is now at the center of Honda’s environmental technology advancements, along with a commitment to promote more sustainable alternatives to gasoline.

**Advancing Internal Combustion Engine Efficiency**

Further improvements in internal combustion engine efficiency are critical for the immediate future.

The gasoline internal combustion engine will remain the primary means of motive power for customers in North America and around the globe for some time. It has broad customer acceptance, and it is supported by a vast fueling infrastructure. Even the new, more efficient gas-electric hybrid powerplants still rely on internal combustion engines. Thus, Honda believes that further advancements in gasoline engine efficiency are critically important for the immediate future. Many opportunities still exist to improve internal combustion engine efficiency.

The company has set a voluntary goal to increase its already industry-leading CAFE by 5 percent over 2005 levels by 2010. This goal includes commitments to introduce more efficient engine technologies and products, including hybrid and diesel vehicles. Honda is applying advanced fuel-saving technologies — such as all-aluminum engines, 5-speed electronically controlled transmissions, sophisticated engine management systems, and its i-VTEC™ variable valve control technology — across the full range of its 2006 North American automobile product lineup. Specific actions being taken for the future include:

- **Introduction by 2010** of more advanced versions of Honda’s 4-cylinder i-VTEC technology, with up to a 13 percent increase in efficiency over 2005 levels.
- **Introduction by 2010** of a more advanced Variable Cylinder Management (VCM) cylinder idling system for application in V6 engines.
- **Further advancements in Honda hybrid technology**, including the introduction in 2009 of a new, more affordable, purpose-built hybrid car positioned below the current Civic Hybrid.
- **Introduction within three years, in the U.S. and Canada**, of a vehicle or vehicles powered by this new generation of clean diesel engine technology.
- **Introduction in 2008** of an all-new fuel cell vehicle based on the FCX Concept that targets a smaller, lighter fuel cell stack with higher output and even greater fuel efficiency and driving range.

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**Environmental Goals and Commitments**

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<th>CATEGORY</th>
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<td><strong>PRODUCTS</strong></td>
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<tr>
<td>Automobile</td>
<td>Honda will maintain top-level fuel economy in its combined car and truck fleet among the six major automakers as measured by U.S. corporate average fuel economy (CAFE)</td>
<td>Honda will aim to improve its CAFE by 5% over 2005 levels by 2010</td>
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<td>Introduce by 2010 a vehicle or vehicles equipped with more advanced versions of Honda’s 4-cylinder i-VTEC technology, and advanced VCM cylinder-idling system for V6 engines</td>
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<td>Continue to advance Honda hybrid technology and introduce in 2009 an all-new, more affordable, purpose-built hybrid car positioned below the current Civic Hybrid</td>
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Automobiles: Fuel Efficiency

Honda Leads the Industry in Fuel Economy

Achieving top-level fuel economy through broad application of technology.

Honda has long been committed to top-level fuel efficiency in all of its products, as evidenced by the company’s continued leadership in corporate average fuel economy (CAFE) in the United States and company average fuel consumption (CAFC) in Canada. Honda has also consistently led the U.S. EPA’s annual fuel economy rankings, earning four of the top 10 spots in the model year 2006.

The company has also applied leading fuel-efficient technologies to the full range of its Honda and Acura product lines in North America. Honda is a leader in applying advanced fuel-efficient technologies including Variable Cylinder Management (VCM), “intelligent” engine systems (i-VTEC), and gas-electric hybrid technology.

U.S. Car and Light Truck Fuel Economy (CAFE)

The U.S. Environmental Protection Agency (EPA) calculates “fuel economy” based on the amount of miles traveled per gallon of gasoline [below] for cars and light trucks and offers a Corporate Average Fuel Economy (CAFE) number for both passenger cars and light trucks. Honda is including the combined number [below] in this report for comparison.

Canadian Car and Light Truck Fuel Consumption (CAFC)

Transport Canada calculates “fuel consumption” based on the amount of fuel consumed per kilometer traveled. Transport Canada does not issue a combined number for cars and light trucks, but Honda is including the combined number [below] in this report for comparison.
Automobiles: Fuel Efficiency

Advancing Efficiency Through Alternative Fuel Technologies

Real-world deployment of alternatives that address both efficiency and sustainability.

A critical component of Honda’s long-term efforts to improve the energy efficiency and sustainability of the automobile is alternative fuel technologies. Honda’s efforts in this area include advancement of its natural gas-powered Civic GX and its FCX hydrogen-powered fuel cell vehicle. Both the Civic GX and FCX offer real-world alternatives to gasoline, with significant reductions in greenhouse gas emissions.

Honda’s commitment to alternative fuels includes not only the development of the vehicles themselves but also the advancement of possible refueling solutions. These include the Phill home refueling appliance and Honda’s experimental Home Energy Station (HES) for home-based hydrogen production (see page 23 for more details). The company has committed itself to the following actions in pursuit of real-world advancements to these technologies:

• Expanding retail sales of the Civic GX and Phill appliance to additional markets in California and New York in 2006.

• Introduction in 2008 of an all-new fuel cell vehicle with improved performance, efficiency, range, and cold-weather operation.

• Further development of Honda’s experimental Home Energy Station: hydrogen home refueling and cogeneration technology.

The Civic GX, powered by compressed natural gas (CNG), produces one-third fewer well-to-wheel greenhouse gas emissions than a typical passenger car. The FCX, using CNG for production of hydrogen, offers even further reductions in GHG emissions. The further development of renewable energy sources, such as solar power, can lead to a truly zero-GHG emissions transportation technology.

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Honda Earns Canadian Environmental Awards

In 2006, Honda earned several Canadian awards for the environmental performance of its products, including three EnerGuide Awards. The Honda Civic, the Odyssey minivan, and the Insight hybrid were recognized for their class-leading fuel consumption by Natural Resource Canada’s Office of Energy Efficiency. In addition, the 2006 Civic Hybrid was chosen as the best new alternative-power vehicle by the Automotive Journalists Association of Canada (AJAC).

Honda has received the top ACEEE ranking in each of the past six years; 2006 is the fifth consecutive year that Honda vehicles have held at least four of the top 12 positions — more than any other automaker.
Honda leads the auto industry in reducing vehicle emissions to meet the new, more stringent, emissions standards specified under the U.S. Clean Air Act and the Canadian Environmental Protection Act. Virtually 100 percent of all model year 2006 Honda and Acura vehicles complied with the 2007 U.S. EPA Tier 2 emissions standards.

Near-Zero Emissions Vehicle Leadership

Honda was the first company to earn California’s Air Resources Board (CARB) Advanced Technology Partial Zero-Emissions Vehicle (AT-PZEV) certification for its model year 2002 natural gas-powered Civic GX. Honda also introduced the first gas-electric hybrid model to meet AT-PZEV requirements: its 2003 Civic Hybrid, which produces about 80 percent fewer hydrocarbon emissions than a typical new vehicle.

To achieve the AT-PZEV emissions classification, a vehicle must be a super ultra-low-emission vehicle (SULEV) with zero evaporative emissions, and it must carry a 15-year/150,000-mile warranty on emissions equipment. Honda has consistently led the industry in meeting new emissions requirements. Today, Honda has more models that achieve AT-PZEV certification than any other automaker.

In fact, the all-new 2006 Honda Civic Hybrid, the cleanest and most economical gasoline-powered Civic ever made, is California AT-PZEV certified. It is sold in all 50 states with the same specifications (see page 24 for more details on the new Civic).
Automobiles: Alternative Fuels

Honda’s approach to developing alternative fuel vehicles and refueling technologies reflects the company’s commitment to advancing the real-world practicality of alternative fuel technologies. Honda is working to address the chicken-and-egg dilemma of broader market acceptance. The company recognizes that bringing new technologies to market as soon as technically feasible will bring increased focus to its own development efforts and provide consumers, government entities, and the market in general with opportunities to adapt to the challenges of new technology.

Honda Expands Sales of CNG-powered Civic GX and Phill Home Refueling Appliance

For the past eight years, Honda has marketed the ultra-clean Civic GX, powered by compressed natural gas (CNG), primarily to fleet operators. In 2005, the company expanded its marketing to individual consumers in California with the introduction of the Phill home refueling appliance. With the Civic GX and Phill, California consumers will realize multiple benefits, including significantly reduced fuel costs, single-occupant access to high-occupancy vehicle (HOV) lanes, and the convenience of home refueling, as well as eligibility for a federal tax credit and additional financial incentives in some areas. *Check with your local tax accountant or preparer.*

Honda is the only major automaker in America that offers consumers a dedicated alternative to gasoline for urban and highway use. In 2006, the company introduced the new Civic GX, based on the all-new 2006 Civic platform, with increased efficiency, range and performance. In addition, the company will expand the number and location of its California dealers, and it will introduce the Civic GX and Phill through select dealers in the state of New York.

Every gallon-equivalent of CNG consumed in a Civic GX represents an equivalent reduction in gasoline consumption and a 20 percent reduction in CO₂ emissions. The 2006 Civic GX achieves a U.S. EPA fuel economy rating of 28/39 highway (miles per gallon equivalent), is CARB certified AT-PZEV, and meets federal Tier 2 Bin 2 and ILEV zero evaporative emission certification standards, both standard being the cleanest other than zero. In the summer of 2006, CNG cost approximately 30 percent less than gasoline when purchased at a fueling station and up to 65 percent less when supplied by the Phill appliance. In addition to significantly reduced fuel costs, 2006 Civic GX customers are eligible for a federal tax credit of $4,000 on the vehicle and up to $1,000 for the purchase of Phill.
Automobiles: Alternative Fuels

Honda Introduces the New FCX Concept

Pointing the way to further advancements in Honda fuel cell technology.

In October 2005, Honda unveiled the FCX Concept vehicle. The FCX Concept gives a strong indication of the direction Honda will take with its next-generation fuel cell vehicle, slated for introduction in 2008. The FCX Concept is a next-generation sedan powered by Honda’s new V Flow fuel cell stack. It delivers more power in less space than the current fuel cell stack, with improved efficiency, power output, driving range, reliability, and cold-weather performance.

New fuel cell platform V Flow fuel cell stack

In addition to a fuel cell stack, fuel cell vehicles must accommodate an electric motor, hydrogen tanks, and other system components. Until now, engineers had to raise the vehicle floor to make room for some of this equipment. The FCX Concept’s new platform uses the space in the center tunnel for the more compact V Flow stack, resulting in a more space-efficient package that achieves the lowest-possible floor in a fuel cell vehicle.

Compact enough to fit neatly into the center tunnel but robust enough to produce 100 kilowatts of power, Honda’s V Flow fuel cell stack offers both space efficiency and high energy output. With vertical gas flow, an innovative design in which oxygen and hydrogen flow downward through the stack, Honda’s new V Flow takes full advantage of gravity to efficiently discharge water formed during electricity generation, thus improving performance in subzero temperatures with increased system reliability. The problem of cold-weather start-up had been a key obstacle to commercialization until Honda, in 2004, introduced the FCX with Honda FC Stack, the world’s first fuel cell vehicle that can operate at temperatures as low as minus 4 degrees Fahrenheit. Now, with the V Flow fuel cell stack, Honda is targeting ultra-low-temperature start-up performance on a par with that of a gasoline engine.

The FCX Concept drivetrain also features three energy-efficient motors — an 80-kilowatt front motor and two 25-kilowatt in-wheel rear motors — for efficient power delivery, along with a low center of gravity for improved vehicle handling.
Automobiles: Hydrogen Fueling Infrastructure

Home Energy Station

Providing high overall efficiency while reducing greenhouse gas emissions.

Now in trial use at Honda’s U.S. R&D headquarters in Torrance, California, the Home Energy Station is the third-generation experimental technology for hydrogen home refueling. Developed in cooperation with the Plug Power Corporation of Latham, New York, the Home Energy Station is able to supply enough hydrogen to power a fuel cell vehicle in daily operation while providing electricity (as much as 5 kilowatts/hr) and heat for an average-size household.

In fact, Home Energy Station III is about 30 percent smaller than its predecessor, yet it provides a 25 percent increase in electrical power output and a faster start-up time. Additionally, hydrogen storage and production capacity are improved by about 50 percent with the new, high-performance natural gas reformer.

Honda Solar Cell Technology

Advancing zero-emissions energy solutions.

In its efforts to create a truly carbon-free transportation technology, Honda R&D Americas in 2001 established one of the region’s first solar-powered hydrogen refueling stations at its Torrance, California, research headquarters. The station is designed to supply enough hydrogen to power a single fuel cell vehicle in regular daily operation using 100 percent renewable energy. In 2002, the station was upgraded with the installation of Honda-developed solar panels made from copper, indium, gallium and selenide (CIGS). These next-generation solar cells reduce CO₂ emissions in the production stage by using about 50 percent less energy in the manufacturing process than conventional crystal silicon solar cells do. This CIGS next-generation solar cell has achieved among the highest levels of photoelectric transfer efficiency for a thin-film solar cell.

Achieving lower costs and higher photoelectric transfer efficiency is a necessary step in expanding the use of solar cells. This Honda-developed nonsilicon thin-film solar cell has been attracting significant attention as a potential solution to these challenges. In December 2005, the company announced plans to enter into mass production of the solar cells in 2007.

World’s First “Fuel Cell Family” Celebrates One-Year Anniversary

The commercial success and sustainability of fuel cell vehicles will depend on the establishment of a consumer market.

In June 2005, Honda took a significant step forward with the lease of a Honda FCX to the world’s first individual customer for a fuel cell vehicle. Jon and Sandy Spallino of Redondo Beach, California, became the world’s first “fuel cell family” with their lease of a 2005 Honda FCX for two years at $500 per month. The Spallinos have driven the FCX virtually every day for more than one year; they logged more than 8,000 miles in their first year. Averaging almost 12 trips per day, the Spallinos use the FCX as their primary car for Jon Spallino’s 40-mile commute, for taking their two children to school, for after-school activities such as soccer practice, and for household errands. Because the FCX’s current driving range of 150 to 200 miles is less than that of a conventional vehicle, the Spallinos refuel once or twice a week. Additional publicly accessible hydrogen refueling stations are being planned for Southern California in the near future, which will encourage longer trips.
Automobiles: Product Innovation

Civic — a Hallmark of Honda Environmental Innovation

A comprehensive approach to environmental and safety performance.

With sales of more than 8.2 million units, the Civic has been a cornerstone of Honda’s North American automobile business since its introduction to American consumers in 1973. Besides being a pillar of Honda sales growth, the Civic has been a hallmark of Honda’s environmental leadership over 33 years and eight generations. The Civic has served as the platform for the introduction of many new environmental technologies.

The eighth-generation Civic, introduced in September 2005, exemplifies Honda’s continuous efforts to improve vehicle fuel efficiency, emissions, and safety through a comprehensive approach to design and technology.

Advancing Honda engine technology

Perhaps the most significant challenge for the new Civic was powertrain technology, including an all-new gasoline engine and new-generation Honda hybrid technology. Engineers were challenged by the fact that most vehicles in Civic’s competitive class were using engines in the 2.0- to 2.4-liter range. Not willing to accept the space, weight and efficiency penalties of such a large engine, Honda set out to advance its already class-leading 4-cylinder engine technology.

Civic i-VTEC engine

To enhance both performance and fuel economy, engineers used an innovative i-VTEC (“intelligent” Variable Timing and lift Electronic Control) system with new valve control timing technology to minimize pumping losses during cruising and low engine load situations, an important factor in engine efficiency. Pumping losses are lowered by keeping an intake valve open during part of the piston’s compression stroke in coordination with electronic throttle control.

In fact, this throttle and valve control, combined with low-friction engine design, yields a fuel economy improvement equivalent to a 20 percent reduction in engine displacement. Honda engineers took other steps to improve engine efficiency and emissions: a composite intake manifold (weight reduction), electronic “drive-by-wire” throttle control (optimized engine response), and a close-coupled low-mass exhaust manifold reduced weight and improved catalyst activation as well as an all-new 5-speed automatic transmission — a first for the Civic — with wider gear ratios for optimal performance and fuel economy.

Fourth-generation Honda hybrid technology

The 2006 Civic employs the fourth generation of Honda’s Integrated Motor Assist™ (IMA) hybrid technology, consisting of a 1.3-liter i-VTEC engine connected to a high-power electric motor and a continuously variable transmission (CVT). A nickel-metal hydride (NiMH) battery pack is used to capture and store electricity for the electric motor. The 1.3-liter i-VTEC engine employs a new 3-stage i-VTEC valve control system (as opposed to the 2-stage system in the previous model) that provides normal valve timing, high-output valve timing, and cylinder idling functions. These innovations improve fuel efficiency, engine output, and electrical regeneration capabilities.

In fact, the high-output valve timing contributes to the engine’s 9 percent increase in output, while the enhanced cylinder deactivation capability reduces engine pumping and frictional losses by 66 percent, resulting in more regenerated energy.
New Honda IMA system
The fourth-generation IMA (integrated motor assist) system is the most powerful and efficient Honda hybrid system to date. As with previous versions, the new IMA system consists of an ultra-thin DC brushless electric motor mounted between the gasoline engine and the continuously variable transmission, and an intelligent power unit (IPU), which controls the flow of electricity to and from the electric motor. For this fourth-generation IMA motor, a new internal permanent magnet with flat-wire construction was designed to increase motor horsepower by 50 percent and maximum torque by 14 percent over the previous model. The electric motor is also more efficient, converting up to 96 percent of the available electricity into motive energy in assist mode (versus 94.6 percent for the previous model). Another new development was the cooperative regenerative braking system, which can intelligently proportion braking power between the hydraulic brakes and the electric motor to extract even more electricity from the vehicle’s kinetic energy.

In fact: Less reliance on friction braking and improved cylinder idling with reduced engine pumping losses translate into greater electrical regeneration — more than twice that of the previous model.

Advancing safety and efficiency
The new Civic not only fulfills its role as environmental leader but also as a leader in small car safety. The 2001 Civic Coupe was the first small car to earn the federal government’s highest crash-test ratings. Not to be outdone, the new Civic was the first small car to earn the Gold “Best Pick” Award from the Insurance Institute for Highway Safety (IIHS) for its performance in frontal, side and offset impact tests. In keeping with Honda’s industry-leading “Safety for Everyone” initiative, the new Civic incorporates a long list of standard safety features, including antilock brakes, front-seat side airbags, and front and rear side-curtain airbags. To help offset the weight penalties associated with these features, engineers employed a number of technologies, including lighter and more rigid high-tensile steel in 50 percent of the body. The 2006 Civic employs Honda’s unique Advanced Compatibility Engineering™ (ACE) body structure for enhanced protection in a frontal collision and enhanced compatibility with vehicles of different sizes. The ACE body is already available on five Honda and Acura vehicles. American Honda has committed to the application of the ACE body on all new vehicle platforms within the next 5-6 years.

In calendar year 2006, Honda fulfilled the first phase of its “Safety for Everyone” commitment with the application of antilock brakes (ABS), front-seat side airbags, and side-curtain airbags for all rows as standard equipment on virtually all models, regardless of size or price — as well as Vehicle Stability Assist (VSA) with rollover sensors for all light truck models.

Civic Becomes First Hybrid Vehicle Launched in Mexico
Honda de Mexico worked with government to establish hybrid tax credits.

Honda de Mexico keeps the Secretariat of Environment and Natural Resources (SEMARNAT) informed about Honda hybrid technology, helping government authorities explore possible advancements to Mexico’s evolving air-quality policies. As a result of these discussions, hybrid owners in Mexico are now eligible for multiple purchase incentives, including a reduced vehicle possession tax (0.16 percent of the vehicle’s commercial value versus the usual 2 to 3 percent). In addition, the new-vehicle tax is waived for hybrid owners, who will be required to have their vehicle’s emissions tested only three times in a two-year period, versus every six months for nonhybrid vehicles.

Honda de Mexico also signed an agreement to let a university, Tecnologico de Monterrey (ITESM), use a Civic Hybrid for one year, to give its students the opportunity to study hybrid technology in real-world driving conditions.

Honda’s exclusive ACE™ body structure has a network of front frame structures to absorb and redirect crash energy more efficiently. This enhances compatibility between vehicles of different sizes.

* Honda S2000 roadster does not feature side curtain airbags.
Environmental Impact of Honda Products

Power Sports

Since its beginnings, Honda has been building motorcycles equipped with 4-stroke engine technology, which have inherently cleaner exhaust emissions than 2-stroke engines. Additionally, in the United States, Honda has applied emissions control technology to motorcycles ahead of regulatory requirements. The company continues to invest in research and development of new technologies to further improve the design and environmental performance of its power sports products.

Use of 4-Stroke Technology to Reduce Pollution

Cleaner, quieter and more efficient 4-stroke engine technology on virtually all Honda power sports products.

In fiscal year 2006, all Honda on-road motorcycles, motor scooters, and off-road recreational vehicles sold in North America, with the exception of a few competition off-road motorcycles, are powered by 4-stroke engines. Honda plans to replace all 2-stroke off-road competition models with 4-stroke designs by model year 2008. Honda’s 4-stroke expertise results in products that conform to noise and emission standards without compromising the customer’s expectations for performance. Thus, Honda owners have little incentive to modify or alter their machines to circumvent emissions and exhaust sound control systems in pursuit of acceptable performance levels.

Honda continually strives to balance the demands from power sports equipment customers seeking greater performance, with fuel efficiency, the need for further emissions reductions, and other important environmental improvements, such as reduced use of hazardous materials. The increased use of electronic fuel injection in our products, particularly in on-highway motorcycles, provides the potential for increases in real-world fuel efficiency.

Recognizing that there is currently no formal government certification procedure for determining fuel consumption of power sports products in the United States, Honda conducted its own fuel consumption measurements on selected products on city streets in and around Los Angeles. In these tests, the Metropolitan® scooter achieved over 100 mpg, and the Elite 80® achieved over 115 mpg. We give public information kits with this information to our dealers to stimulate interest in the most fuel-efficient of our 2-wheeled products.

In addition to 4-stroke engine use, Honda will be applying programmable fuel-injection technology (PGM-FI) to most of its worldwide power sports fleet between now and 2010.

The fleet average fuel efficiency of Honda’s global power sports product line has been increased 33.1 percent in the period March 31, 1995 to March 31, 2005.
**Power Sports**

*Working To Meet New, More Stringent Emissions Regulations Ahead of Schedule*

A comprehensive strategy to meet regulations ahead of schedule.

The California Air Resources Board (CARB) and the U.S. EPA have enacted more stringent exhaust emission standards for both on- and off-road motorcycles and ATVs, beginning with the 2004 model year. The new CARB emissions standards are 1 gram per kilometer of hydrocarbon (HC) for Class I (50 cc to 169 cc) and Class II (170 cc to 279 cc) motorcycles and 1.4 g/km for Class III (larger than 279 cc). The same standards were adopted by the U.S. EPA for the 2006 model year. The Class III standard will become more stringent (0.8 g/km) for model year 2008 in California and for the 2010 model year in the remainder of the United States.

New, more stringent controls for fuel-related evaporative emissions from on-road motorcycles were also adopted by the U.S. EPA for the 2008 model year.

In addition, a new CARB standard for ATVs calls for a maximum 12 grams of HC+NOx per brake horsepower-hour (g/bhp-hr) for Class I vehicles (less than 225 cc) and 10 g/bhp-hr for Class II vehicles (225 cc or greater) effective with model year 2006.

National exhaust standards of 1.5 g/km HC+NOx for ATVs and 2.0 g/km for off-road motorcycles take effect in the 2006 model year in a phase-in process, with 100 percent compliance required in the 2007 model year.

Honda has a comprehensive compliance plan to address these new on- and off-road standards, which may require emissions control technology, including oxygen sensors, catalysts, and programmable fuel injection.

**In fact**

For 2006, Honda already has 25 percent of its Class III on-road motorcycle fleet in compliance with CARB 2008 Tier 2 standards. This action is consistent with Honda’s commitment to meet or exceed government standards in advance of regulatory requirements.

**Encouraging Responsible Use of Honda Products**

Recognizing that the access most riders have to private lands is a privilege, Honda works to educate its customers on responsible use of its products for both human safety and environmental protection.

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*All Honda personal watercraft (PWC) feature cleaner, quieter and more efficient 4-stroke engines. In addition to recreational enjoyment, Honda PWCs are used for a wide variety of purposes, including law enforcement, environmental conservation, marine research, and research on animals in their native habitats.*
Power Sports

Honda Environmental Learning Centers (ELCs)

ELCs are a unique and important part of Honda’s environmental efforts. Honda Environmental Learning Centers, the only centers of their kind in the industry, are an expansion of four Honda Rider Education Centers (RECs) established more than 15 years ago in Troy, Ohio, and in the Dallas, Atlanta, and Los Angeles metropolitan areas. In addition to safety training, Honda’s learning centers teach responsible land use and respect for the ecosystems that surround many of the region’s off-highway vehicle trails. A nature walk and trail walk have become part of the curriculum taught by dirt-bike and ATV instructors as part of Honda’s efforts to educate students about the importance of responsible riding.

At the Atlanta facility, Honda has partnered with the Audubon Society to bring attention to local bird species and their habitats. The Los Angeles center has a partnership with the San Bernardino National Forest (SBNF) to reach out to local schoolchildren who live far from the forest. Students take a nature walk and follow a curriculum developed by SBNF’s Children’s Forest Program. In addition to its own direct educational efforts, Honda has partnered with numerous industry groups, government agencies, and leaders from the recreation and environmental communities to find solutions that seek to continue the responsible use of motorized recreation while protecting America’s treasured natural resources. Honda contributes to organizations such as the National Off-Highway Vehicle Conservation Council and Tread Lightly, which seek to educate riders about designated trail usage and responsible riding.
Power Equipment

Honda considers its improvements to power equipment a critical step in reducing the environmental impact of its entire product lineup.

Honda Power Equipment products are used outdoors, often in populated residential settings. They can affect local air quality and noise, and they can contribute to greenhouse gases. The company has long been committed to improving the fuel economy and emissions performance of its power equipment products. Honda has led the industry in several areas, including the application of cleaner, quieter and more efficient 4-stroke engine technology.

In 2006, all of Honda’s power equipment products, outboard marine, and general-purpose engines use advanced 4-stroke engine technology. The company is committed to further improvements.

### Fuel Efficiency Improvements

Honda has worked to improve the fuel efficiency of its comprehensive global power equipment product lineup. In 1999, the company set a goal to improve its global corporate average fuel efficiency 30 percent from 1995 levels by the end of 2005. The company has exceeded this goal, achieving a 31 percent improvement by 2005. Honda will continue to work toward increased efficiency.

### Emissions Reductions

In 1999, Honda established a goal to reduce the average exhaust emissions (HC+NOx) of its global power equipment line 30 percent from 1995 levels by 2005. The company achieved that goal in 2001, four years ahead of schedule. In 2006, Honda achieved a 39 percent reduction in emissions from 1995 levels.
Power Equipment

Honda Adopts California Emissions Standards for All 50 States

In 2003, the California Air Resources Board (CARB) adopted new standards to regulate exhaust and evaporative emissions from general-purpose utility engines and products in that state. Honda has publicly committed its support to CARB’s new emission standards, which call for phased-in implementation from 2006 through 2008. Honda Power Equipment believes that these standards can be met without any significant change in the safe operation of equipment powered by small engines. The U.S. EPA is considering proposing similar federal standards in 2006. Honda is also working with the U.S. EPA to develop this next regulatory emission reduction goal for all 50 states.

Honda has implemented CARB’s first-year standard not only for engines it sells in California, but in all 50 states. Honda is production-ready to meet the 2007 standard. The 1.5 million engines produced at Honda’s Swepsonville, North Carolina, plant and sold throughout the United States and Canada will be certified to the new, more rigorous, California standards.

Satisfying the Needs of Customers and Society

Honda has consistently demonstrated that it is possible to improve the environmental performance of its products while satisfying customers. That is evidenced by a number of industry awards presented in fiscal 2005 that recognize Honda’s excellence in product design, quality, and environmental performance. In 2004 and 2005, Honda’s 4-stroke outboard engine earned the Customer Satisfaction Index Award from the National Marine Manufacturers Association (NMMA), which acknowledged Honda’s outboard engines for their superior performance, reliability, and fuel efficiency. In addition, J.D. Power and Associates ranked Honda’s EFI outboard engines as providing the highest customer satisfaction among all 4-stroke engines in the 2006 Marine Engine Competitive Information Study. Customers who participated in the study cited Honda engines for their superior fuel-efficiency, reliability, and quiet cruising speeds.

In December 2005, Rental Equipment Register magazine selected the Honda iGX general-purpose engine series for its 2005 Innovative Product Award. The Honda iGX is a revolutionary, intelligent, computer-controlled general-purpose engine that features drive-by-wire remote control capability and sets new standards in its class for ease of use, value, fuel efficiency, and quiet operation.

Consumers Digest also recognized a number of Honda power products in its 2006 “Best Buy” list, a compilation of products that the magazine’s editors identified as offering the best quality at the most reasonable prices. The Honda HRX217HXA lawn mower was selected by the magazine for its Versamow System™ (see story on following page). The Honda FC600, F220, and FG110 tillers were recognized for their use of 4-stroke engine designs that are up to 30 percent more fuel-efficient than 2-stroke tillers, as well as being quieter and virtually smoke free.

2005 — Honda’s 4-stroke iGX engines were the highest-ranked 4-stroke engines in a tie in the J.D. Power and Associates 2005 Marine Engine Competitive Information Study. The 2005 study was based on responses from 12,530 owners of 2003 and 2004 model year boats registered between March 1, 2003, and May 31, 2004. See www.jdpower.com.

2006 — Hondas were the highest-ranked EFI 4-stroke engines in the J.D. Power and Associates 2005-2006 Marine Engine Competitive Information Studies. The 2006 study was based on responses from 12,255 owners of 2004 and 2005 model year boats registered between June 1, 2004, and May 31, 2005. See www.jdpower.com/cc.

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**Power Equipment**

*Honda HRX Lawn Mowers Reduce the Environmental Impact of Yard Care*

The Honda HRX lawn mower series’ exclusive Versamow System™ minimizes yard waste by reducing the volume of grass clippings and by allowing users greater flexibility in choosing between bagging and mulching of clippings. The HRX cuts grass into smaller bits, significantly decreasing the volume of grass clippings. In bagging mode, the HRX can mow 40 percent more turfgrass before the bag is full. If the user chooses to compost the bagged clippings, the smaller clippings will decompose more quickly. In the mulching mode, the HRX allows the user to recycle the finely cut clippings into the turf.

Like all Honda walk-behind mowers powered by Honda engines, the HRX series complies with the voluntary family emission level (FEL) standard of 13.5 g/kwh, which is 16.8 percent below the U.S. EPA standard of 16.1 g/kwh.

**In Fact** Mulching reduces the need for watering and fertilization by returning vital nutrients and moisture to the soil.

*Micro Cogeneration Combined Heat and Power (MCHP)*

In 2005, Climate Energy LLC and American Honda Motor Co. announced their intention to collaborate on a new residential home heating appliance that will give U.S. homeowners the ability to create electricity from the energy they already use to heat their homes. The MCHP (micro combined heat and power) system will combine today’s proven space-heating technology with Honda’s new MCHP engine/generator unit.

Limited field-test installations were conducted in 2005, in coordination with state and local authorities and energy utilities. Introduction of the MCHP system to the general market in specific regions is expected soon. The MCHP unit combines Honda’s advanced engine, emissions-control, and solid-state power conversion technologies in an integrated package that meets the requirements for residential combined heat and power systems. For the average user of Climate Energy’s MCHP system, up to 4,500 kilowatt hours of electricity can be generated annually, saving about $600 in annual energy costs.

**In Fact** The MCHP system is expected to yield a 30 percent reduction in CO₂ emissions compared with conventional heating appliances or grid-supplied electricity. The biggest impact will result from the displacement of coal-fired electric power generation at central power plants.
Our Responsibility to the Environment

Environmental Impact of Honda Manufacturing

Each Honda plant in North America is empowered to find, assess and invest in ways to reduce environmental impact. Associates are encouraged to reflect on how their daily activities and their long-term decision making affect the environment, and they are urged to seek ways of improving the environmental performance of plant operations. Honda wants its manufacturing facilities to operate efficiently while reducing their environmental impact by minimizing their use of energy, water and materials.

Honda’s ultimate goal is to produce the world’s cleanest, most efficient products from the world’s cleanest, most efficient factories.

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<tbody>
<tr>
<td><strong>NORTH AMERICAN MANUFACTURING OPERATIONS</strong></td>
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<tr>
<td>United States</td>
<td>Marysville, Ohio (MAP)</td>
<td>1998</td>
<td>2006</td>
<td>440,000 automobiles</td>
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<tr>
<td></td>
<td>Motorcycle Plant</td>
<td>1998</td>
<td>2006</td>
<td>150,000 motorcycles</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>75,000 engines</td>
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<td></td>
<td>Anna, Ohio (AEP)</td>
<td>1998</td>
<td>2005</td>
<td>1.16 million engines</td>
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<tr>
<td></td>
<td>Engine Plant</td>
<td></td>
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<tr>
<td></td>
<td>East Liberty, Ohio (ELP)</td>
<td>1998</td>
<td>2006</td>
<td>240,000 automobiles</td>
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<tr>
<td></td>
<td>Automobile Plant</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Russells Point, Ohio (HTM)</td>
<td>1998</td>
<td>2005</td>
<td>1 million transmissions</td>
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<tr>
<td></td>
<td>Transmission Plant</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Sweesporville, North Carolina (HPE)</td>
<td>2002</td>
<td>2005</td>
<td>380,000 power equipment</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>products 1.5 million engines</td>
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<td></td>
<td>Timmonsonville, South Carolina (HSC)</td>
<td>2003</td>
<td>2006</td>
<td>280,000 ATVs, PWCs and</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>engines</td>
</tr>
<tr>
<td></td>
<td>Lincoln, Alabama (HMA)</td>
<td>N/A</td>
<td>2006</td>
<td>300,000 vehicles and engines</td>
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<tr>
<td></td>
<td>Automobile and Engine Plant</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Tallapoosa, Georgia (HPPG)</td>
<td></td>
<td></td>
<td>300,000 transmissions</td>
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<tr>
<td>Canada</td>
<td>Alliston, Ontario</td>
<td>1999</td>
<td>2006</td>
<td>195,000 vehicles</td>
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<tr>
<td></td>
<td>Automobile Plant 1</td>
<td>1999</td>
<td>2006</td>
<td>195,000 vehicles</td>
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<tr>
<td></td>
<td>Automobile Plant 2</td>
<td>1999</td>
<td>2006</td>
<td>195,000 vehicles</td>
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<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>El Salto, Estado de Jalisco</td>
<td>1999</td>
<td>2006</td>
<td>30,000 vehicles</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>520,000 stamped parts</td>
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<td></td>
<td></td>
<td>500,000 bumpers</td>
</tr>
<tr>
<td></td>
<td>Motorcycle Plant</td>
<td>1999</td>
<td>2006</td>
<td>30,000 motorcycles</td>
</tr>
</tbody>
</table>

Honda products manufactured in North America using global and domestically sourced parts.
Honda is committed to maintaining an effective structure to oversee and manage the company’s environmental performance in the area of product manufacturing.

The central element of that structure was implemented in 1998, when Honda committed itself to achieving and maintaining third party ISO14001 certification for environmental management at Honda’s manufacturing facilities throughout North America. ISO is the internationally accepted standard for environmental management systems. Currently, all 13 major North American manufacturing sites in operation during FY06 have achieved ISO14001 certification.

**Associate Training and Involvement**

Honda believes that effective environmental performance begins with a high level of awareness and the active participation of all Honda production associates.

All Honda manufacturing associates in North America are provided with environmental training. It covers general environmental topics as well as each associate’s specific responsibilities. In addition, associates are continually encouraged to discover ways to improve the efficiency of processes in their area and throughout the manufacturing plant.
More than 96 percent of the CO₂ emissions from manufacturing operations result from electricity use and natural gas combustion.

Less than 4 percent of CO₂ emissions from North American manufacturing activities result from combustion of fuels other than natural gas.

Honda’s manufacturing operations also use diesel fuel to power yard trucks and other vehicles used on-site. Gasoline is used primarily for product testing. Propane is used primarily for forklift and tow-motor operation on-site. Petroleum coke is used as part of the ferrous casting process.

**Environmental Goals and Commitments**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>GOAL</th>
<th>COMMITMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANUFACTURING</td>
<td>Improve manufacturing energy efficiency</td>
<td>Continue to track greenhouse gas emissions for all North American assembly plants in accordance with recognized standards</td>
</tr>
</tbody>
</table>

**CO₂ Emissions from Manufacturing**

CO₂ emissions at Honda’s North American manufacturing operations result primarily from the use of purchased electricity and the combustion of fossil fuels.


Honda’s efforts to reduce the environmental impact of manufacturing operations are focused on reducing CO₂ emissions intensity (the emissions per unit of production) by improving the energy efficiency of plant operations at all levels. However, total CO₂ emissions from Honda’s North American manufacturing operations are increasing because of the addition of new plants and processes.

More than 70 percent of CO₂ emissions are generated from the use of purchased electricity. The amount of CO₂ emissions depends entirely on the process used to generate electricity. For example, coal-generated electricity releases significantly higher greenhouse gas emissions than electricity generated from natural gas combustion.

In the period March 31, 2001 (fiscal year 2001), to March 31, 2006 (fiscal year 2006), CO₂ emissions from Honda’s North American manufacturing activities increased about 37 percent, in large part because of the expansion of manufacturing operations. CO₂ emissions per unit of production increased 4 percent in the same period, due to continued in-sourcing of powertrain parts production and other processes, as well as variations in model size.
Green Factory Initiatives

Honda Precision Parts of Georgia (HPPG)

Honda’s newest green factory

Honda Precision Parts of Georgia (HPPG) in Tallapoosa is Honda’s newest manufacturing plant in North America. Green construction methods, in particular aggressive stormwater management activities, were a key consideration during construction of this 350,000-square-foot facility. Double-silt fencing was placed daily during construction to limit ground erosion and contaminant runoff, and disturbed areas were seeded with grass as early as possible. In addition, the plant site was designed so that all stormwater runoff will drain to three containment ponds on-site. To reduce plant energy use, energy-efficient lighting was installed throughout the facility — primarily T5 and T8 fluorescent bulbs and compact fluorescent bulbs. Further, all lighting is controlled by a centralized system that ensures that both interior and exterior lights are shut off when not needed. In addition, occupancy sensors were installed in some areas to turn off lights in unoccupied areas. The building management system also optimizes the use of office and plant heat and air conditioning. Energy-efficient process equipment was also used where possible, such as variable-speed drives on cooling systems, premium efficiency motors, and compressed-air system controls. Automatic faucets and automatic flush toilets also conserve water.

New Marysville Paint Facility

Honda’s “green factory” concept was applied to an all-new paint facility at the Marysville, Ohio, auto plant. Preliminary results indicate an overall reduction in VOC emissions of 60 to 70 percent and a reduction of about 25 percent in waste generation. Further efforts to reduce the environmental impact of the paint process include the introduction of a new waterborne paint system for both the primer and basecoat coating layers, and a high-efficiency booth design that reduces both air emissions and material waste. In addition, emissions from curing ovens and the solventborne clear coating process are captured and destroyed.

Reducing energy use in this facility presented a significant challenge. To accommodate a wider variety of products, the new facility has larger and more numerous paint booths. In addition, waterborne painting processes generally require more energy. Many energy-saving innovations were included in the design of the new line, including solid-seam curing ovens, air recycling in painting booths, and variable-speed drive motors for booth air supplies. Overall, energy use in the new line is 34 percent less than it would have been without these innovations.
Environmental Goals and Commitments [SEE PAGES 14-15 FOR COMPLETE SUMMARY]

<table>
<thead>
<tr>
<th>CATEGORY</th>
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<tbody>
<tr>
<td>MANUFACTURING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>Improve manufacturing energy efficiency</td>
<td>Continue efforts to reduce energy use in all North American manufacturing facilities</td>
</tr>
</tbody>
</table>

**Energy Conservation**

Honda manufacturing facilities use energy — primarily purchased electricity and natural gas — for various purposes.

Electricity is used at Honda for automation, plant lighting, motors and compressors, and cooling. Natural gas is used primarily to heat and condition fresh air. Natural gas is also used for manufacturing purposes such as melting furnaces, paint-area bake ovens, and air-emissions control equipment.

**IN FACT** Total energy use at Honda manufacturing facilities in North America increased by about 3 percent in the fiscal year that ended on March 31, 2006. This increase is due to the continued expansion of Honda’s production operations in North America: the construction and start-up of a new paint shop at the Marysville, Ohio, auto plant (with continued operation of the existing paint shop), increased use of a second production line at the Lincoln, Alabama, auto plant, and the expansion of the Russells Point, Ohio, transmission plant. Energy use per vehicle produced in North America decreased during the same period by about 6 percent, from 7.1 to 6.7 GJ/auto (gigajoules per auto), because of increased auto production and fuller utilization of manufacturing capacity on Alabama’s new second assembly line and at the East Liberty, Ohio, auto plant, as well as the unusually warm winter in much of the United States.
More Efficient Lighting
Reducing the amount of energy required for lighting continues to be a major component of improving energy efficiency. A variety of projects were implemented during the 2006 fiscal year.

Honda’s South Carolina ATV plant replaced existing T12 fluorescent lamps with more efficient T8 lamps. The North Carolina power equipment plant also replaced T12 fluorescent fixtures with more efficient T8 fixtures, and metal halide fixtures with T5 fluorescent fixtures.

At the East Liberty, Ohio, auto plant, lighting for lobby areas, meeting rooms, and locker rooms was similarly upgraded, and motion sensors were installed in associate locker rooms. The Alliston, Ontario, auto plant in Canada installed a new automated lighting control system on its door assembly line, which allows small sections of the assembly line to be lighted separately, as needed.

At the Marysville, Ohio, auto plant, a program to reevaluate the need for each existing high-bay light fixture was undertaken. Any fixture not needed is removed or disconnected. This activity has been completed for two departments and will continue over the next two years until the entire plant has been reviewed. Similarly, at the South Carolina plant, it was recognized that many high-bay lighting fixtures were no longer needed after task lighting was installed. Removal of these unneeded fixtures is saving more than 60,000 kilowatt-hours per year.

Reducing Energy in Paint Processes
Paint booth operations account for a significant amount of total plant energy use, so Honda has made it a priority to reduce energy consumption in its painting operations. A number of projects were implemented during the fiscal year ending March 31, 2006, to reduce energy usage for painting operations.

Over the past several years, variable-speed drives (VSDs) were introduced to allow paint booth air flow to be turned down during nonproduction times. However, in some cases, use of VSD was limited during the winter months because of safety concerns. At both the Marysville and East Liberty auto plants, variable-rate burners were installed. These burners allow the flame (for the heating and humidification of supplied air) to be turned down as the air flow is reduced. This innovation reduced energy use while eliminating a potential safety hazard.

At the Marysville motorcycle plant, a variable-speed drive was installed on the Line 3 painting operation. This drive is used to reduce air flow during shift changes and while the booths are being cleaned. On weekends, the air supplies are shut off entirely.

At the Alliston, Ontario, auto plant, a group of associates worked to improve paint quality while reducing waste and energy consumption. Typically, an even flow of air is supplied over the entire paint booth. Through the use of variable-speed drives on the air supply fans and the addition of filter media to restrict air flow in certain areas, optimal air supplies were sent to each section of the paint booth. This reduced the natural gas consumption for the air supplies by 22 percent, saved about 740,000 kilowatt-hours a year, and improved the transfer of paint to the auto body surface, resulting in about 7 metric tons less waste per year. In addition, with the improved painting efficiency, VOC emissions were reduced by about 3 metric tons a year.
Energy Reduction Through Recycled Air

Another area of potential energy waste is the intake of fresh air into plant areas. When fresh air is brought into the plant, it must be conditioned to an appropriate temperature and humidity. That requires significant energy use. Studies were conducted at the East Liberty and Anna, Ohio, plants to identify areas where unneeded fresh air was being supplied; then modifications were implemented to reduce fresh air intake. At the South Carolina plant, particulate removal systems were installed for welding operations. These systems remove particulate generated during welding processes and return the cleaned air to the factory for reuse, saving more than 750,000 kilowatt-hours a year. In addition, HVAC (heating, ventilation, and air conditioning) operations have been optimized, saving more than 450,000 kilowatt-hours a year.

Aluminum Melting Furnace Replacement and Improvement

In 2002, the Anna Engine Plant initiated a program to replace older aluminum melt furnaces. In 2006, the furnace burner controls were enhanced to allow only the minimum amount of heat needed, which reduced natural gas usage by about 20 percent. In the upcoming year, two additional melt furnaces will be upgraded with enhanced burner controls, and three existing melt furnaces will be studied for potential burner control upgrades.

Dynamometer Energy Recovery

At the Russells Point, Ohio, plant, a system was installed to allow energy recovery through the use of gasoline-fueled transmission testing dynamometers. A system was added that results in the generation of approximately 28,000 kilowatt-hours per month of electricity, about 1 percent of total plant electricity usage. The same concept has been implemented for gasoline-powered engine testing at the Anna, Ohio, engine plant and at the Lincoln, Alabama, auto plant.

Chilled Water Systems

Chiller systems are used for both process and comfort cooling. At the Alliston, Ontario, plant, a new concept for controlling chiller system operation was introduced to improve the overall efficiency of operation and reduce energy usage. It has reduced chiller energy use by about 10 percent annually.

Compressed Air Systems

Much of the energy used to produce compressed air is actually turned into waste heat. At the Alliston, Ontario, plant, a heat exchanger system was installed to recover waste heat from air compressor operations and to use it for heating building air. The plant expects this project to save more than 200,000 cubic meters of natural gas per year.
**Water Conservation**

Honda manufacturing operations use water for a variety of production and nonproduction purposes. Efforts to reduce both water use and wastewater are undertaken on a continual basis.

Overall water usage in Honda’s North American manufacturing operations increased by about 10 percent in the fiscal year ending March 31, 2006. This increase is due to the continued expansion of production operations in North America. Water use per auto produced remained constant during that period.

**Associate car wash recycles water**

In the fiscal year ending March 31, 2006, Honda completed the installation of water recycling equipment at two additional car washes at its Ohio plants. The recycling system allows water and cleaning agents to be reused before they are discharged to the local wastewater treatment plant. Implementation of this recycling system reduced water use at the car washes by about 70 percent.

**Coolant project at Ohio transmission plant**

Looking for ways to reduce consumption of raw materials used in the machining process, the Russells Point, Ohio, transmission plant invested in a reverse-osmosis water purification system, which greatly improves the quality of the water used in the coolant system for aluminum machining operations. Use of the higher-quality water has greatly extended the life of the coolant system and reduced the frequency of necessary cleaning and replacement. Coolant use and water use for the machining operations have been reduced by more than 15 percent.

**Reduction of water use in Mexico paint operations**

At the El Salto plant in Mexico, water consumption in the painting processes was reduced by about 70 percent through the introduction of standardized and more efficient dispersion nozzles and through improved control of water flows and rinse cycles. In addition, the process was altered to allow spraying at only the most effective times, and flow meters were installed in all tanks to achieve the minimum necessary flow rates. Annual water savings from this activity exceed 3.6 million gallons.

**Cold-water heat exchanger reducing water and energy use in Canada**

The painting process at the Alliston, Ontario, auto plant utilizes electrodeposition coating that requires year-round cooling. In 2006, the plant installed a new water heat exchanger that uses domestic cold water to cool process water for the electrodeposition coating operation. At the same time, the domestic water is heated for various other uses within the plant. This new process will reduce water use by about 2.9 million gallons and save more than 1.2 million kilowatt-hours of electricity and almost 300,000 cubic meters of natural gas annually.
Honda’s North American operations actively work to minimize the landfill waste generated, beginning with the design of efficient manufacturing systems that produce less waste. When waste generation is unavoidable, Honda works to maximize recycling and reuse of waste.

These techniques have enabled Honda North American operations to reduce the amount of landfill waste by about 17 percent in the fiscal year ending March 31, 2006. Much of this reduction was due to increased recycling at all the North American plants and increased waste-to-energy conversion for certain wastestreams, particularly those that are not recyclable.

Two more plants achieve zero waste to landfill
Honda’s North American manufacturing operations are committed to achieving a goal of delivering zero waste to landfills. The North Carolina power equipment plant and the Georgia transmission plant joined the Alabama and Mexico plants as zero-landfill-waste facilities in the fiscal year ending March 31, 2006.

To reduce landfill waste from its manufacturing facilities, Honda has successfully implemented several key initiatives to reduce, reuse and recycle.

Environmental Goals and Commitments (see pages 14-15 for complete summary)

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<thead>
<tr>
<th>CATEGORY</th>
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<th>COMMITMENT</th>
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<tbody>
<tr>
<td>MANUFACTURING</td>
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<tr>
<td>Landfill Waste Green Factory</td>
<td>Achieve zero waste to landfill (excluding mineral waste and certain construction debris)</td>
<td>Reduce total landfill waste by 70% from a fiscal year 2001 baseline by 2010</td>
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Waste Minimization Initiatives in Manufacturing

- Recycling of paint-sludge overspray particles as an additive for cement and for waste to energy
- Recycling of metal contaminants removed from wastewater as an additive for cement and for waste to energy
- Recycling of scrap painted bumpers to make splash guards
- Recycling of scrap steel
- Recycling of scrap aluminum chips and turnings
- Recycling of used oil, batteries, fluorescent bulbs
- Recycling or reuse of office waste, including paper, newspapers, magazines, and transparencies
- Recycling of wood
- Recycling of spent sands from foundry and casting processes as cement additives and roadbed construction material
- Reuse of waste concrete and asphalt in roadbed construction
- Reclamation of zinc from iron cupola dust collected in bag houses for use in fertilizer
- Implementation of cafeteria waste management, including bulk containers, reusable plates and utensils, and the recycling of organic matter, packaging, plastics, and metals
- Washing and reuse of rags, gloves, and floor mats
- Recycling of scrap copper, used wiring, and used welding tips
Minimizing Air Emissions

Honda’s North American manufacturing operations are working to minimize air contaminants.

Honda’s North American manufacturing operations release various air contaminants, primarily volatile organic compounds (VOC), particulate matter (PM), oxides of nitrogen (NOx) and carbon monoxide (CO). VOC emissions typically come from painting operations. PM emissions usually result from metal casting and finishing processes and painting operations. NOx and CO emissions typically come from the combustion of natural gas for heating and from the use of engine and full-vehicle testing dynamometers. Air emissions are discharged in accordance with applicable laws and regulations.

Emissions are routinely monitored, tracked and reported to regulatory agencies in accordance with federal and state requirements. Most factories are periodically inspected for compliance with legal requirements.

Reducing VOC emissions

Volatile organic compounds (VOCs) are the primary air emissions from Honda’s North American manufacturing plants, with 60 percent coming from painting operations. It has always been Honda’s policy to minimize the release of VOCs by adopting less-polluting processes wherever possible.

In the fiscal year ending March 31, 2006, Honda’s North American auto body painting operations (excluding those in Mexico) reduced VOC emissions by 6 percent. This reduction was primarily attributable to the start of operations at a new state-of-the-art paint shop at the Marysville, Ohio, auto plant (see page 35 for more details).

Honda uses waterborne primer/surface coat at its Alabama, and Marysville, Ohio, auto plants. A waterborne basecoat is used at the Alabama, Ontario and both Ohio (East Liberty and Marysville) auto plants. In addition, extremely low-VOC powder coating lines for all-terrain vehicles (ATVs) and motorcycle frames have been introduced at the Timmonsville ATV and Marysville motorcycle plants. Honda is experimenting with other means to reduce VOC emissions.

Honda’s North American operations have expanded the use of robotic application equipment and more efficient paint delivery systems. Considerable work has been done with paint suppliers to develop reformulated coatings with lower VOC emissions as well as to reduce hazardous air pollutants.
Reducing Chemical Releases — TRI/NPRI Reporting

Honda operations in the United States and Canada report total chemical releases annually in accordance with regulatory requirements.

In the United States, Toxic Release Inventory (TRI) data are submitted to both state and federal environmental protection agencies. These data are available for public review at www.epa.gov. In Canada, National Pollutant Release Inventory (NPRI) data are submitted to Environment Canada and to the Ontario Ministry of the Environment. These data are available for public review at www.ec.gc.ca/pdb/npri. Honda has reduced its total TRI/NPRI releases by more than 8 percent despite significant expansions in production capacity since calendar year 2000.

Auto-specific TRI/NPRI emissions have been reduced by about 29 percent per automobile produced in the United States and Canada, for the same period.

Honda initiatives to reduce TRI/NPRI releases include the introduction in 2002 and 2003 of a lead-free electrocoating system at three manufacturing facilities, and the reformulation of coatings at the Honda auto plants in Marysville and East Liberty, Ohio, to reduce the release of hazardous air pollutants.

Accidental spill and release prevention, tracking and reporting
Prevention of potential environmental spills and releases is a key design consideration for all Honda manufacturing facilities. Exterior chemical and wastewater storage tanks and transfer systems are constructed with materials and designs that minimize the risks of leaks and spills. Most exterior tanks and piping systems have backup containment capability to facilitate recovery of any leaked or spilled material. Additionally, storage tanks are equipped with alarms to give advance warning of overfilling. Virtually all materials with the potential for release are handled within enclosed buildings. Learning from accidental releases is critical to preventing future occurrences; therefore Honda tracks all significant incidents. Major incidents undergo root-cause analysis, and the information gained is used to improve operations.

Emergency response
All of Honda’s manufacturing facilities have response plans that define the policy and procedures to be followed in emergencies. Honda’s major manufacturing operations have well-trained, experienced on-site emergency responders and emergency equipment. The emergency response plans are tested through tabletop exercises and periodic in-plant drills involving on-site and local community responders. Additionally, a North American-wide Emergency Management System is being organized to include all aspects of response, including emergencies that may affect the environment.
Environmental Goals and Commitments (see pages 14-15 for complete summary)

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<td>ISO Certification Purchasing</td>
<td>Promote certification by original equipment manufacturers (OEM) suppliers to ISO14001 standard</td>
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<td>Supply Chain Management Purchasing</td>
<td>Expand the use of returnable containers for Honda manufacturing operations</td>
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<td>Enhance parts delivery logistics</td>
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Green Purchasing

In addition to reducing the environmental impact of its own manufacturing operations, the company works with its suppliers to improve their environmental performance.

Honda encourages its suppliers to take a “green factory” approach by reducing their packaging waste, adopting more energy-efficient processes, and adhering to ISO14001 certification standards.

In 1998, Honda asked 42 original equipment manufacturer (OEM) suppliers of its Ohio and Canada plants to implement an environmental management system and to obtain ISO certification. In 2005, this request was extended to additional key OEM suppliers to Honda’s Alabama factory. By 2006, almost all (93 percent) of these key suppliers, including all 42 suppliers to the Ohio and Canada plants, had earned ISO14001 certification.

In 1998, the company also encouraged its remaining North American OEM suppliers to become ISO-certified. To date, 58 percent of Honda’s total North American OEM supply chain is ISO14001 third-party certified.

Honda continues to educate and encourage suppliers through its Lean, Green and Safe program, which includes on-site evaluations, benchmarking, and an annual environmental conference where suppliers can share best practices. In 2006, Honda introduced a new program to recognize excellence in OEM suppliers’ corporate citizenship. Three Honda OEM suppliers were recognized for achieving corporate citizenship excellence in six areas: ethics and compliance, environment, diversity, community involvement, health and safety, and government relations. These suppliers qualified in each of the six areas by using self-assessment survey tools created by Honda.

The environmental self-assessment tools show suppliers how they can improve their lean and green processes and overall environmental performance.

Parts supplier returnable packaging

One significant area of waste generation in manufacturing is nonreusable packaging used to ship parts from suppliers to Honda factories. A formal program aimed at reducing nonreusable packaging was initiated in 2001. In fiscal 2006, Honda implemented a new program at its Anna, East Liberty, and Marysville, Ohio, plants to recycle any returnable containers that can no longer be repaired or used. The program resulted in 300,000 pounds of recycled plastic in fiscal 2006. It will be expanded to other plants.

These numbers reflect the percentage of parts supplied in returnable containers, excluding certain parts supplied from Japan and other Asian countries.
Waste Minimization and Recycling

A critical aspect of Honda’s efforts to reduce its environmental footprint is the minimization of waste. By reducing the use of energy and raw materials, reusing materials where possible, and recycling waste where necessary, Honda is working continually to reduce energy use, to minimize waste from its facilities and operations, and to increase the recyclability of its products.

In North America, Honda acts in accordance with the company’s global guidelines for product design and materials selection. Government regulations covering end-of-life products, recycling, and substances of concern differ somewhat by region, but Honda’s ultimate goal is the international harmonization of our corporate environmental management.

Environmental factors are considered early in the design phase for Honda products. This allows greater potential for environmental benefit and waste minimization.

Honda is working to reduce waste, to conserve energy, and to eliminate substances of concern (SOCs) in its products. The company also works with stakeholders in the recycling industry to improve dismantling efficiency, to facilitate material reuse, and to minimize shredder residue — the leftover waste from products at the end of their life cycle.
Waste Minimization and Recycling

Design for the Environment
Reducing the end-of-life impact of products.

In selecting materials and design features for new products, Honda engineers look for opportunities to reduce end-of-life impact by keeping in mind environmental aspects such as dismantling, component remanufacture, minimizing or eliminating substances of concern (SOCs), and reducing the potential increase of shredder residue.

Product Recyclability

Honda has achieved 90 percent or greater design recyclability for every model designed and produced in North America since the 2006 model year.

Honda calculates vehicle recyclability by its own internal standards, based on the ISO22628 standard titled “Road Vehicles Recyclability and Recoverability Calculation Method.” This calculation method bases its estimates on existing and proven end-of-life treatment technologies, taking into account the mass of materials that are to be recycled, recovered for energy, or otherwise diverted from landfill disposal.

Honda continues to look for ways to improve the design recyclability of new models. It is committed to maintaining product recyclability at the 90 percent or greater level for all automobiles developed and produced in North America. Additionally, the company has a goal of achieving 95 percent or greater design recyclability for its power sports and power equipment products.

Hybrid Battery Recycling

A system for collecting battery packs at end of life.

As the sales of hybrid vehicles increase and as Honda offers additional models with hybrid technology, it is increasingly important to have a system in place to collect the nickel-metal-hydride (NiMH) battery pack at the end of its working life. Of the small number of hybrid batteries replaced in fiscal 2006, almost all were sent directly for recycling to specialized battery treatment facilities. A small number were evaluated for quality, durability and specifications; eventually, these batteries will also be recycled. While hybrid battery packs and related systems are warranted for an extended period — up to 8 years or 80,000 miles in certain states — some individual owners have reported that their packs lasted more than 400,000 miles.
Reducing Substances of Concern (SOCs) in Products

Honda’s global policy is to set standards for the voluntary reduction and control of substances considered harmful to people and our environment.

In 2002, Honda created the North American Chemical Substance Guideline to minimize SOCs in Honda products produced in North America. The guidelines set a schedule for parts suppliers to reduce or eliminate: lead and lead compounds, hexavalent chromium, mercury and mercury compounds, cadmium and cadmium compounds, bromine compounds (specified BDEs), and azoic compounds. Honda continues to work closely with its North American suppliers in finding new ways of reducing SOCs in all of its products. Additionally, for automobiles and light-duty trucks, Honda will reduce and, if possible, eliminate SOCs in advance of the most stringent global regulations.

**Mercury**
The electrical properties of mercury make it useful in a wide variety of applications, including switches, radios, and ride-leveling devices. Honda has never specified mercury for any of these applications. Honda currently uses very small quantities of mercury only in high-intensity discharge (HID) headlights and in illuminated screens for entertainment and navigation systems. For damaged or broken LCD screens, the company employs a closed loop recycling system.

Concerning HID headlights, Honda is working to increase the durability of mercury-free HID bulbs and will introduce the technology when technically feasible.

**Polybrominated diphenyl ethers (PDBEs)**
PDBEs are used as flame retardants in seats, carpets, engine control units, and plastic substrates. Honda has stopped using octa- and penta-PDBEs because of their potentially harmful environmental impact. The company has worked with suppliers to ensure that these substances are no longer present in fabrics or parts.

**Polyvinyl chloride (PVC)**
Although difficult to recycle, PVC plastics help reduce vehicle weight and are able to meet high standards for durability, fade resistance, and other critical quality criteria. Honda has worked with suppliers to implement PVC-free technologies for components such as interior and exterior trim pieces, door sealants, adhesives, window moldings, floor mats, and seat coverings. PVC used in instrument panels, inner-door weatherstripping, and shift knobs is being replaced with a variety of materials. Future targets for elimination of PVCs include welding processes, sealers, and underbody applications.
With the addition of its R&D Americas Central Plant in Raymond, Ohio, Honda now has two facilities that have earned Leadership in Energy and Environmental Design (LEED) Gold certification from the U.S. Green Building Council. These facilities exemplify Honda’s ongoing efforts to reduce the environmental footprint of its operations throughout North America.

Honda R&D Americas Central Plant (Raymond, Ohio)

Honda’s newest green building is the Central Plant facility at Honda R&D Americas Ohio Center in Raymond, Ohio.

**In fact**

As one of only 144 LEED Gold certified buildings in the United States, this facility incorporates several innovative sustainable concepts into its construction and operation. A significant portion of construction materials were harvested and manufactured locally, which reduced fuel use and emissions associated with shipping. Rainwater collected from the roof is stored in a 65-gallon tank and used to flush the low-flow toilets, which reduces potable water consumption by 47 percent. Using renewable biodiesel fuel to power the emergency generator has reduced emissions by 75 percent compared with mineral-based diesel fuel. For air conditioning, the facility employs an ice chiller system. At night, during off-peak times, the chillers cool a salt-based solution to 22 degrees Fahrenheit. During the daytime, the solution is passed through a heat exchanger, where the cold saline solution cools glycol. The glycol at 42 degrees Fahrenheit is then used to cool two adjacent buildings. The chiller system can reduce peak energy demand by as much as half. It has the capacity to cool additional buildings in the future.

Northwest Regional Facility (Gresham, Oregon)

Five years after its completion, Honda’s Northwest Regional Center in Gresham, Oregon, continues to generate significant interest for its environmental leadership. The first mixed-use industrial building in the country to earn LEED Gold certification, the facility employs a number of innovative design features, including rainwater harvesting, passive heating, and an air conditioning system that can be driven by roof-mounted wind turbines. More than 2,200 individuals have toured the facility, including visitors from the Harvard Business School, the U.S. Department of Energy, the Environmental Protection Agency, the General Services Administration, and various private companies, and from as far away as Japan, China and India.

Honda R&D Americas Reducing Waste

Through various activities, including introduction of deskside recycling bins, reusable travel mugs and water bottles, and shipment of food waste to a local composting facility, Honda R&D Americas Central Plant in Ohio more than doubled the amount of office materials it recycled in the past year and reduced landfill contributions by 11 percent.
Energy Conservation and Waste Minimization at Honda’s U.S. Headquarters

Honda’s policy to reduce the environmental impact of its North American operations extends to its administrative offices throughout the region. American Honda Motor Co., Inc. actively reduces the use of purchased electricity and production of landfill waste at its Torrance, California, headquarters. Honda uses environmentally friendly cogeneration-supplied electric power, and the company actively supports its associates’ recycling activities.

Electricity cogeneration

In calendar 2005, 30 percent of energy at American Honda’s U.S. headquarters was sourced from pollution-generating sources, including coal. Honda now relies on energy generated by the company’s efficient natural gas on-site cogeneration unit to produce 8.5 percent of the energy needed for its office operations.

Cogeneration produces heat and power in a single thermodynamic process. It uses the valuable heat produced in electricity generation that would otherwise be wasted.

In 2005, the Torrance campus of American Honda purchased 1.4 percent fewer kilowatt-hours of electricity from the public utility than it did the previous year.

In addition to cogeneration energy, the company uses other energy-conserving techniques, including an energy management system (EMS) that automates the building’s heating, ventilation, lighting, and air-conditioning equipment to run at their highest efficiency. In addition, Honda makes use of motion sensor lighting and off-peak forklift battery charging. Honda has also set up a program to alert associates on its Torrance campus to severe power conditions and to remind them to save energy wherever possible.

Recycling efforts

Office recycling and waste reduction at American Honda’s headquarters have earned the company recognition from California’s Waste Reduction Award Program for seven consecutive years, from 1999 through 2005.

Additionally, Los Angeles County presented the company with the Outstanding Waste Prevention award in 2005, and the city of Torrance recognized the company for outstanding efforts in waste reduction and recycling. Honda recycles in order to reduce waste sent to landfills, to preserve valuable resources, and to increase associate awareness of and participation in environmentally responsible activities.

American Honda’s Torrance facility alone kept 4.5 million pounds of materials out of landfills in calendar 2005. Recycling poundage increased by approximately 7 percent from the previous year. This increase was due in large part to a concerted effort by the company to identify large-volume cardboard disposal locations and to maximize its cardboard recycling activity.

One example of Honda’s waste reduction programs is deskside recycling. It involves all associates on a daily basis and goes beyond basic white-paper-only recycling. The program makes it convenient for associates to recycle paper, magazines, DVDs, CDs, tapes, brochures, newspapers and more. Associates can place such office waste in recycle bins at their desks. It is then sorted on-site and sent for recycling. Additional on-site waste reduction programs include the recycling of aluminum cans, batteries, glass and plastic bottles, toner cartridges, metal, stretch plastic wrap, wood pallets, and cardboard. Unneeded office supplies, equipment, and cell phones are donated to nonprofit organizations.
Packaging Reductions for Products and Service Parts

Since 2001, Honda and its dealers in North America have worked to reduce significantly the packaging materials used for the shipment of products and parts.

Honda returnable container initiative

What started as a pilot program with Honda personal watercraft, the Honda Returnable Crate System, has rapidly grown to include large segments of Honda’s North American product and parts shipping operations.

Since 2002, Honda’s U.S. Motorcycle Division has been using returnable crates for its U.S.-made motorcycles, ATVs, and personal watercraft. During calendar year 2005, the use of the returnable crates eliminated 17.7 million pounds of packaging waste that would otherwise have gone to local landfills. Honda expects to more than double the number of returnable crates in use. It intends to use returnable packaging for all domestically produced power sports products by the end of the 2007 fiscal year.

For exported parts, from the fiscal year ending March 31, 2002 to the fiscal year ending March 31, 2006, Honda was able to reduce corrugated material by 16 percent, wood by 35 percent, volatile corrosion inhibitors (VCIs) by 28 percent, steel by 64 percent, and polyfoam by 23 percent. Honda has also reduced its use of protective oils on exported parts subject to surface rust by 92 percent. By using more returnable containers for parts manufactured in North America and exported around the world, the company has reduced its use of expendable packaging by about 21 percent.

IN FACT During the fiscal year ending March 31, 2006, more than 6,000 wood pallets used for interplant materials movement were replaced with returnable pallet containers.

Reducing parts packaging

Honda’s North American Parts Division has also worked to reduce waste sent to landfills, cutting landfill deposits by 1,106,438 pounds for the fiscal year ending March 31, 2006. Some of this was achieved by removing packaging from parts that are robust enough to withstand the rigors of the current distribution system. This decontenting process was first applied to stronger parts such as bulkheads, bumper beams, and mufflers. As a result of this program, in the fiscal year ended March 31, 2006, Honda was also able to reduce its use of corrugated material by more than 255,000 pounds.

Harmony Project

Honda’s North American Parts Packaging group has initiated a program between American Honda and Honda de Mexico to change their shipping method for parts, from single-use wooden pallets to reusable crates. This program, called the Harmony Project, was rolled out in phases. It first eliminated pallets, then reduced packaging materials, and finally eliminated packaging entirely. In the fiscal year ended March 31, 2006, this project eliminated 833,367 pounds of packaging material, including 13,869 pallets and 17,164 pounds of corrugated material.
Transportation and Logistics

Honda seeks to reduce the environmental impact of product distribution.

Honda and Acura automobiles distributed by an efficient U.S. railway system
Of all the available product distribution channels, including rail, truck, air transport, and water, rail is the best choice for the environment. The average train can move one ton of materials 408 miles on a gallon of diesel fuel. That is roughly three times the efficiency of a truck. Research shows that railroads contribute less than 2 percent of air emissions.

IN FACT Approximately 80 percent of all American Honda automotive products are transported via rail. Honda also takes advantage of America’s efficient freight rail industry by making use of AutoMax railcars, which can transport more autos per railcar using less fuel than traditional auto transport railcars.

Nighttime truck transport means fewer emissions
About 30 percent of American Honda’s truck transport of automobiles occurs during the night. Nighttime transport generates fewer emissions than would occur during peak daylight hours, because there is less traffic on the road. During nighttime shipments, trucks spend less time idling on congested roadways, and their internal combustion engines run more efficiently at road speed.

When damage occurs during a shipment, Honda recycles total-loss vehicles
Damage sometimes occurs to vehicles during transportation, due to derailments or other causes. When severe transport damage occurs, American Honda forwards total-loss vehicles to vehicle dismantlers and vocational schools for educational purposes whenever possible, thereby reducing waste input to landfills. The vocational schools that receive these Honda and Acura cars are affiliated with either the Automotive Youth Educational System (AYES) or Honda’s own Professional Automotive Career Training (PACT) program. The students use the damaged products for hands-on automotive training.

IN FACT Over the past four years, American Honda has recycled an average of 147 units per year and donated an average of 53 units per year for educational use.
Honda Research into Reducing End-of-Life Vehicle Waste

Honda recognizes the potentially harmful effects resulting from the disposal of vehicles at the end of their useful life. The company has undertaken a number of initiatives aimed at reducing the environmental impact of vehicle disposal.

Automotive shredder residue

The end-of-life treatment of vehicles involves a number of environmental issues, including disposal of automotive shredder residue. Shredder residue is the nonmetal portions of the vehicle — such as plastics, glass and rubber — accumulated in the shredding process. Shredder residue cannot be reused or recycled. Most of it ends up in landfills.

American Honda is cooperating in a high-temperature shredder residue treatment pilot project initiated by a large shredder company to produce alternative fuels from shredder waste. The project will evaluate various aspects of gasifying shredder waste to produce methanol, ethanol and biodiesel fuels. The fuels produced will be used to operate machinery on site and to generate electricity, which may be sold back to local municipal grids. Shredder waste has an energy content of approximately 7,000 Btu/lb. Automotive shredder facilities normally produce more than 100 tons per day. Some generate as much as 500 tons per day, providing significant potential for generation of fuels and electricity.

Treatment of plastic fuel tanks (PFTs)

The use of plastic fuel tanks (PFTs) is becoming increasingly prevalent in light-duty vehicles and other power products in North America. Honda currently uses plastic fuel tanks in more than 98 percent of its vehicles in North America. Although PFTs offer a number of advantages — such as reduced weight, efficient use of space, and superior corrosion resistance — they also present a number of end-of-life issues. These include the presence of residual gasoline in the tanks; associated fuel system components such as hoses, gaskets, and valves; and dismantling and transportation costs.

In fiscal 2006, Honda evaluated alternatives to sending PFTs to landfills. The company considered existing infrastructure and technology for recycling postconsumer automotive plastic fuel tanks, and it identified economically viable options for closed-loop recycling. Several possibilities were considered:

1. PFT disposal in municipal solid waste incinerators with energy recovery
2. PFT use as an alternative fuel in cement kilns
3. Material recycling of postindustrial PFT plastic scrap

Honda found that disposal in municipal solid waste incinerators and use as fuel in cement kilns were both technically possible. But these alternatives were not economically viable because of collection, transportation and processing costs. However, as a result of this project, material recycling of manufacturing scrap from PFT production facilities has been established. It is both economically and commercially successful. The recyclate generated from the postindustrial scrap, is collected from Honda’s North American plants and brokered to the market. Purchasers use it to make both automotive and nonautomotive products.

Catalytic converter recycling

Catalytic converters use precious metals to filter harmful pollutants, including nitrogen oxides, hydrocarbons, and carbon monoxide, from a vehicle’s exhaust emissions. The precious metals used are platinum, palladium, and rhodium; they are collectively called platinum group metals (PGMs). Honda Canada is actively diverting catalytic converters away from regular metal scrap recycling and recovering the precious metals. The used catalytic converters are sold by Honda Canada to a company that specializes in recovering valuable commodities and precious metals. The converters’ steel manifolds and housings are melted down for recycling. The precious metals are recovered and resold for other applications.

Honda’s policy is to recycle 100 percent of the catalytic converters it replaces during the warranty period. In order to maximize the benefit to the environment, Honda Canada has helped another automaker establish a similar program.
Environmental Community Activities

Honda tries to make business decisions that benefit society by listening to and acting upon valuable input from Honda associates and members of the communities where it operates. In addition, through community involvement and philanthropic support to community-based activities in North America, Honda seeks to be a good corporate citizen. These actions include corporate and charitable giving and volunteer efforts by individual Honda associates who take an active role in supporting community activities. Many of the activities of Honda and its associates focus on environmentally oriented programs.

Ultimately, through the way it conducts its business and interacts with the community, Honda’s goal is to be a company that society will want to exist. Following is a look at some of the activities from the fiscal year ending March 31, 2006.

Environmental Volunteer Efforts

Preserving the Madrona Marsh in California
About 47 Honda associates, along with their families and friends, spent Earth Day weeding and planting at the Madrona Marsh, the last vernal wetland in Los Angeles County. This was the fifth year Honda volunteers spent Earth Day at the marsh.


Associates pitch in and pick up
More than 55 American Honda volunteers and Community Action Team members made an annual trip to Torrance Beach to remove unsightly trash and harmful debris as part of Coastal Cleanup Day. Honda associates, family and friends joined more than 50,000 volunteers working at 700 cleanup sites statewide. This was Honda’s fourth year of participation in this event.
Environmentally Responsible Land Management Efforts

Honda’s North American manufacturing operations encompass more than 12,000 acres of land. As the steward of this land, Honda is committed to practices that protect and enhance it in a manner compatible with manufacturing operations, farmland management, and environmental conservation.

Big Darby Creek

The sites of Honda’s Marysville and East Liberty, Ohio, auto and motorcycle plants are near the headwaters of Big Darby Creek, a state and national scenic river and one of the Nature Conservancy’s “Last Great Places.” As home to more than 100 species of fish and 40 species of freshwater mussels, Big Darby Creek is a unique, diverse and healthy ecosystem.

Wetland conservation and restoration are important priorities for the Honda site, 35 percent of which is in active agricultural use. As part of the East Liberty plant’s original development, and in keeping with state and federal requirements, a 20-acre wetlands area was preserved and then enhanced by the restoration of 12 acres that had been lost before Honda acquired the property. The area is a unique ecosystem with a multitude of wetlands flora and fauna. It also serves as a rainfall runoff buffer, which helps to protect the headwater tributaries of Big Darby Creek.

During the past year, Honda embarked on a detailed study of the hydrogeologic characteristics of Flat Branch Creek, a headwater tributary to Big Darby Creek, which drains Honda’s Marysville and East Liberty, Ohio, plant site. The study will help Honda determine the most appropriate long-term management practices to protect both Flat Branch Creek and Big Darby Creek. The company continues to implement a comprehensive stormwater management program to protect Big Darby Creek, including a 300-foot-wide buffer zone spanning Flat Branch Creek.

Habitat development in Canada

Spring Creek, a significant coldwater stream located on the east side of the Alliston, Ontario, auto plant, is home to several environmentally sensitive species, including brook trout. Associates at the plant have developed a walking trail with trail markers and a bluebird trail with 23 bluebird houses, both open to the public. In Ontario, the bluebird habitat is threatened, and the bluebird is a species in decline. Each year, about 100 associates from the plant volunteer time to enhance the Spring Creek area.
Environmental Community Activities

Community Environmental Preservation Efforts

Honda actively supports a broad range of organizations active in protecting the environment.

Living Lands & Waters Foundation
In 1997, commercial diver Chad Pregracke left his job and dedicated himself to the cleanup of what he considers home — the Mississippi River. Garnering support along the way, Chad and a band of volunteers cleaned up more than 1,200 miles of Mississippi River bank. They have since added the Illinois River to their mission. Visit the Living Lands & Waters Foundation at www.livinglandsandwaters.org.

San Francisco Baykeepers
Founded in 1989, San Francisco Baykeepers is the watchdog of the Bay Area’s watershed. With help from Honda Marine, the group launched the first powerboat on the West Coast to run clean-burning compressed natural gas (CNG). The Baykeepers use a pollution-control boat in their high-visibility citizen monitoring program to detect and eliminate pollution in the bay and delta. Visit the Baykeepers at www.sfbaykeeper.org.

Tampa Baywatch
When government funding for Tampa Bay area restoration ran short, a group of volunteers formed Tampa Baywatch, a nonprofit stewardship program dedicated to the protection and restoration of the Tampa Bay estuary. Since then, the organization has dedicated countless hours to saltmarsh plantings, shorebird protection, and coastal cleanup. Visit Tampa Baywatch at www.tampabaywatch.org.

Chesapeake Bay Foundation
Founded in 1967 and supported by more than 14,000 active members, the Chesapeake Bay Foundation is dedicated solely to saving the Chesapeake Bay Watershed. It works to reduce pollution, to improve fisheries, and to protect/restore natural resources such as wetlands, forests, and underwater grasses. Visit the Chesapeake Bay Foundation at www.cbf.org.

Ridley Sea Turtle Recovery Project
Joining a cooperative effort by the U.S. Fish and Wildlife Service and the government of Mexico, Honda donated 16 all-terrain vehicles to the Ridley Sea Turtle Recovery Project, which is dedicated to preserving the most endangered sea turtle species, Kemp’s Ridley sea turtle. The ATVs are used to patrol the beaches of South Padre Island, Texas, and more than 100 miles of remote beaches in the Mexican state of Tamaulipas. Project team members comb the beaches for nesting turtles, mark the sites, tag turtles, collect eggs, and relocate them to a protected area away from predators, both human and animal.
Environmental Community Activities

Community Environmental Education Efforts

Honda actively provides financial support to a number of environmental education programs throughout the United States and Canada.

**Upper Chattahoochee Riverkeeper**
Established in 1994, the 4,300-member Upper Chattahoochee Riverkeeper (UCR) dedicates itself to protecting and restoring the Chattahoochee River Basin — the primary source of drinking water for more than 3.5 million people. UCR actively uses advocacy, education and research to protect and preserve the Chattahoochee and its watershed. Visit UCR at **www.chattahoochee.org**.

**We Are Here Foundation**
Engaged in the fight to curb pollution, the We Are Here Foundation supports clean-up and preservation activities along the waterways of southeastern Michigan. The group’s commitment to youth education and awareness provides young people throughout the region with a new outlook on the environment. Visit We Are Here at **www.weareherefoundation.com**.

**South River Federation**
Since 1999, more than 500 volunteers have worked to protect and restore the South River in Maryland. Dedicated to preservation, education and outreach, the South River Federation aims to achieve widespread public understanding of the interconnection of individual and collective actions that affect the river’s health. Visit South River Federation at **www.southriverfederation.net**.

**Ducks Unlimited**
Ducks Unlimited conserves, restores and manages wetlands and associated habitats for North America’s waterfowl and hundreds of species of wildlife. Thanks to its tireless efforts, more than 220,000 acres of U.S. wetlands were preserved in 2005 alone. Visit Ducks Unlimited at **www.ducks.org**.

**Cape Lookout Environmental Education Center**
Within the boundaries of Cape Lookout National Seashore in North Carolina lies the Cape Lookout Environmental Education Center (CLEEC). Relying exclusively on volunteer expertise and labor as well as the financial support of individuals, civic groups, and charitable foundations, CLEEC seeks to provide children and adults with age-appropriate, research-based programming about barrier islands and the marine ecosystems surrounding them. Visit CLEEC at **www.cleec.org**.

**Student Conservation Association**
Honda has provided ATVs to the Student Conservation Association (SCA) for desert restoration and forest fire mitigation projects. SCA volunteers spend more than 1.6 million hours each year working with government agencies that manage America’s public lands, helping to protect vital habitats, threatened wildlife, and at-risk resources in our nation’s parks, forests and urban green spaces.
Environmental Community Activities

Community Environmental Education Efforts (Continued)

**Strengthening science education through nature**
Two National Wildlife Federation educational programs, Schoolyard Habitats and Access Nature, train elementary and middle school educators in six to eight school districts in Arizona and New Mexico with high populations of American Indian students. Through this training, tribal educators are given the tools to provide unique hands-on, outdoor learning opportunities for youth that increase interest and achievement in the sciences and natural resources. In addition, students learn team building, decision making, leadership, character development, and school-to-work skills.

**Finding Urban Nature (FUN)**
The Audubon Society in Seattle, Washington, cultivates and leads a community that values and protects birds and the natural environment. Since 1988, it has partnered with Seattle Public Schools to provide environmental education in an urban setting to children in grades two through five. Each year, more than 1,700 students in 20 public schools engage in hands-on activities in their own schoolyards and classrooms through the Finding Urban Nature (FUN) program. Students are taught how their own behavior may affect the living ecosystems around them and what they can do to help preserve and protect the habitat.

**Sustainable Mobility Learning Laboratory**
Through the Sustainable Mobility Learning Laboratory at Virginia Tech University in Blacksburg, Virginia, middle and high school students receive an interdisciplinary introduction to transportation and environmental modeling. They engage in hands-on activities that combine elements of mechanical, civil and environmental engineering and urban planning. They learn about the connection between mobility, human welfare, and ecological integrity. The training and the experience they gain in transportation design will help them to address the critical transportation and environmental challenges that society faces today.

**The Otesha Project — 2005 On Two Wheels**
Otesha means “reason to dream” in Swahili. The group bearing this name was established to enable and empower youth to take action toward a sustainable future. In 2003, Honda Canada Inc. was the anchor sponsor of the Otesha Project. In 2005, Honda Canada provided both a Honda Accord Hybrid and a Civic Hybrid as support vehicles for four bicycle tours. The tours involve youth who ride their bikes to schools across Canada to present workshops and theatre programs about sustainability in both English and French. In 2005, the Otesha Project reached 172 communities and 26,062 students, and its members covered 12,066 kilometers on their bicycles.

**Engineers Without Borders high school outreach**
The Honda Canada Foundation awarded one of its first grants to Engineers Without Borders (EWB) in March 2006. EWB will use the grant to engage university engineering students and high school students in international issues. The program will show students how they can contribute to promoting human development and sustainable enterprises through their actions in Canada.

**Environmental Education in Washington, D.C., Schools**
As a partner of the Living Classrooms Foundation, Honda helps the organization provide unique environmental educational opportunities for at-risk youth.
Report Summary

What follows is a summary of key points concerning Honda’s environmental performance in North America in the fiscal year ended March 31, 2006, as detailed in the full report.

Global Climate Change

Honda recognizes global climate change and energy sustainability as the critical environmental challenges of the day and has established voluntary targets for further reductions in CO₂ emissions from its products and manufacturing operations.

- Seek to reduce average CO₂ emissions from its global automotive fleet by 10 percent from 2000 levels by 2010.
- Strive to improve the company’s industry-leading corporate average fuel economy (CAFE) rating in the U.S. by 5 percent from 2005 levels by 2010.
- Reduce global CO₂ emissions per unit of auto production by 10 percent from 2000 levels by 2010.
- Reduce global CO₂ emissions per unit of motorcycle and power equipment production by 20 percent from 2000 levels by 2010.

Product and Technology Innovation

Auto

- Honda raised its industry-leading fleet average fuel economy for model year 2005 with a U.S. CAFE rating of 29.2 mpg and Canadian CAFC of 8.7 ltr/100km for its combined car and light truck fleet.
- Fully 99 percent of Honda’s model year 2006 U.S. car and light truck fleet achieved U.S. EPA Tier 2 Bin 5 or better emissions in advance of regulatory requirements.
- An all-new 2006 Civic was introduced with an advanced version of Honda’s i-VTEC engine technology along with 4th-generation Honda hybrid technology.
- The company has committed to further advances in gasoline engine efficiency.

Power Sports

- Honda has applied 4-stroke engine technology to the breadth of its North American product lineup and is expanding the use of programmable electronic fuel injection (PGM-FI) technology to further improve fuel efficiency and emissions.

Power Equipment

- Honda has applied cleaner, more efficient 4-stroke engine technology to its complete North American product line and is meeting the new, more stringent California emissions standards for all 50 states.

Green Manufacturing and Purchasing

In fiscal 2006, Honda’s North American production facilities began tracking CO₂ emissions, while continuing efforts to improve energy efficiency, to minimize waste, and to reduce emissions.

CO₂ Emissions

- CO₂ emissions from auto manufacturing increased about 37 percent from FY01 to FY06, due to increased production activity. CO₂ emissions per auto rose 4 percent during the same period, due to the continued in-sourcing of powertrain parts production and other processes, as well as variations in model size.

Purchasing

- In fiscal year 2006, 58 percent of Honda’s North American suppliers achieved ISO14001 third-party certification.

Waste and Emissions Reduction

- Waste to landfill was reduced by 17 percent in fiscal year 2006, as two additional plants, in North Carolina and Georgia, achieved zero waste to landfill.
- Water use per unit of production remained steady in fiscal 2006, total water use increased by about 10 percent due to expansions of production operations.
- VOC emissions were reduced by almost 6 percent in fiscal year 2006, due in large part to the start of operations at a new paint facility at Honda’s Marysville, Ohio, auto plant.

Waste Minimization

- Continued progress was sought in the minimization or elimination of Substances of Concern (SOCs) in Honda products (lead, hexavalent chromium, cadmium, mercury, PBDEs, and PVC).
- Efforts to reduce energy use and waste in Honda facilities received widespread attention in fiscal year 2006. Honda R&D Americas’ Raymond, Ohio, central plant became the second Honda facility in North America to earn LEEDS Gold certification from the U.S. Green Building Council.
- Honda is engaged in numerous projects aimed at further reducing the end-of-life impact of its products, including research into more environmentally friendly treatment of automobile shredder residue (ASR), catalytic converters, and plastic fuel tanks.
The 2006 Honda Environmental Report is printed with soy-based inks on recycled paper containing 100 percent postconsumer waste fiber. The paper is manufactured with wind power and certified by the independent, non-profit U.S.-based Green Seal organization and by the independent, U.K.-based Forest Stewardship Council (FSC). The report is also 100 percent recyclable.

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