

Automobile Business

Odyssey: As a benchmark in the automotive industry, the Odyssey offers an innovative design and class-leading safety. It is equipped with a 210-horsepower, 24-valve, VTEC V-6 engine that meets the Low-Emission Vehicle (LEV) standards for light trucks.



MDX: The revolutionary new MDX luxury SUV is Acura's first in-house designed SUV equipped with a 240-horsepower, 3.5-liter, V-6 engine meeting the 50-state Ultra-Low-Emission Vehicle (ULEV) standards.

During fiscal 2001, Honda achieved record-high automobile sales in all regions other than Europe, with unit sales worldwide increasing 4.3% compared with the previous fiscal year, to 2.58 million units. This increase in unit sales helped offset the negative impact of the yen appreciation on net sales, which amounted to ¥5,231.3 billion (\$42,222 million), an increase of 5.4% from the previous fiscal year. Operating income amounted to ¥320.0 billion (\$2,583 million), decreasing 8.1%, while the operating margin was 6.1%.

During fiscal 2001, in Japan, total industry demand grew 1.6%, to 5.97

million units. Honda's unit sales in Japan for fiscal 2001 increased 9.9% to 776,000 units, and net sales amounted to ¥1,529.4 billion (\$12,344 million), an increase of 9.8% from the previous fiscal year.

Strong sales of the redesigned Civic, the new Stream minivan, and the Life Dunk minivehicle contributed to these results. In particular, average monthly sales of the Stream vastly exceeded the original sales target of 6,000 units, to surpass 10,000 units in sales. For fiscal 2002, the Company anticipates an increase in unit sales to 830,000 units, based on full-year sales

of the Civic, the introduction of the redesigned Step WGN, a brand-new 1.3-liter small car with the new i-DSI (Dual & Sequential Ignition) gasoline engine, as well as the all-new CR-V and Integra.

In North America, even amid fears of a slowdown in the U.S. economy, Honda sold a record-breaking 1,346,000 units in fiscal 2001. Brisk sales of the Odyssey and Acura TL, as well as the introduction of the brand-new Acura MDX SUV, helped improve the Company's model mix and contributed greatly to these results. Net sales increased 7.8%, to



Civic 5-door: The new Civic series are developed based on a concept called "Smart Compact," focusing on maximizing interior space, offering excellent fuel economy and driving comfort, safety and environment-friendly performance.



Civic Coupe: The new Civic Coupe is a 2-door, 5-passenger compact coupe equipped with a 1.7-liter 16V ULEV engine that is lighter, more powerful and fuel efficient.



Civic 4-door: The all-new, 7th-generation Civic series offer sporty new styling, improved engine performance and enhanced safety and environmental features.



Life Dunk: The Life Dunk minivan was introduced in Japan in December 2000. It is the first vehicle equipped with a turbo-charged engine that has been accepted as a low-emission vehicle by the Ministry of Land, Infrastructure and Transport.

¥2,999.4 billion (\$24,209 million). Although U.S. industry demand grew 2.6%, to 17.4 million units during calendar 2000, it is expected to drop to the 16.0 million to 16.5 million unit level in 2001 amid concerns over a continuing economic slowdown. However, the Company expects its North American sales in fiscal 2002 to expand to 1.37 million units, an increase of 1.8%. Anticipating that the light truck market will continue to be a growth area, Honda plans to expand the production capacity at the second production line of the Alliston plant in Canada from 170,000 to 180,000 units to meet the massive demand for the Odyssey and Acura MDX. Further, production of the Odyssey will start in the new plant in Alabama in late 2001.

In Europe, several factors negatively impacted automobile operations during fiscal 2001, including the appreciation of the yen, the weakness of the euro against the sterling pound and pricing pressure in the United Kingdom. Due to this business environment, Honda's automobile unit sales in Europe declined 23.3%, to 191,000 units, and net sales declined 30.8%, to ¥311.2 billion (\$2,512 million).

However, the Company expects unit sales to increase 20.4%, to 230,000 units in fiscal 2002, supported by full-year sales of the redesigned Civic series, including the addition of a model equipped with a 1.7-liter Isuzu diesel engine and the introduction of the Stream, a new "B category" small

car with an all-new i-DSi gasoline engine as well as the all-new, locally produced CR-V.

In the area of production, Honda will strive to improve the capacity utilization ratio at its automobile manufacturing operations in the United Kingdom by integrating the U.K. plant into its Global Product Supply Network, which includes exports of the Civic 3-door to Japan and North America and the CR-V to North America.

In other regions—all regions except Japan, North America, and Europe—Honda's automobile unit sales for fiscal 2001 increased 19.7%, to 267,000 units, mainly due to higher sales in China and other Asian markets. Net sales amounted to ¥391.1 billion (\$3,157 million), an increase of 16.5% from the previous fiscal year.

Since the Asian currency crisis in 1997, Honda has continued to streamline local operations to ensure profitability within a small-scale production volume. These efforts include cost reductions, technology transfers,

human resource development and exports to other regions. These efforts have allowed Honda to enhance its profitability and presence in this region.

In April 2001, the Company added a V-6 version to the Accord series manufactured in China with plans to expand production capacity from 30,000 to 50,000 units annually. The Company expects increases in unit sales in other regions during fiscal 2002, to 280,000 units, an increase of 4.9%.

Honda's worldwide automobile sales for fiscal 2002 are expected to increase 5.0%, to 2.71 million units.

Looking ahead, the Company will pursue the efficient allocation of its production resources worldwide through its Global Product Supply Network, comprising more cost-effective component supply networks and Honda's New Manufacturing System.

