

Review of Operations

MOTORCYCLE BUSINESS



Zoomer: The Zoomer is powered by a quiet, fuel-efficient, low-emission 50cc liquid-cooled 4-stroke engine and features distinctive, playful "naked" styling, extra-wide front and rear tires and dual headlights.

BUSINESS RESULTS

Unit sales of Honda motorcycles, including all-terrain vehicles (ATVs) and personal watercraft (PWC), in fiscal 2002 climbed 19.1%, to 6,095,000 units, buoyed by gains in North and Latin America, as well as in Asia. Segment revenue advanced 17.7%, to ¥947.9 billion (\$7,114 million), while operating income grew 23.3%, to ¥69.6 billion (\$523 million). The operating margin was 7.3%.

JAPAN

Total demand in Japan's motorcycle market during the period under review slipped 5.7%, to 783,000 units. In this environment, flagging sales of commercial-use models counteracted the increase in sales of sport bikes generated by the introduction of

new models. As a consequence, unit sales of Honda motorcycles in the domestic market remained relatively flat, at 404,000.

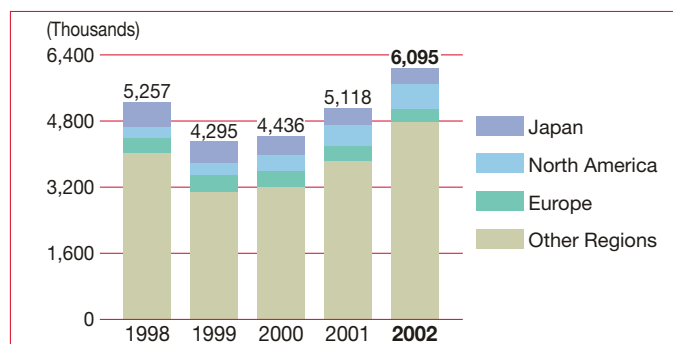
During fiscal 2002, we launched several models designed specifically to appeal to younger consumers, including two scooters—the Zoomer, which features distinctive "naked" styling, and the casually appointed Bite—and the Ape 100, a 100cc sport minibike. We also introduced models aimed at adult consumers, such as a new version of the Silver Wing large scooter mounted with a 600cc engine and the VFR, a super sport touring model.

To reinforce our motorcycle business in Japan, we established a new sales company, Honda Motorcycle Japan Co., Ltd. (HMJ), which combines all domestic motorcycle sales functions and supervises the overall motorcycle operations. Created through the integration of three wholesale companies, HMJ also assumed

UNIT SALES

Years ended March 31

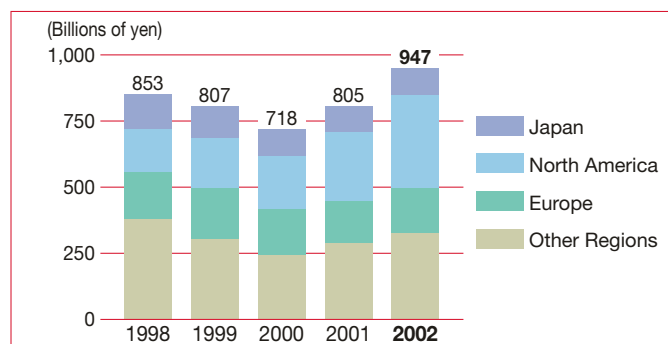
	Thousands		% change (2002/2001)
	2001	2002	
Japan	407	404	(0.7)%
North America	519	590	13.7
Europe	341	315	(7.6)
Other Regions	3,851	4,786	24.3
Total	5,118	6,095	19.1%



NET SALES

Years ended March 31

	Millions of yen		% change (2002/2001)
	2001	2002	
Japan	¥ 97,016	¥101,587	4.7%
North America	259,688	348,832	34.3
Europe	157,300	172,378	9.6
Other Regions	291,300	325,103	11.6
Total	¥805,340	¥947,900	17.7%





Silver Wing 600: A large scooter that boasts outstanding comfort, abundant storage space and a powerful performance suited to city riding and long-distance touring, the Silver Wing 600 has earned rave reviews from all age groups.



Ape 100: Equipped with a 5-speed transmission and air-cooled 4-stroke OHC single-cylinder engine, the Ape 100 is a sport minibike that delivers the handling and control enjoyment associated with larger motorcycles.



FourTrax Foreman ES: A high-performance, dependable 4-wheeled ATV, the FourTrax Foreman ES is as suited to farm or ranch work as it is to sports and leisure. This ATV is manufactured in the United States at Honda's factories in Ohio and South Carolina.

the product planning and marketing functions of headquarters and the motorcycle sales support functions of related divisions. This combination enables HMJ to oversee market-oriented product planning and sales activities from a vantage point close to the market, enhancing the efficiency of operations and increasing customer satisfaction.

NORTH AMERICA

Unit sales of motorcycles in fiscal 2002 in North America climbed 13.7%, to 590,000, reflecting gains in the touring, custom and off-road categories. We recorded brisk sales of locally manufactured, large-displacement models, notably the Gold Wing GL1800 touring bike and the VTX 1800 custom classic, as well as motocross bikes and the XR50R off-road bike for children. We also launched the AquaTrax F-12 and AquaTrax F-12X, our first models in the PWC category.

EUROPE

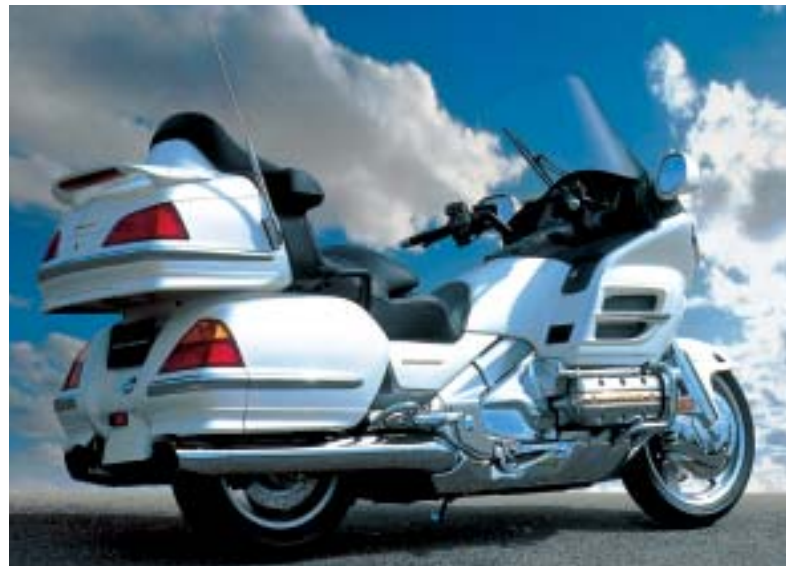
Reflecting sluggish economic conditions and currency fluctuations, total market demand for motorcycles in Europe shrank in fiscal 2002 after seven consecutive years of growth. In this environment, unit sales of Honda motorcycles in the region slipped 7.6%, to 315,000. In Italy, the largest market for small scooters in Europe, tighter environmental and helmet regulations and higher insurance premiums accelerated a shift in scooter demand to models with 125cc or higher displacements. In Spain, demand was hampered by an increase in the value-added tax (VAT) on 50cc scooters. We responded by accelerating marketing efforts for the CBR600F and CBR900RR super sport bikes. We also sought to further stimulate demand by introducing two locally built 125cc and 150cc scooters, the SH125 and SH150.

Gold Wing: Standing at the top of Honda's motorcycle lineup, the Gold Wing touring bike is mounted with a liquid-cooled, 4-stroke, horizontally opposed six-cylinder 1,800cc engine. The Gold Wing is manufactured at Honda's motorcycle factory in Ohio, the United States.

OTHER REGIONS

Other regions comprise Asia, Oceania, Latin America, the Middle East and Africa. A strong performance in Asia spurred a 24.3% increase in unit sales of Honda motorcycles in other regions, to 4,786,000. Gains in Asia were largely attributable to a number of new models, such as the M-LIVING, an affordably priced 125cc commuter bike launched in China; the Wave 125, a fuel-efficient motorcycle with a 4-stroke engine offered in Thailand; and the Wave α , an inexpensive, family-oriented motorcycle launched in Vietnam that uses locally sourced parts, as well as those sourced from China and other regions of Asia. Sales in this geographical category were also bolstered by firm sales of the XR250 Tornado on-road/off-road bike, launched in Latin America in the summer of 2001.

In addition to stepping up marketing efforts in Asia, we also took action to expand our production and sales network to capitalize on rapidly rising demand. During the period, we established joint venture Sundiro Honda Motorcycle Co., Ltd., to manufacture and market motorcycles in China, the world's largest market for these vehicles. In November, Sundiro Honda Motorcycle began producing the M-LIVING motorcycle. Also, we established a new subsidiary, Honda Motorcycle R&D China Co., Ltd., in Shanghai.





VFR: Featuring sharp and handsome elegance and a V-4 engine incorporating Honda's VTEC technology, the VFR (Interceptor in North America) offers excellent riding control and an environmental performance that easily clears the strictest global standards.



AquaTrax F-12: One of Honda's first two models in the PWC category, both sold in the United States, the AquaTrax F-12 features an all-new 16-valve 4-stroke engine and delivers the perfect balance of power, comfort and affordability.



Wave alpha: A fashionable and affordable Cub-type family-oriented motorcycle, the Wave alpha is manufactured in Vietnam using locally sourced parts and parts procured through Honda's Global Supply Network.

The new company, which is scheduled to start operations in April 2003, will work closely with our three Chinese motorcycle joint ventures to facilitate expansion of our operations in this crucial market. In India—the world's second-largest motorcycle market—we commenced operations at a new plant for motorcycle manufacturing subsidiary Honda Motorcycle & Scooter India (Private) Limited (HMSI). HMSI will increase its annual production capacity to 250,000 units in fiscal 2003, from 120,000 at present.

OUTLOOK

We forecast a 29.3% increase in unit sales in our worldwide motorcycle business in fiscal 2003, to 7,880,000. We will continue to stimulate demand in Japan by introducing new concept models. Keeping the needs of increasingly price-conscious customers in mind, we will commence imports and sales of affordably priced scooters from Sundiro Honda Motorcycle in China. As a consequence, we forecast a 6.4% increase in unit sales of Honda motorcycles in Japan, to 430,000.

In North America, demand for motorcycles, including ATVs, is expected to continue expanding. The successful start-up of the 50cc scooter, the Metropolitan, launched in April 2002, bodes well for sales in the scooter market. We anticipate a 6.8% increase in unit sales in the region, to 630,000.

Although market conditions in Europe are likely to remain harsh, we will strive to support sales by enhancing the appeal of existing models, adding exciting new offerings and realigning our sales networks. In this environment, we project a 1.6% increase in unit sales of Honda motorcycles, to 320,000.

In other regions, we expect unit sales to climb 35.8%, to 6,500,000. In Asia, we will continue to reinforce competitiveness by promoting the complementary supply of parts among our manufacturing facilities. This will enable us to build a regional production network capable of generating high-quality, environment-friendly and affordably priced motorcycles.



CB900 Hornet: A slick, responsive sport bike with a lightweight, compact frame and a liquid-cooled, 4-stroke 918cc DOHC inline four-cylinder engine.

AUTOMOBILE BUSINESS



Fit: An exciting new subcompact car built on Honda's global small platform with a newly developed 1.3-liter i-DSI engine, the Fit achieves a spacious interior, innovative styling and outstanding fuel economy.

BUSINESS RESULTS

Brisk sales of automobiles in Japan and the United States in fiscal 2002 supported a 3.3% increase in unit sales worldwide, to 2,666,000. Growth in unit sales and the positive impact of a weaker yen pushed segment revenue up 13.4% from the previous fiscal year, to ¥5,929.7 billion (\$44,501 million). Operating income soared 62.6%, to ¥520.5 billion (\$3,906 million). Accordingly, the operating margin was 8.8%.

JAPAN

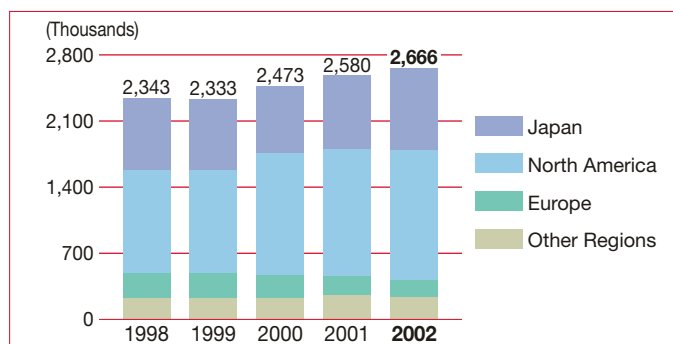
Although total industry demand in Japan edged down, to 5.82 million units, unit sales of Honda vehicles rose 13.1%, to 878,000,

mainly attributable to firm sales of the popular Step Wagon and Stream minivans, as well as the introduction of the Fit, a new subcompact car, and the all-new Mobilio, a 7-passenger compact minivan. Sales of the Life and Vamos minivehicles and the That's, a new style of minivehicle, also enjoyed a favorable response from consumers. Reflecting strong sales of the Fit, Step Wagon and Stream through our three dealer channels in Japan—Primo, Clio and Verno—Honda automobiles, including imports, accounted for over 15% of overall domestic automobile sales.

UNIT SALES

Years ended March 31

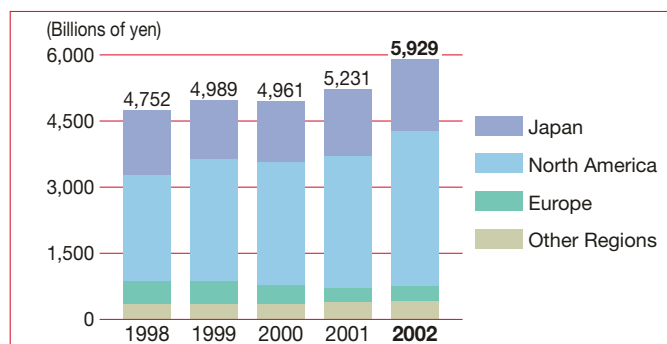
	Thousands		% change (2002/2001)
	2001	2002	
Japan	776	878	13.1%
North America	1,346	1,368	1.6
Europe	191	176	(7.9)
Other Regions	267	244	(8.6)
Total	2,580	2,666	3.3%



NET SALES

Years ended March 31

	Millions of yen		% change (2002/2001)
	2001	2002	
Japan	¥1,529,428	¥1,654,238	8.2%
North America	2,999,478	3,529,560	17.7
Europe	311,295	336,844	8.2
Other Regions	391,125	409,100	4.6
Total	¥5,231,326	¥5,929,742	13.4%





Civic 5-door: The Civic 5-door was designed to maximize interior space and deliver excellent driving comfort and safety and an environment-friendly performance.



Mobilio: A compact 7-passenger minivan with futuristic styling and a newly developed 1.5-liter i-DSI engine in a compact, 4-meter-long body. The Mobilio's nimble driving performance is matched by impressive fuel economy.



Acura RSX: The Acura RSX is an exciting coupe that blends leading-edge performance and innovative design and is mounted with a 16-valve 2.0-liter DOHC i-VTEC engine that produces an impressive 160 horsepower.



Accord: Roomy, luxurious and built for comfort, the Accord sedan continues to set the standard for cars in its class. The Accord is currently manufactured in 10 countries in Asia, North America and Latin America, as well as in Japan, and sold in approximately 140 countries.

NORTH AMERICA

Total U.S. automobile industry sales remained fairly level with the previous year, at 17.1 million units for calendar year 2001. Brisk sales of the Canadian-made Acura MDX luxury SUV, as well as healthy shipments of the redesigned CR-V, the Acura RSX, which was launched in July, and the Civic led to a 1.6% increase in unit sales in North America, to a new record of 1,368,000. In response to a sharp climb in demand in North America for the Odyssey minivan, we commenced production of this model at Honda Manufacturing of Alabama, LLC (HMA), our new plant in Lincoln, Alabama, which began operating in November 2001, well ahead of the original schedule. In addition to the Odyssey, HMA produces the V-6 engines that are installed in the car. With its annual production capacity slated to reach 150,000 units in late 2002, HMA is expected to significantly enhance our presence in the North American light truck market, as well as boost our regional automobile production capacity to 1,220,000 units.

EUROPE

In Europe, the positive effects of the launch of new models in the auto industry, as well as growing demand for diesel-powered automobiles, were not sufficient to offset slowing economic conditions. Honda's automobile unit sales were hampered mainly because of lower sales of the Accord and the HR-V SUV. As a consequence, despite steady gains in the second half—reflecting the introduction of the new Jazz, known as the Fit in Japan—a weaker performance in the first half prompted a 7.9% decline in unit sales in the region, to 176,000.

During fiscal 2002, our U.K. manufacturing subsidiary Honda of the U.K. Manufacturing Ltd. (HUM) completed its second automobile plant, where it began production of the Civic 5-door series. As a result, our automobile production capacity in the United Kingdom rose to 250,000 units. HUM's lineup also includes the Civic 3-door, which is sold in Europe and, from fiscal 2002, exported to Japan and North America. In April 2002, we also commenced exports of the redesigned CR-V from the plant to North America. Also during the period, the plant started production of a new Civic for the European market mounted with a 1.7-liter diesel engine from Isuzu Motors Limited, in a bid to expand sales in the region and ensure a high capacity utilization rate at HUM.

OTHER REGIONS

Combined unit sales in other regions slipped 8.6%, to 244,000, as declines in Taiwan and Australia countered solid gains in China. During the period, we took decisive steps to expand operations in this geographical segment, including the addition of a V-6 version to our Accord lineup in China and the launch of the Accord in India—our second model in that country, joining the City—and the Stream in Indonesia. In Malaysia, newly established automobile manufacturing and distribution joint venture DRB-Oriental-Honda Sdn. Bhd. commenced construction of a new automobile plant. In Indonesia, manufacturing and distribution joint venture P.T. Honda Prospect Motor also began building an automobile plant, near Jakarta. These new plants are scheduled to come on line in the early part of calendar 2003.



Odyssey: Mounted with a 3.5-liter V-6 engine, the Odyssey is a high-end minivan combining the driving performance of a luxury sedan with a roomy interior; an ideal family vehicle.



CR-V: The CR-V combines an agile chassis and a powerful 2-liter DOHC i-VTEC engine, bringing together the comfort of a passenger car with the performance of an SUV to create its own market niche.



Jazz: The European version of the Fit, the Jazz is equipped with a newly developed 1.4-liter i-DSI engine, enabling it to offer the top fuel economy of any vehicle in its class.

OUTLOOK

Our current forecast for Honda's overall automobile unit sales is for a 7.3% increase, to 2,860,000. We anticipate a challenging environment in Japan throughout fiscal 2003. Nonetheless, we believe that efforts to cultivate new markets through the launch of new subcompact cars will sustain growth. With this in mind, we forecast domestic unit sales of 920,000, up 4.8%.

In North America, we will step up output of the Odyssey. In June 2002, we started sales of the highly anticipated new Pilot SUV, produced on the No. 2 line at Honda of Canada Mfg., Inc. (HCM), and will start production of the Element new concept model in late 2002, at the East Liberty plant of Honda of America Mfg., Inc., in Ohio, which will strengthen our model lineup. Further, we will launch a fully redesigned Accord in the fall. Thanks to these efforts, we anticipate unit sales of 1,490,000, up 8.9%.

In Europe, we will continue assertive marketing efforts for the Jazz and the Civic 5-door series, including the diesel version, along with exports of between 50,000 and 60,000 CR-Vs and approximately 15,000 Civic 3-doors to North America to enhance production capacity utilization. We forecast unit sales in the European market of 190,000, up 8.0%.

In other regions, we expect unit sales to advance 6.6%, to 260,000. Growth in the Chinese market is expected to necessitate the expansion of our local automobile production capacity to 120,000 units, from the current 50,000, by fiscal 2003 year-end. As part of our drive to build a Global Supply Network for finished automobiles, we will expand capacity in Thailand and begin producing a new subcompact car with a view to commencing exports to Japan within fiscal 2003. With the start of production at new plants in Malaysia and Indonesia, we will work to reinforce our operating foundation in Asia and establish a more competitive cost structure by increasing the use of locally sourced parts. We also plan to start manufacturing and distributing a new subcompact car in Brazil.



Stream: The Stream is a practical yet stylish minivan with a compact body, spacious interior that can accommodate up to seven adults and sporty, powerful performance.

OTHERS



GX25 general-purpose engine



HS1390i hybrid snowblower



FG201 Puchina compact tiller



BF225 outboard engine

This segment encompasses all businesses not directly related to automobile or motorcycle operations, and includes revenue from sales of power products and related components, as well as from finance, leisure and trading businesses. In fiscal 2002, increases in revenue from the financial services business and the impact of currency translation adjustments contributed to a 13.5% increase in overall segment revenue, to ¥484.7 billion (\$3,638 million).

POWER PRODUCTS

Unit sales of power products rose 1.1%, to 3,926,000. This improvement was primarily attributable to solid gains in North America. During the period, we introduced a number of new products—including 4-stroke overhead cam (OHC) general-purpose engines, 4-stroke outboard engines, high-output inverter-equipped generators and a hybrid snowblower—in major overseas markets. In Japan, we commenced production at the Hosoe Plant, a new outboard engine plant at the Hamamatsu Factory.

In North America, firm sales of general-purpose engines and lawnmowers boosted unit sales of power products 13.4%, to 1,601,000. Unit sales of power products fell 20.3%, to 1,012,000, in Europe, and 13.0%, to 904,000, in other regions, owing chiefly to lower sales of general-purpose engines.

In fiscal 2003, we intend to introduce a number of new general-purpose engines and to commence production of these engines in China, positioning us well to respond to rising demand. In this environment, we expect overall unit sales of power products to increase 18.7%, to 4,660,000.

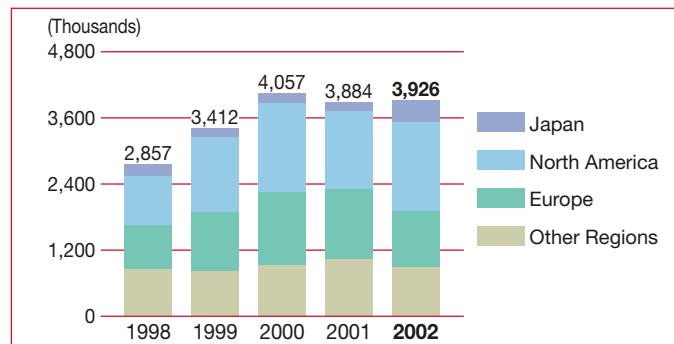
FINANCIAL SERVICES

Through a number of financial services subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany and Brazil, our financial services business supports sales activities by providing various services to dealers and customers. Revenue from financial services, including intersegment sales, in fiscal 2002 advanced 18.9%, to ¥209.3 billion (\$1,571 million), thanks mainly to the effects of favorable automobile sales in North America. In May 2002, we announced plans to reinforce our financing business in Japan by integrating our three existing financing companies—involved in equipment leasing and cash loans, car leasing and the credit business—to form a new company, Honda Finance Co., Ltd. The new company, which will commence operations on July 1, 2002, will enable us to improve capital efficiency and procure low-cost funding, which in turn will allow us to offer more competitive financial services.

POWER PRODUCT UNIT SALES

Years ended March 31

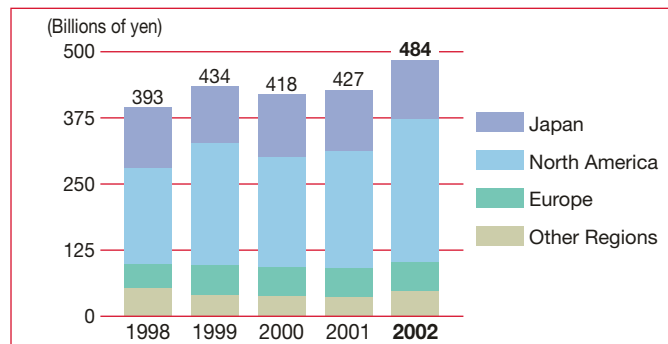
	Thousands		% change (2002/2001)
	2001	2002	
Japan	164	409	149.4%
North America	1,412	1,601	13.4
Europe	1,269	1,012	(20.3)
Other Regions	1,039	904	(13.0)
Total	3,884	3,926	1.1%



NET SALES

Years ended March 31

	Millions of yen		% change (2002/2001)
	2001	2002	
Japan	¥113,896	¥112,921	(0.9)%
North America	222,638	269,535	21.1
Europe	53,135	54,330	2.2
Other Regions	37,531	48,010	27.9
Total	¥427,200	¥484,796	13.5%



Note: From fiscal 2002, owing to changes in transaction formats and contract terms, sales of some power products that were previously recorded as overseas sales are now recorded as sales in Japan.