

Remarks for K. Amemiya
Business Information Meeting -- May 2002

Thank you, Mr. Aoki. And good afternoon everyone. Thank you very much for joining us for this Honda business information meeting today.

Considering the events of the past year, at Honda, we feel fortunate to have achieved record financial results in last fiscal year -- with our strong product lineups leading to new sales records in Japan and North America. Today, I would like to quickly review our global business in our major regions.

On a global basis, we set a record high with total sales of 12.7 million units for our three product divisions. This includes sales of 6 million motorcycles, 2.6 million automobiles and 3.9 million power products. For this fiscal year, we established an even more challenging sales target of more than 15 million products. This would mean record high financial results for the second consecutive year, as Mr. Aoki explained.

Now, let me take a brief look at the progress of our major business by region. First, automobile operations in Japan. Industry demand for automobiles last year remained flat -- at below the 6 million unit level. Yet, we saw a significant shift in new car buyer preference to minivans and multi-purpose vehicles. We anticipate this trend to continue.

As a result of a series of strong new models targeted for these growing market segments, Honda's market share in Japan increased to 15 percent.

Our automobile unit sales grew 13.1 percent to 878 thousand units. This was led by strong sales of our minivans including Step Wagon, Stream and by the success of the new small car -- Fit -- introduced in June of last year, which was named "car of the year" in Japan.

Our sales in Japan have now increased for three consecutive years to reach this current record level.

As a result, our production volume in Japan has increased by 6.6 percent to 1.31 million units. And, of course, the increased volume accelerated cost reduction.

In this fiscal year, the auto market is projected to remain at the same level as the last fiscal year. To maintain growth in Japan under such circumstances, we will introduce new models including the new Accord. We are also increasing the number of sales outlets – especially in urban areas.

Turning to North America, thanks to our competitive Honda and Acura line-ups, auto sales achieved a record high for the sixth straight year – topping 1.36 million units for the fiscal year. In the U.S., Acura broke a ten-year-old divisional sales record. And we were very proud that the Accord was the best-selling car for the first time in ten years -- despite competing against several all-new models. This really demonstrates the value of Honda's high brand image in the U.S.

For this calendar year, we anticipate U.S. industry demand of about 16 million units. As Tom will explain in a moment, we will continue to focus our new model launches on the high-growth light truck segment. This includes the Honda Pilot, which goes on sales in just a few days, and the Honda Element, a trendy new model for younger buyers. But at the same time, we remain committed to the passenger car market with plans to introduce an all-new Accord in this fall.

Due to the high demand for our light truck segment vehicles, we have been facing a short supply issue for a while. This fall the production volume of Odyssey at our Alabama plant will reach its full capacity of 150-thousand units. This will enable us to increase production of the MDX and Pilot in Canada so that we are able to increase our sales of these models in line with the strong demand. As a result, our auto business in North America is expected to remain the largest contributor to earnings in this fiscal year.

Further, in accordance with the launch of the new Accord, we are introducing our New Manufacturing System at the Marysville Auto Plant in Ohio. This will further improve flexibility to adjust production capacity with changes in demand.

Another highlight for this fiscal year is the remarkable growth of our motorcycle business in Asia, especially in India, Indonesia, China and Vietnam.

Our motorcycle operations are a very important business element for Honda's sustained growth and I would like to take a minute to discuss our perspective

on the possibilities of the Asian motorcycle market.

Motorcycles remain a dominant mode of transportation in Asian countries. This is in part due to the fact that mass transit systems are not available in both urban and suburban areas. Further, most people cannot yet afford to buy automobiles in these countries.

Unlike in advanced markets, in developing nations, motorcycles are used by all kinds of people. So, we are now introducing product types that are easy to ride and durable, yet are available at a reasonable price.

The Asian motorcycle market expanded rapidly through the mid-'90s, together with economic growth in the region. But the market shrank after the recession that began in '97. Beginning in 2000, the market bounced back in line with the economic recovery of the region.

In the meantime, we faced a new challenge in counterfeit models made in China. The prices of those models are more than 50 percent cheaper than our original models. Even though this represented a challenging situation, Honda has maintained a high market share, with the goal of achieving more than 40 percent in the coming years.

In India, we sold 1.47 million units last year through subsidiary and joint venture company, an increase of 43.8 percent.

In this fiscal year, we plan to expand our sales to more than 1.8 million units by introducing a new scooter model from our subsidiary. The total market in India is estimated to grow to more than 6 million units within a decade and we are trying to obtain more than half of this market.

In Indonesia, due to strong sales of our new model, "Legenda", we expanded our sales to 1.07 million units, an increase of 89.5 percent. This fiscal year, our sales target is 1.5 million units, which would represent more than 60 percent of the market. In coming years, we would like to achieve market share up to 70 percent by offering inexpensive, but high quality motorcycles.

In Vietnam, our sales last year were 200,000 units. However for this fiscal year, we expect dramatic growth by 250%, thanks to successful sales of new,

inexpensive model, which uses highly competitive components from China. We will catch up with the expanded markets, resulting in a continuous growth in our market share in this region.

In China, we successfully started operation of our new joint venture company last year. With this new operation, we are now able to supply products at even more competitive prices. Last fiscal year, we sold 300 thousand. But we intend to acquire favorable market share as we foresee the market expanding to around 14 million units. With such huge demand expected in the future, we are now preparing this operation to serve as a key supply base for the entire Asian region.

Turning to our auto business in Asia, we will continue to strengthen our business base by increasing the number of plants and local production volume.

In China, expecting continuous growth of auto sales, we are increasing annual production capacity at our auto plant to 120,000 units during this fiscal year. And we recently began production and sales of our second model, the Odyssey -- based on the Japanese version.

In Malaysia, we will start production of the CR-V within this fiscal year. In Indonesia, a new auto plant is now under construction with plans to produce the Stream model next spring.

Further, we will enhance the function and responsibility of our Asian operations to serve as export hubs for products, components and transmissions to our global operations. As one example, exports of a new Thai-made small car to Japan will start within this fiscal year.

Now, turning to Europe, we improved our financial results by increasing auto production in the United Kingdom thanks to increased Civic sales. During this fiscal year, export of the U.K.-built CR-V to North America, the Civic 3-door to North America and Japan, and the introduction of the Civic diesel model will further increase the local production.

More importantly, our April retail sales in Europe have increased about 13 percent, compared to the previous year, thanks to the new Jazz, Civic and new CR-V.

Civic models with diesel engines also were recently launched. These new models will maintain our sales momentum in this competitive market place. Thus, we believe our European business will be further improved.

Finally, in the past, we have discussed Honda's commitment to enhancing our competitiveness and maintaining our independence through efforts to improve speed, efficiency, and flexibility. And even more we are committed to making Honda as an entity that society will want to exist. In order to materialize this commitment, we always pursue our goal to create new values for our customers and, of course, our shareholders.

In this context, we will propose a plan to buy back Honda common shares at our annual shareholders meeting next month in Japan. Subject to the resolution, we will buy back up to 20 million shares or a value equal to 100 billion yen.

We also decided to increase our dividend from 23 yen to 28 yen per share for the last fiscal period, and are planning to raise the dividend up to 32 yen for the subsequent period,

By combining the buy back plan and the increased dividend, we hope we can meet the expectations of our shareholders.

Thank you very much.