

Remarks for S. Aoki
Business Information Meeting -- May 2002

Good afternoon everyone. It's good to see you again.

In my presentation today, I will first briefly review Honda's financial results for the fiscal year 2002. Then, I will overview our current business segments and conclude with our financial forecast for fiscal 2003.

<Fiscal Year 2002>

Looking at our financial results, we sold 12.7 million motorcycles, automobiles and power products – a new record high.

As a result, this helped push net sales, operating income, income before income taxes and net income to record highs at a double digit ratio. Also our EPS improved to 372.23 yen which was also a new record high.

Now let me review our business operations by segment.

<Motorcycles>

First, motorcycle business for the fiscal year, total unit sales increased 19.1 percent, to 6.1 million units mainly due to higher sales in Asian markets outside of Japan and Latin America, or more specifically, in Brazil.

Net sales of Honda's motorcycle business increased 17.7 percent, to 947.9 billion yen, and operating income totaled 69.7 billion yen, an increase of 23.4 percent. Operating margin improved by 0.3 points to 7.3 percent compared to the previous fiscal year. Such remarkable growth in motorcycle business can be attributed to our Asian markets.

Mr. Amemiya will review our motorcycle operations in more detail later.

<Automobiles>

Turning now to our automobile business, total unit sales during the fiscal year were 2.7 million units, a 3.3 percent increase from the same period last year. This was a result of higher sales in Japan and North America.

Net sales totaled 5 trillion, 929 billion yen, up 13.4 percent and operating income was 520.5 billion yen, up 62.6 percent. Operating margin improved by 2.7 points to 8.8 percent.

Reviewing our automobile business by regions, first in Japan, sales of the Fit small car, Step Wagon and the Stream minivan were very strong and increased Japanese sales to a record 878 thousand units, up 13.1 percent.

In North America, total sales increased to 1.37 million units – a new fiscal year record – due to higher sales of light truck vehicles and our best seller “Accord.”

In Europe, Civic sales are higher, capacity utilization increased at our U.K. plants and the brand new Jazz model was introduced late last year. However, due to weak sales of the Accord and the HR-V, total sales declined 7.9 percent to 176,000 units.

Now, looking at the “Other” region, sales in both Thailand and China were very strong. However, sales declined in Taiwan and Australia, lowering Honda’s total unit sales in Other region to 244,000 units, a drop of 8.6 percent from last fiscal year.

<Other businesses>

Turning to Other Businesses, in our power product segment, due to increased sales of general-purpose engines and lawn mowers in North America, worldwide sales increased by 1.1 percent to 3.9 million units.

Net sales increased 11 percent to 293.8 billion yen, and operating income was 4 billion yen, due to increased sales in Power Product business in North America. And operating margin improved to 1.4 percent.

<Financial businesses>

As for our financial services, net sales increased 18.9 percent to 209.3 billion yen due to higher auto sales in North America. Operating income increased to 45 billion yen and operating margin increased to 21.5 percent.

<Selected major indexes>

Now, let me show you some of our financial indexes. Reflecting improvements in our profitability, Return on Equity increased 3.9 points to 15.1 percent and Return on Assets surged by 1.4 points to 8.7 percent. In addition, ROA excluding our financial services improved by 2.3 points to 11.3 percent

<Forecast>

Finally, we would like to share our financial forecast for the current fiscal year ending March 2003.

Unit sales of motorcycles are expected to increase to a total of 7.88 million units, automobiles to 2.86 million units and power products to 4.66 million units. This means a grand total of 15.4 million units.

Based on these sales targets, as you can see, we project net sales to increase to 8.1 trillion yen, operating income to 720 billion yen, income before income taxes to 700 billion yen and net income to 460 billion yen. Earnings per share should reach 472.08 yen. In short, we target to post record highs for a second consecutive year.

Here, you can see the analysis of the positive and negative factors for operating income.

1. We expect changes in revenue and model mix to be the largest positive factors, rising to 101.9 billion yen.
2. Looking at cost reduction, we expect a positive impact totaling 63 billion yen. This 63 billion yen includes 25 billion yen in cost reductions related to the New Manufacturing System.
3. Negative factors include an increase in SG&A expenses which will amount to 63.7 billion yen,
4. and an increase in R&D expenses, which will total 22.8 billion yen.
5. Currency effects will be 2.3 billion yen on the positive side in operating income.

For the fiscal year 2003, we expect a significant contribution from the changes in revenue and model mix and I would like to explain the major factors for this increase.

- One large contribution will be the increased sales due to our new light truck plant in Alabama, with near capacity production of 140,000 units in this fiscal year.
- and increased sales of light truck models will lead us to a better product mix in

North America.

- In the second half of the fiscal year, the introduction of an all-new Accord will contribute to the reduction of incentives in North America.
- In Europe, increased production from the current 130,000 units to 185,000 units will contribute positively.
- Also in Asia, we expect increased motorcycle sales from 4.05 million units to 5.68 million units which will make a positive contribution.

Exchange rates are projected at 125 yen to the U.S. dollar and 110 yen to the euro, meaning the depreciation of the yen by 3 yen and 4 yen, respectively, compared to the previous fiscal year.

Let me wrap up our forecast by saying that the largest part of Honda's profit growth in this fiscal period comes from sustainable growth in the automobile and motorcycle operations in our key markets. Our continued efforts to enhance competitiveness and advancement will allow us to accomplish robust financial performance.

In closing we appreciate your continued support as always. In the meantime we will try our best to respond to or even exceed expectations from our investors as well as our customers. Thank you very much and now I would like to introduce Executive Vice President of the Company -- Mr. Koichi Amemiya.

Thank you.