

OVERVIEW

Net sales

Honda's consolidated net sales and other operating revenue for fiscal 1998, ended March 31, 1998, was at an all-time high, totaling ¥5,999.7 billion, a 13.3% increase from the previous fiscal year. This rise in revenue resulted primarily from higher unit sales of automobiles in North America and Europe. In addition, the depreciation of the yen positively affected revenue.

Operating income

Consolidated operating income for the year grew 15.2%, amounting to ¥462.3 billion. In addition to higher revenue as a result of growth in automobile sales in the North America and Europe, Honda's ongoing cost reduction efforts, combined with the positive impact of currency exchange rates, more than offset increased selling, general and administrative (SG&A) expenses and research and development (R&D) expenses.

SG&A expenses

SG&A expenses for the year amounted to ¥1,108.5 billion, a 17.6% increase compared with the previous year. Automobile-related selling expenses, such as market support expenses and advertisement expenses for such newly introduced models as the Life and the Accord series in Japan as well as higher transport costs due to strong export sales led to this expansion. Although the ratio of SG&A expenses as a percentage of net sales was 18.4%, 0.6 percentage point higher than that for fiscal 1997, it remained manageable.

R&D expenses

The aim of Honda's technical research and development (R&D) activities is to create, through the application of the latest technologies, products that possess both individuality and international competitiveness. For this purpose, Honda has maintained its R&D functions as separate entities to enable its engineers to perform their activities independently. These entities are wholly owned subsidiaries of the Company and engage in R&D activities near their respective regions. Honda's general policy toward R&D spending is to allocate approximately 5% of its consolidated revenue each year. R&D expenses for fiscal 1998 totaled ¥285.8 billion, up 13.8% from fiscal 1997. The ratio of R&D expenses to net sales was 4.8% for the fiscal year. This result was due primarily to higher spending on the enhancement of Honda's automobile lineup worldwide.

Other income

Other income decreased 37.9% compared to the previous fiscal year, to ¥16.9 billion.

The Company's consolidated income statement data for fiscal 1997, ended March 31, 1997, included a pretax gain of ¥10.4 billion and an after-tax gain of ¥5.0 billion on the nonmonetary exchange of common shares of The Bank of Tokyo, Ltd. (BOT), held by Honda for common shares of The Bank of Tokyo-Mitsubishi, Ltd.

Income before income taxes

Consolidated income before income taxes and equity in income of affiliates amounted to ¥443.3 billion, a 13.5% increase from the previous year. Higher operating income, combined with an improved financial balance (net financial/ interest gains/expenses), resulted in the increase.

Equity in income of affiliates

Equity in income of affiliates amounted to ¥18.5 billion, down 4.8% from the previous year. Despite growth of production in Japan, lower sales at Honda's affiliates operating in Southeast Asia negatively affected equity.

Net income

Net income for the year totaled ¥260.6 billion, a 17.8% jump from the previous year. The effective tax rate for the year was 45.4%, 3.0 percentage points lower than the previous year. This decline was attributable to improvements in Honda's subsidiaries overseas, where relatively low tax rates are applied. The Company's consolidated net income for the fiscal year ended March 31, 1998, included a gain of ¥10.6 billion due to the enactment of an income tax rate change in Japan. Basic net income per common share for the year amounted to ¥267.49 (\$2.02), and diluted net income per share totaled ¥267.45 (\$2.02), compared with ¥227.00 and ¥226.97, respectively, for the preceding year. Each American share represents two common shares.

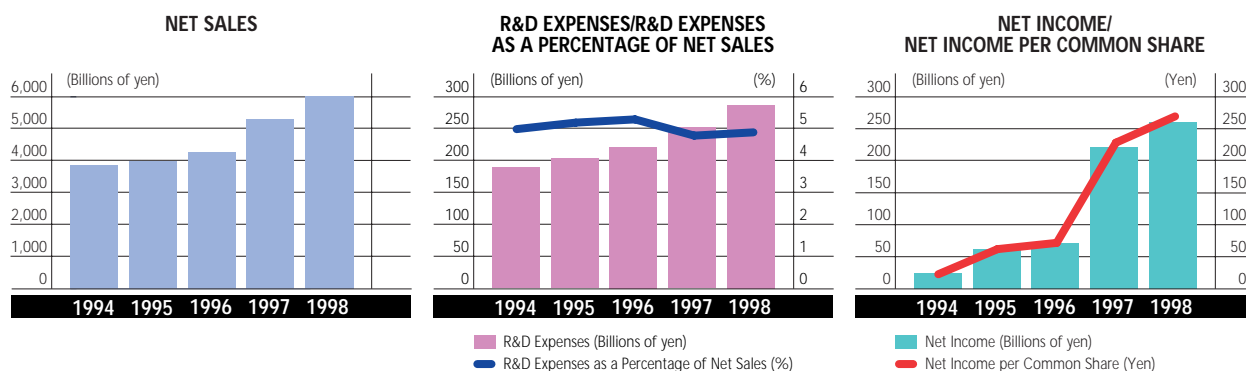
FINANCIAL POSITION

Cash flows

Net cash provided by operating activities for fiscal 1998 amounted to ¥474.4 billion, due mainly to the rise in net income that was generated by higher unit sales of automobiles in North America and Europe, accompanied by increases in such liabilities as trade payables and a decrease in income taxes.

Net cash used in investing activities amounted to ¥662.6 billion, principally resulting from increases in capital expenditures and acquisitions of finance subsidiaries-receivables.

Net cash provided by financing activities amounted to ¥162.5 billion, mainly reflecting the increase in short-term loans and higher proceeds from long-term debt.



As a result of the aforementioned activities, the net decrease in cash and cash equivalents amounted to ¥21.8 billion, and total cash and cash equivalents at fiscal year-end were ¥337.2 billion.

Capital expenditures

Capital expenditures for fiscal 1998 surged 42.1% compared with the previous fiscal year, to ¥309.5 billion, owing primarily to new production and R&D facilities at the parent company; equipment for new model production at HUM; new minivan production facilities in Canada; new automobile plants in Brazil, India, and Turkey; and spending for facilities related to our new-concept motoring world, Twin Ring Motegi.

In fiscal 1999, greater expenditures on R&D facilities at the parent company—to improve production efficiency—are projected. However, owing mainly to the completion of major spending on overseas production facilities, total spending for fiscal 1999 is estimated to fall 19.2% from the previous year, to ¥250 billion.

Working capital

Working capital for fiscal 1998 was ¥84.6 billion, down ¥67.9 billion, or 44.5%, from the previous fiscal year-end. This decrease is attributable primarily to a rise in finance subsidiaries—receivables, net, and growth in currency translation adjustments caused by the depreciation of the yen against major foreign currencies. The current ratio at year-end was 103.8%, down 4.6 percentage points from the previous fiscal year-end.

Stockholders' equity

Total stockholders' equity at fiscal year-end amounted to ¥1,607.9 billion, an increase of ¥219.4 billion, or 15.8%, from the previous fiscal year-end.

Stockholders' equity ratio

The stockholders' equity ratio for fiscal 1998 rose 0.3 percentage point, to 33.4%, and is expected to continue to show improvement in the coming years.

SEGMENT INFORMATION

The following business segment information has been prepared according to a Ministerial Ordinance under the Securities and Exchange Law of Japan, which requires certain additional information to be disclosed, including business and geographical segment information.

Business segment

Reviewing the year by business segment, operating income increased in every segment.

Honda's overall automobile sales on a unit basis totaled 2,343,000 units, 7.3% higher than the previous year. Honda has exceeded the two-million-unit mark for two consecutive years.

Improved sales in major automobile markets, particularly in North America and Europe, made a significant contribution to this increase. The fully redesigned Accord in the United States and the CR-V were major contributors to this growth. Net sales for the year expanded 12.4%, to ¥4,752.4 billion.

Operating income in the automobile business amounted to ¥320.4 billion, a 10.6% climb from the previous fiscal year. Owing primarily to sales increases and Honda's cost-cutting efforts over the past few years, operating income as a percentage of net sales was 6.7%.

In the motorcycle business, motorcycle unit sales declined 1.9% from fiscal 1997, totaling 5,101,000 units. In Japan, motorcycle sales edged down 44,000 units, to 595,000 units. Overseas, overall unit sales were down 53,000 units, to 4,506,000 units. Steady increases in India and Brazil—where Honda already enjoys a 90% market share—were strong contributors in fiscal 1998, partly offsetting lower unit sales in Southeast Asia. Net sales of motorcycles advanced 11.3% from fiscal 1997, to ¥767.1 billion. Operating income totaled ¥87.3 billion, a 12.7% increase from the previous fiscal year. Operating income as a percentage of net sales was 11.4%.

Revenue and operating income in the financial services segment also increased. The expanding volume of financing transactions in the North American market contributed to this growth.

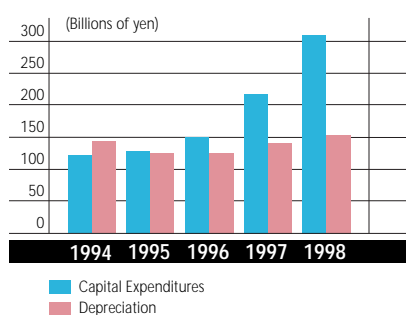
Operating income as a percentage of total operating income by business segment was as follows:

	1997	1998
Motorcycle business	19.3%	18.9%
Automobile business	72.2%	69.3%
Financial services	5.4%	6.7%
Other businesses	3.1%	5.1%

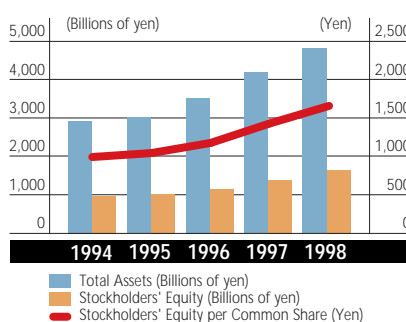
Geographical segment

Reviewing fiscal 1998 by geographical segment, revenue generated in Japan amounted to ¥2,015.6 billion, down ¥114.7 billion, or 5.4%, compared with the previous fiscal year. Revenue generated in North America, Europe, and elsewhere amounted to ¥2,799.3 billion, ¥705.4 billion, and ¥479.3 billion, respectively. Due to the favorable growth of automobile business in North America, Honda's operations in this region generated ¥214.7 billion in operating income. Despite the sluggish economic climate in Japan, operating income from operations in Japan showed only a slight drop, to ¥205.8 billion, or a decrease of 1.9%.

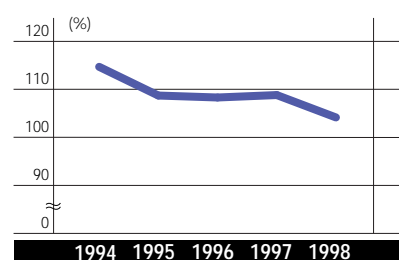
CAPITAL EXPENDITURES/DEPRECIATION



TOTAL ASSETS/STOCKHOLDERS' EQUITY/ STOCKHOLDERS' EQUITY PER COMMON SHARE



CURRENT RATIO



Business Segment Information

Years ended March 31	Yen (millions)	
	1997	1998
Net sales and other operating revenue:		
Motorcycle Business		
Sales to unaffiliated customers.....	¥ 689,461	¥ 767,160
Automobile Business		
Sales to unaffiliated customers.....	4,229,055	4,752,473
Financial Services		
Sales to unaffiliated customers.....	94,009	139,582
Intersegment sales.....	6,221	7,857
Total.....	100,230	147,439
Other Businesses		
Sales to unaffiliated customers.....	280,777	340,523
Intersegment sales.....	1,404	6,251
Total.....	282,181	346,774
Eliminations.....	(7,625)	(14,108)
Consolidated.....	¥5,293,302	¥5,999,738
Operating income:		
Motorcycle Business.....	¥ 77,532	¥ 87,374
Automobile Business.....	289,820	320,469
Financial Services.....	21,681	30,917
Other Businesses.....	12,414	23,553
Consolidated.....	¥ 401,447	¥ 462,313
Assets:		
Motorcycle Business.....	¥ 495,013	¥ 546,473
Automobile Business.....	1,997,936	2,329,513
Financial Services.....	1,304,189	1,666,900
Other Businesses.....	139,459	192,660
Corporate assets and eliminations....	254,697	79,719
Consolidated.....	¥4,191,294	¥4,815,265
Depreciation and amortization:		
Motorcycle Business.....	¥ 17,433	¥ 17,335
Automobile Business.....	118,260	128,919
Financial Services.....	210	282
Other Businesses.....	5,448	6,801
Consolidated.....	¥ 141,351	¥ 153,337
Capital expenditures:		
Motorcycle Business.....	¥ 28,697	¥ 36,403
Automobile Business.....	180,382	233,940
Financial Services.....	426	708
Other Businesses.....	8,277	38,466
Consolidated.....	¥ 217,782	¥ 309,517

Geographical Segment Information

Years ended March 31	Yen (millions)	
	1997	1998
Net sales and other operating revenue:		
Japan		
Sales to unaffiliated customers.....	¥2,130,397	¥2,015,674
Transfers between geographical segments.....	1,241,917	1,558,499
Total.....	3,372,314	3,574,173
North America		
Sales to unaffiliated customers.....	—	2,799,302
Transfers between geographical segments.....	—	154,611
Total.....	—	2,953,913
Europe		
Sales to unaffiliated customers.....	—	705,442
Transfers between geographical segments.....	—	13,341
Total.....	—	718,783
Others		
Sales to unaffiliated customers.....	—	479,320
Transfers between geographical segments.....	—	5,887
Total.....	—	485,207
Outside Japan		
Sales to unaffiliated customers.....	3,162,905	—
Transfers between geographical segments.....	134,002	—
Total.....	3,296,907	—
Eliminations.....	(1,375,919)	(1,732,338)
Consolidated.....	¥5,293,302	¥5,999,738
Operating income:		
Japan.....	¥ 209,911	¥ 205,874
North America.....	—	214,790
Europe.....	—	14,479
Others.....	—	40,524
Outside Japan.....	202,472	—
Eliminations.....	(10,936)	(13,354)
Consolidated.....	¥ 401,447	¥ 462,313
Assets:		
Japan.....	¥1,678,458	¥1,759,954
North America.....	—	2,138,450
Europe.....	—	438,224
Others.....	—	265,448
Outside Japan.....	2,227,908	—
Corporate assets and eliminations....	284,928	213,189
Consolidated.....	¥4,191,294	¥4,815,265

CONSOLIDATED BALANCE SHEETS

Honda Motor Co., Ltd. and Subsidiaries
March 31, 1997 and 1998

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Assets			
Current assets:			
Cash and cash equivalents.....	¥ 359,148	¥ 337,294	\$ 2,553,323
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥7,770 million in 1997 and ¥6,978 million (\$52,824 thousand) in 1998.....	381,774	422,642	3,199,410
Finance subsidiaries—receivables, net (note 3).....	389,017	632,348	4,786,889
Inventories (note 4).....	551,152	600,908	4,548,887
Deferred income taxes (note 9).....	125,428	132,697	1,004,519
Other current assets (note 7).....	154,730	171,513	1,298,357
Total current assets.....	<u>1,961,249</u>	<u>2,297,402</u>	<u>17,391,385</u>
Finance subsidiaries—receivables, net (note 3).....	750,891	923,353	6,989,803
Investments and advances:			
Investments in and advances to affiliates (note 5).....	143,240	156,578	1,185,299
Other, including marketable equity securities (note 6).....	233,362	207,610	1,571,612
Total investments and advances.....	<u>376,602</u>	<u>364,188</u>	<u>2,756,911</u>
Property, plant and equipment, at cost (note 7):			
Land.....	269,719	284,370	2,152,687
Buildings.....	681,552	748,112	5,663,225
Machinery and equipment.....	1,643,506	1,744,799	13,208,168
Construction in progress.....	91,045	102,499	775,920
	<u>2,685,822</u>	<u>2,879,780</u>	<u>21,800,000</u>
Less accumulated depreciation.....	1,649,340	1,715,800	12,988,645
Net property, plant and equipment.....	<u>1,036,482</u>	<u>1,163,980</u>	<u>8,811,355</u>
Other assets (notes 7 and 9).....	66,070	66,342	502,211
	<u>¥4,191,294</u>	<u>¥4,815,265</u>	<u>\$36,451,665</u>

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Current liabilities:			
Bank loans and commercial paper (note 7).....	¥ 382,161	¥ 479,207	\$ 3,627,608
Current portion of long-term debt (note 7).....	114,599	250,969	1,899,841
Trade payables:			
Notes.....	21,910	18,594	140,757
Accounts.....	577,767	700,074	5,299,576
Accrued expenses.....	385,409	473,912	3,587,525
Income taxes (note 9).....	126,030	93,293	706,230
Other current liabilities (notes 7 and 9).....	200,826	196,740	1,489,326
Total current liabilities.....	<u>1,808,702</u>	<u>2,212,789</u>	<u>16,750,863</u>
 Long-term debt (note 7).....	 734,255	 677,750	 5,130,583
 Other liabilities (notes 7, 8 and 9).....	 259,907	 316,812	 2,398,274
Stockholders' equity:			
Common stock, authorized 3,600,000,000 shares, par value ¥50 (\$0.38) or without par value; issued 974,326,267 shares and 974,414,215 shares at March 31, 1997 and 1998, respectively (note 10).....	86,028	86,067	651,529
Capital surplus (note 10).....	171,910	171,914	1,301,393
Legal reserves (note 11).....	25,668	26,404	199,879
Retained earnings (note 11).....	1,450,744	1,694,070	12,824,148
Adjustments from foreign currency translation.....	(320,440)	(314,885)	(2,383,687)
Net unrealized gains on marketable equity securities.....	34,218	21,135	159,993
Minimum pension liabilities adjustment.....	(59,698)	(76,791)	(581,310)
Total stockholders' equity.....	<u>1,388,430</u>	<u>1,607,914</u>	<u>12,171,945</u>
 Commitments and contingent liabilities (note 18)			
	<u>¥4,191,294</u>	<u>¥4,815,265</u>	<u>\$36,451,665</u>

CONSOLIDATED STATEMENTS OF INCOME

Honda Motor Co., Ltd. and Subsidiaries
March 31, 1996, 1997 and 1998

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Net sales and other operating revenue (note 3).....	¥4,252,250	¥5,293,302	¥5,999,738	\$45,418,153
Operating costs and expenses:				
Cost of sales (note 3).....	3,094,339	3,698,179	4,142,967	31,362,354
Selling, general and administrative.....	793,705	942,548	1,108,595	8,392,089
Research and development.....	220,573	251,128	285,863	2,163,990
	<u>4,108,617</u>	<u>4,891,855</u>	<u>5,537,425</u>	<u>41,918,433</u>
Operating income.....	143,633	401,447	462,313	3,499,720
Other income:				
Interest.....	7,462	12,937	13,005	98,448
Other (note 6).....	5,516	14,276	3,896	29,493
	<u>12,978</u>	<u>27,213</u>	<u>16,901</u>	<u>127,941</u>
Other expenses:				
Interest.....	30,601	27,514	27,655	209,349
Other.....	10,876	10,424	8,208	62,135
	<u>41,477</u>	<u>37,938</u>	<u>35,863</u>	<u>271,484</u>
Income before income taxes and equity in income of affiliates.....	115,134	390,722	443,351	3,356,177
Income taxes (note 9):				
Current.....	60,547	196,993	215,287	1,629,727
Deferred.....	(2,266)	(7,949)	(14,009)	(106,048)
	<u>58,281</u>	<u>189,044</u>	<u>201,278</u>	<u>1,523,679</u>
Income before equity in income of affiliates.....	56,853	201,678	242,073	1,832,498
Equity in income of affiliates (note 5).....	13,948	19,490	18,552	140,439
Net income.....	<u>¥ 70,801</u>	<u>¥ 221,168</u>	<u>¥ 260,625</u>	<u>\$ 1,972,937</u>

	Yen			U.S. dollars (note 2)
	1996	1997	1998	1998
Net income per common share (notes 1 (m) and 15):				
Basic.....	¥ 72.68	¥ 227.00	¥ 267.49	\$ 2.02
Diluted.....	<u>72.63</u>	<u>226.97</u>	<u>267.45</u>	<u>2.02</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Honda Motor Co., Ltd. and Subsidiaries
March 31, 1996, 1997 and 1998

	Yen (millions)		U.S. dollars (thousands) (note 2)	
	1996	1997	1998	1998
Common stock:				
Balance at beginning of year	¥ 85,964	¥ 86,020	¥ 86,028	\$ 651,234
Conversion of convertible debt (note 10)	56	8	39	295
Balance at end of year	<u>86,020</u>	<u>86,028</u>	<u>86,067</u>	<u>651,529</u>
Capital surplus:				
Balance at beginning of year	171,917	171,910	171,910	1,301,363
Conversion of convertible debt (note 10)	(7)	—	4	30
Balance at end of year	<u>171,910</u>	<u>171,910</u>	<u>171,914</u>	<u>1,301,393</u>
Legal reserves:				
Balance at beginning of year	24,664	25,125	25,668	194,307
Transfer from retained earnings (note 11)	461	543	736	5,572
Balance at end of year	<u>25,125</u>	<u>25,668</u>	<u>26,404</u>	<u>199,879</u>
Retained earnings:				
Balance at beginning of year	1,187,057	1,243,759	1,450,744	10,982,165
Net income for the year	70,801	221,168	260,625	1,972,937
Cash dividends (note 11)	(13,638)	(13,640)	(16,563)	(125,382)
Transfer to legal reserves (note 11)	(461)	(543)	(736)	(5,572)
Balance at end of year	<u>1,243,759</u>	<u>1,450,744</u>	<u>1,694,070</u>	<u>12,824,148</u>
Adjustments from foreign currency translation:				
Balance at beginning of year	(494,924)	(421,784)	(320,440)	(2,425,738)
Adjustments for the year	73,140	101,344	5,555	42,051
Balance at end of year	<u>(421,784)</u>	<u>(320,440)</u>	<u>(314,885)</u>	<u>(2,383,687)</u>
Net unrealized gains on marketable equity securities:				
Balance at beginning of year	42,784	57,850	34,218	259,031
Realized gain on nonmonetary exchange of investments (note 6)	—	(5,026)	—	—
Increase (decrease) in net unrealized gains on marketable equity securities	15,066	(18,606)	(13,083)	(99,038)
Balance at end of year	<u>57,850</u>	<u>34,218</u>	<u>21,135</u>	<u>159,993</u>
Minimum pension liabilities adjustment:				
Balance at beginning of year	—	(18,340)	(59,698)	(451,915)
Adjustment for the year	(18,340)	(41,358)	(17,093)	(129,395)
Balance at end of year	<u>(18,340)</u>	<u>(59,698)</u>	<u>(76,791)</u>	<u>(581,310)</u>
Total stockholders' equity	<u>¥1,144,540</u>	<u>¥1,388,430</u>	<u>¥1,607,914</u>	<u>\$12,171,945</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Honda Motor Co., Ltd. and Subsidiaries
March 31, 1996, 1997 and 1998

	Yen (millions)		U.S. dollars (thousands) (note 2)	
	1996	1997	1998	1998
Cash flows from operating activities (note 14):				
Net income	¥ 70,801	¥221,168	¥ 260,625	\$ 1,972,937
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses.....	4,528	7,699	11,995	90,802
Depreciation.....	125,007	141,351	153,337	1,160,765
Gain on nonmonetary exchange of investments (note 6)	—	(10,471)	—	—
Deferred income taxes.....	(2,266)	(7,949)	(14,009)	(106,048)
Equity in income of affiliates.....	(13,948)	(19,490)	(18,552)	(140,439)
Decrease (increase) in assets:				
Trade accounts and notes receivable	(20,247)	(3,067)	(34,105)	(258,176)
Inventories	80,998	(12,863)	(41,994)	(317,896)
Other current assets	(27,062)	(17,228)	(11,025)	(83,460)
Other assets	222	(10,440)	3,481	26,351
Increase (decrease) in liabilities:				
Trade payables	25,082	63,266	104,615	791,938
Accrued expenses.....	248	76,300	76,802	581,393
Income taxes.....	19,156	82,703	(60,364)	(456,957)
Other current liabilities	35,425	29,876	13,754	104,118
Other liabilities	(6,133)	14,589	19,994	151,355
Other, net	8,072	7,757	9,924	75,126
Net cash provided by operating activities.....	299,883	563,201	474,478	3,591,809
Cash flows from investing activities:				
Decrease (increase) in investments and advances	22,258	(23,244)	(16,483)	(124,777)
Capital expenditures.....	(150,489)	(217,782)	(309,517)	(2,343,051)
Proceeds from sales of property, plant and equipment	17,494	18,020	16,159	122,324
Acquisitions of finance subsidiaries—receivables	(938,267)	(1,385,804)	(1,505,069)	(11,393,407)
Collections of finance subsidiaries—receivables.....	556,089	737,953	706,424	5,347,646
Proceeds from sales of finance subsidiaries—receivables.....	225,687	447,254	445,796	3,374,686
Net cash used in investing activities	(267,228)	(423,603)	(662,690)	(5,016,579)
Cash flows from financing activities (note 14):				
Increase (decrease) in short-term debt	17,909	(58,265)	79,061	598,494
Proceeds from long-term debt.....	215,992	185,010	340,616	2,578,471
Repayment of long-term debt	(184,745)	(186,799)	(239,715)	(1,814,648)
Cash dividends paid (note 11)	(13,638)	(13,640)	(16,563)	(125,382)
Increase (decrease) in commercial paper classified as long-term debt.....	14,790	(21,972)	(826)	(6,253)
Net cash provided by (used in) financing activities.....	50,308	(95,666)	162,573	1,230,682
Effect of exchange rate changes on cash and cash equivalents.....	13,207	16,053	3,785	28,653
Net change in cash and cash equivalents.....	96,170	59,985	(21,854)	(165,435)
Cash and cash equivalents at beginning of year.....	202,993	299,163	359,148	2,718,758
Cash and cash equivalents at end of year.....	¥299,163	¥359,148	¥ 337,294	\$ 2,553,323

See accompanying notes to consolidated financial statements.

Honda Motor Co., Ltd. and Subsidiaries

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Company and its subsidiaries ("Honda") develop, manufacture, distribute and provide financing for the sale of its motorcycles, automobiles and power products. Honda's manufacturing operations are principally conducted in 25 separate factories, six of which are located in Japan. Principal overseas manufacturing facilities are located in the United States, Canada, the United Kingdom, France, Italy, Spain, India, Pakistan, Philippines, Thailand, Vietnam, Brazil and Mexico.

Net sales and other operating revenue by category of activity for the year ended March 31, 1998 were derived from: motorcycle business—12.8%, automobile business—79.2%, financial services—2.3%, and other businesses—5.7%. Operating income by category of activity for the year ended March 31, 1998 was derived from: motorcycle business—18.9%, automobile business—69.3%, financial services—6.7%, and other businesses—5.1%. The total assets at March 31, 1998 were attributed to: motorcycle business—11.3%, automobile business—48.4%, financial services—34.6%, other businesses—4.0%, and corporate assets (net of company-wide accounts eliminated in consolidation)—1.7%.

Honda sells motorcycles, automobiles and power products in most countries in the world. For the year ended March 31, 1998, 66.4% of net sales and other operating revenue (¥3,984,064 million (\$30,159,455 thousand)) were derived from subsidiaries operating outside Japan (1997: ¥3,162,905 million, 1996: ¥2,388,660 million). Net sales and other operating revenue for the year ended March 31, 1998 are geographically broken down based on the location of customers as follows: Japan—28.5%, North America—46.3%, Europe—12.3%, and others—12.9%. For the year ended March 31, 1998, 58.4% of operating income (¥269,793 million (\$2,042,339 thousand)) was generated from foreign subsidiaries, disregarding the effect of elimination of unrealized profits between domestic operations and foreign operations (1997: ¥202,472 million, 1996: ¥61,704 million). Also, 59.0% of Honda's assets at March 31, 1998 (¥2,842,122 million (\$21,514,928 thousand)) were identified with foreign operations (1997: ¥2,227,908 million).

(b) Basis of Presenting Consolidated Financial Statements

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries generally maintain their books of account in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner and reflect the adjustments which are necessary to conform them with United States generally accepted accounting principles.

(c) Consolidation Policy

The consolidated financial statements include the accounts of the Company and subsidiaries. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation. The investments in 20% to 50% owned affiliates are stated at their underlying equity value.

Minority interests in net assets and income are not significant and, accordingly, are not presented separately in the accompanying consolidated balance sheets and statements of income.

(d) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with United States generally accepted accounting principles. Actual results could differ from those estimates.

(e) Revenue Recognition

Sales of manufactured products are recognized when products are shipped to dealers. Provisions for dealer sales allowances are normally recognized as sales reductions at the time of sale.

Interest income from finance receivables is recognized using the interest method. Finance receivable origination fees and certain direct origination costs are deferred and recognized using the interest method over the contractual life of the finance receivables.

Interest supplements paid by the automobile operations to the financial services operations on certain financing and leasing transactions are recognized by the automobile operations as sales reductions at the time of sale. The financial services operations recognize these interest supplements as deferred interest income and amortize them to income over the contractual life of the finance receivables.

Finance subsidiaries of the Company periodically sell finance receivables. Gain or loss is recognized equal to the difference between the cash proceeds received and the carrying value of the receivables sold and is recorded in the period in which the sale occurs. Honda allocates the recorded investment in finance receivables between the portion(s) of the receivables sold and portion(s) retained based on the relative fair values of those portions on the date the receivables are sold. Honda adopted the provisions of Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," on a prospective basis for applicable transactions occurring after December 31, 1996. This statement specifies when financial assets and liabilities are to be removed from an entity's financial statements, the accounting for

servicing assets and liabilities and the accounting for assets that can be contractually prepaid in such a way that the holder would not recover substantially all of its recorded investment. From January 1, 1997, Honda recognizes gains or losses attributable to the change in the fair value of the retained interests, which are recorded at estimated fair value and accounted for as "trading" securities. A servicing asset or liability is amortized in proportion to and over the period of estimated net servicing income (if servicing revenues exceed servicing costs) or net servicing loss (if servicing costs exceed servicing revenues). Servicing assets and servicing liabilities at March 31, 1997 and 1998 were not significant.

(f) Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(g) Inventory Valuation

Inventories are valued at the lower of cost, determined substantially by the first-in, first-out method, or market.

(h) Investments in Securities

Honda classifies its debt and equity securities in one of three categories: available-for-sale, trading, or held-to-maturity. Debt securities that are classified as "held-to-maturity" securities are reported at amortized cost. Debt and equity securities classified as "trading" securities are reported at fair value, with unrealized gains and losses included in earnings. Other debt and equity securities are classified as "available-for-sale" securities and are reported at fair value, with unrealized gains or losses net of deferred taxes reported as a separate component of stockholders' equity. Honda did not hold any "trading" securities at March 31, 1997 and 1998, except for retained interests in the sold pools of finance receivables, which are accounted for as "trading" securities and included in finance receivables. Honda did not hold any "held-to-maturity" securities at March 31, 1998 and Honda's "held-to-maturity" securities at March 31, 1997 were not significant.

(i) Depreciation

Depreciation of property, plant and equipment is computed principally by the declining-balance method based on estimated useful lives of the respective assets.

(j) Accounting for the Impairment of Long-Lived Assets

Honda's long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the

assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(k) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income taxes are also provided on the undistributed earnings of subsidiaries and affiliates to the extent that the Company anticipates receiving them in the form of dividends.

(l) Product-Related Expenses

Advertising and sales promotion costs are expensed as incurred. Advertising expenses for the years ended March 31, 1996, 1997 and 1998 were ¥130,834 million, ¥166,994 million and ¥193,915 million (\$1,467,941 thousand), respectively. Provisions for estimated costs related to product warranty are made at the time of sale.

(m) Net Income per Common Share

Honda adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," in the year ended March 31, 1998. SFAS No. 128 replaces the presentation of primary earnings per share with a presentation of basic earnings per share. SFAS No. 128 also requires dual presentation of basic and diluted income per share.

All prior-years net income per common share data presented were restated to conform with the provisions of SFAS No. 128. Adoption of SFAS No. 128 did not have a material effect on Honda's reported net income per common share amounts.

Basic net income per common share has been computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during each year. Diluted net income per common share reflects the potential dilution and has been computed on the basis that all convertible bonds were converted at beginning of the year.

(n) Foreign Currency Translation

Foreign currency financial statement amounts are translated into yen on the basis of the year-end rate for all assets and liabilities and the weighted-average rate for the year for all income and expense amounts. Translation adjustments resulting therefrom are accumulated in the stockholders' equity section of the consolidated balance sheets.

Foreign currency transaction gains (losses) included in the determination of net income for each of the years in the three-year period ended March 31, 1998 were as follows:

Yen (millions)			U.S. dollars (thousands) (note 2)
1996	1997	1998	1998
¥(2,669)	¥(1,365)	¥154	\$1,166

(o) Derivative Financial Instruments

The Company and certain of its subsidiaries have entered into foreign exchange agreements and interest rate agreements to manage currency and interest rate exposures. These instruments include foreign currency forward contracts, currency swap agreements, currency option contracts and interest rate swap agreements. Gains and losses on foreign exchange instruments that qualify for hedge accounting treatment are recognized in the same period in which gains or losses from the transaction being hedged are recognized. The differential to be paid or received on interest rate swap agreements is recognized over the life of the agreement as an adjustment to interest expense. In the event of an early termination of the hedge, any deferred gain or loss on the hedging instrument continues to be deferred until the hedged item is realized. Derivative financial instruments that do not meet the criteria for hedge accounting are marked to market.

(p) New Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," was issued in June 1997. SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components and requires that all items are required to be recognized under accounting standards

(2) Basis of Translating Financial Statements

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 1998 have been translated into United States dollars at the rate of ¥132.10=US\$1, the mean of the telegraphic transfer selling

exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 1998. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

as components of comprehensive income to be reported in a financial statement that is displayed with the same prominence as other financial statements. Honda will initially apply the provisions of SFAS No. 130 in the year beginning on April 1, 1998.

Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued in June 1997. SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires reporting selected information about operating segments in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective from the Company's year beginning on April 1, 1998. The Company is evaluating the adoption of SFAS No. 131. Foreign issuers are presently exempted from the existing segment information disclosure requirements under Statement of Financial Accounting Standards No. 14, "Financial Reporting for Segments of a Business Enterprise," in Securities Exchange Act filings with the Securities and Exchange Commission of the United States.

Statement of Financial Accounting Standards (SFAS) No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," was issued in February 1998. SFAS No. 132 establishes standards for reporting information about pension and other postretirement benefits plans. Honda will initially apply the provisions of SFAS No. 132 for the year ending March 31, 1999.

(q) Reclassifications

A reclassification has been made to the prior year's consolidated balance sheet to conform to the presentation used for the year ended March 31, 1998.

exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 1998. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

(3) Finance Subsidiaries–Receivables, Net

Finance subsidiaries–receivables represent finance receivables generated by finance subsidiaries. Finance receivables include wholesale financing to dealers and retail financing and direct financing leases to consumers. The allowance for credit losses is maintained at an amount management deems adequate to cover estimated losses on finance receivables. The allowance is based

on management's evaluation of many factors, including current economic trends, industry experience, inherent risks in the portfolio and the borrower's ability to pay.

Finance subsidiaries–receivables, net, consisted of the following at March 31, 1997 and 1998:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Direct financing leases.....	¥ 557,946	¥1,009,681	\$ 7,643,308
Retail	519,249	484,099	3,664,641
Wholesale	121,004	143,354	1,085,193
Term loans to dealers.....	39,598	33,022	249,977
Total finance receivables	1,237,797	1,670,156	12,643,119
Retained interest in the sold pools of finance receivables.....	4,469	37,177	281,431
	1,242,266	1,707,333	12,924,550
Less:			
Allowance for credit losses.....	9,046	14,397	108,986
Unearned interest income and fees	93,312	137,235	1,038,872
Finance subsidiaries–receivables, net	1,139,908	1,555,701	11,776,692
Less current portion	389,017	632,348	4,786,889
Noncurrent finance subsidiaries–receivables, net	¥ 750,891	¥ 923,353	\$ 6,989,803

The following schedule shows the contractual maturities of finance receivables for each of the five years following March 31, 1998 and thereafter:

Years ending March 31	Yen (millions)	U.S. dollars (thousands) (note 2)
1999.....	¥ 650,135	\$ 4,921,537
2000.....	420,681	3,184,565
2001.....	424,085	3,210,333
2002.....	132,380	1,002,119
2003.....	29,530	223,543
After five years.....	13,345	101,022
	1,020,021	7,721,582
Total	¥1,670,156	\$12,643,119

Net sales and other operating revenue and cost of sales include finance income and related cost of finance subsidiaries for each of the years in the three-year period ended March 31, 1998 as follows:

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Finance income	¥79,117	¥100,230	¥147,439	\$1,116,117
Finance cost	35,461	41,506	60,169	455,481

Finance subsidiaries of the Company periodically sell finance receivables. Pre-tax net gains on such sales for each of the years in the three-year period ended March 31, 1998, which are included

in finance income in the table above, are ¥1,063 million, ¥2,520 million and ¥12,018 million (\$90,977 thousand), respectively.

(4) Inventories

Inventories at March 31, 1997 and 1998 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Finished goods	¥390,013	¥439,023	\$3,323,414
Work in process.....	17,894	17,748	134,353
Raw materials.....	143,245	144,137	1,091,120
	<u>¥551,152</u>	<u>¥600,908</u>	<u>\$4,548,887</u>

(5) Investments and Advances–Affiliates

Certain financial information in respect of affiliates at March 31, 1997 and 1998, and for each of the years in the three-year period ended March 31, 1998 is shown below:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Current assets.....	¥522,002	¥ 498,581	\$3,774,269
Other assets, principally property, plant and equipment	470,475	560,583	4,243,626
	992,477	1,059,164	8,017,895
Current liabilities.....	463,372	482,390	3,651,703
Other liabilities.....	111,253	114,829	869,258
Net assets	¥417,852	¥ 461,945	\$3,496,934

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Net sales.....	¥1,445,310	¥1,799,872	¥1,988,141	\$15,050,273
Net income.....	39,201	52,693	53,867	407,774
Cash dividends received by Honda during the year	2,562	2,910	3,766	28,509

Honda's intercompany accounts and transactions with affiliates at March 31, 1997 and 1998, and for each of the years in the three-year period ended March 31, 1998 were as follows:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Due from	¥13,112	¥ 9,475	\$ 71,726
Due to	82,020	93,042	704,330

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Purchases from	¥372,620	¥444,152	¥540,795	\$4,093,830
Sales to.....	89,640	109,090	76,052	575,715

(6) Investments and Advances-Other

Investments and advances-other at March 31, 1997 and 1998 consist of the following:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Marketable equity securities	¥140,989	¥114,812	\$ 869,129
Guaranty deposits	36,557	37,209	281,673
Long-term deposits (note 7).....	33,125	32,024	242,422
Life insurance contracts	11,576	11,304	85,572
Advances.....	5,487	4,780	36,185
Other	5,628	7,481	56,631
	<u>¥233,362</u>	<u>¥207,610</u>	<u>\$1,571,612</u>

Certain information with respect to available-for-sale securities, all of which are marketable equity securities at March 31, 1997 and 1998, is summarized below:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Cost	¥ 69,701	¥ 70,781	\$535,814
Fair value	140,989	114,812	869,129
Gross unrealized gains	74,823	50,443	381,854
Gross unrealized losses	3,535	6,412	48,539

Honda's consolidated statement of income for the year ended March 31, 1997 included a pre-tax gain of ¥10,471 million and an after-tax gain of ¥5,026 million on the nonmonetary exchange of common shares of The Bank of Tokyo, Ltd. ("BOT") for common shares of The Bank of Tokyo-Mitsubishi, Ltd. due to a merger of BOT and The Mitsubishi Bank, Limited on April 1, 1996. The

unrealized holding gain on Honda's investment in BOT shares was previously included in a separate component of stockholders' equity as of March 31, 1996.

Realized gains and losses from sales of marketable equity securities, except as described above, were insignificant for each of the years in the three-year period ended March 31, 1998.

(7) Short-term and Long-term Debt

Long-term debt at March 31, 1997 and 1998 was as follows:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Honda Motor Co., Ltd.:			
Loans, maturing 1997-1999:			
Unsecured, principally from banks	¥ 45,115	¥ 40,765	\$ 308,592
6 ⁷ / ₈ % Japanese yen unsecured bonds due 1998	40,000	—	—
5 ¹ / ₄ % U.S. dollar unsecured convertible bonds due 1998	42	—	—
6.0% Japanese yen unsecured bonds due 1999	30,000	30,000	227,101
5.05% Japanese yen unsecured bonds due 1999	50,000	50,000	378,501
3.8% Japanese yen unsecured bonds due 2001	50,000	50,000	378,501
	<u>215,157</u>	<u>170,765</u>	<u>1,292,695</u>
Subsidiary companies:			
Commercial paper	149,665	159,313	1,206,000
Loans, maturing 1997-2005:			
Secured, principally from banks	13,070	11,958	90,523
Unsecured, principally from banks	217,595	252,924	1,914,641
Medium-term notes, maturing 1997-2008	254,521	335,917	2,542,900
Other	74	38	288
Less unamortized discount, net	1,228	2,196	16,623
	<u>633,697</u>	<u>757,954</u>	<u>5,737,729</u>
Total long-term debt	848,854	928,719	7,030,424
Less current portion	114,599	250,969	1,899,841
	<u>¥734,255</u>	<u>¥677,750</u>	<u>\$5,130,583</u>

The loans are either secured by property, plant and equipment or subject to collateralization upon request, and their interest rates range from 0.81% to 20.00% per annum. Property, plant and equipment with a net book value of approximately ¥9,753 million and ¥10,052 million (\$76,094 thousand) at March 31, 1997 and 1998, respectively, were subject to specific mortgages securing indebtedness.

With respect to the 6.0% Japanese yen unsecured bonds due 1999 and the 5.05% Japanese yen unsecured bonds due 1999, deposits of ¥31,608 million and ¥32,024 million, respectively, at

March 31, 1998, were made under debt assumption agreements. Principal and interest on deposits are restricted to use for future redemption of the bonds and related future interest payments.

At March 31, 1997 and 1998, respectively, U.S. dollar 1,206,000 thousand of commercial paper borrowings were classified as long-term, as it is the respective finance subsidiary's intention to refinance them on a long-term basis and it has established the necessary credit facilities to do so. The interest rate on commercial paper is approximately 5.47% at March 31, 1998.

Medium-term notes are unsecured, and their interest rates range from 1.03% to 6.55% at March 31, 1998.

The following schedule shows the maturities of long-term debt for each of the five years following March 31, 1998 and thereafter:

Years ending March 31	Yen (millions)	U.S. dollars (thousands) (note 2)
1999.....	¥250,969	\$1,899,841
2000.....	343,671	2,601,597
2001.....	197,531	1,495,314
2002.....	61,742	467,389
2003.....	21,927	165,988
After five years.....	52,879	400,295
	<u>677,750</u>	<u>5,130,583</u>
Total.....	<u>¥928,719</u>	<u>\$7,030,424</u>

The Company and certain of its subsidiaries have entered into currency swap agreements for hedging currency exposures resulting from the issuance of long-term debt. The effects of foreign currency exchange rate fluctuations resulting from these swap agreements are included in Other assets/liabilities and/or Other current assets/liabilities in the consolidated balance sheets, as appropriate (see note 16). Unless a right of setoff exists, the off-setting of assets and liabilities is not made in the balance sheet.

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Certain debenture trust agreements provide that the Company must give additional security upon request of the trustee.

(8) Other Liabilities

Other liabilities at March 31, 1997 and 1998 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Allowance for dealers and customers	¥ 35,330	¥ 51,815	\$ 392,241
Minority interest	35,287	26,440	200,151
Additional minimum pension liabilities (note 12).....	138,220	172,811	1,308,183
Deferred income tax (note 9).....	33,312	—	—
Other	17,758	65,746	497,699
	<u>¥259,907</u>	<u>¥316,812</u>	<u>\$2,398,274</u>

(9) Income Taxes

Total income taxes for each of the years in the three-year period ended March 31, 1998 were allocated as follows:

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Income.....	¥58,281	¥189,044	¥201,278	\$1,523,679
Stockholders' equity, for adjustments from foreign currency translation	6,329	4,339	7,461	56,480
Stockholders' equity, for net unrealized gains on marketable equity securities	16,321	(20,156)	(14,174)	(107,298)
Stockholders' equity, for minimum pension liabilities adjustment.....	(19,868)	(44,804)	(18,517)	(140,174)
	<u>¥61,063</u>	<u>¥128,423</u>	<u>¥176,048</u>	<u>\$1,332,687</u>

Income tax expense for each of the years in the three-year period ended March 31, 1998 consists of the following:

	Yen (millions)		
	Current	Deferred	Total
1996:			
Japanese	¥ 39,926	¥ (8,798)	¥ 31,128
Foreign	20,621	6,532	27,153
	<u>¥ 60,547</u>	<u>¥ (2,266)</u>	<u>¥ 58,281</u>
1997:			
Japanese	¥120,694	¥(26,401)	¥ 94,293
Foreign	76,299	18,452	94,751
	<u>¥196,993</u>	<u>¥ (7,949)</u>	<u>¥189,044</u>
1998:			
Japanese	¥119,819	¥ (8,072)	¥111,747
Foreign	95,468	(5,937)	89,531
	<u>¥215,287</u>	<u>¥(14,009)</u>	<u>¥201,278</u>

	U.S. dollars (thousands) (note 2)		
	Current	Deferred	Total
1998:			
Japanese	\$ 907,032	\$ (61,105)	\$ 845,927
Foreign	722,695	(44,943)	677,752
	<u>\$1,629,727</u>	<u>\$(106,048)</u>	<u>\$1,523,679</u>

The significant components of deferred income tax expense for each of the years in the three-year period ended March 31, 1998 are as follows:

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Deferred tax expense (exclusive of the effects of other components listed below).....	¥ 2,656	¥ 579	¥ (1,488)	\$ (11,264)
Adjustments to deferred tax assets and liabilities for enacted changes				
in tax laws and rates	—	—	(10,631)	(80,477)
Decrease in beginning-of-the-year balance of the valuation allowance for				
deferred tax assets	(4,922)	(8,528)	(1,890)	(14,307)
	<u>¥(2,266)</u>	<u>¥(7,949)</u>	<u>¥(14,009)</u>	<u>\$(106,048)</u>

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in normal tax rates of approximately 52% for the years ended March 31, 1996, 1997 and 1998. Such normal tax rates were lowered to approximately 48% on March 31, 1998 effective for the year ending March 31, 1999 and thereafter. The foreign subsidiaries are subject to taxes based on income at rates ranging from 30% to 57%.

The effective tax rate of Honda for each of the years in the three-year period ended March 31, 1998 differs from the normal Japanese income tax rate for the following reasons:

	1996	1997	1998
Normal income tax rate	52.0%	52.0%	52.0%
Valuation allowance provided for current year operating losses of subsidiaries	2.5	0.1	0.2
Difference in normal tax rates of foreign subsidiaries.....	(2.9)	(2.6)	(3.9)
Adjustments to deferred tax assets and liabilities for enacted changes in tax laws and rates	—	—	(2.4)
Reversal of valuation allowance due to utilization of operating loss carryforwards.....	(3.0)	(1.8)	(0.3)
Other.....	2.0	0.7	(0.2)
Effective tax rate.....	<u>50.6%</u>	<u>48.4%</u>	<u>45.4%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 1997 and 1998 are presented below:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Deferred tax assets:			
Inventory valuation.....	¥ 80,656	¥ 85,201	\$ 644,973
Allowance for dealers and customers.....	49,995	73,256	554,550
Alternative minimum tax credit.....	715	—	—
Operating loss carryforwards	21,489	19,608	148,433
Minimum pension liabilities adjustment	64,672	76,790	581,302
Other	87,832	116,223	879,811
Total gross deferred tax assets.....	305,359	371,078	2,809,069
Less valuation allowance.....	(17,086)	(16,466)	(124,648)
Net deferred tax assets	<u>288,273</u>	<u>354,612</u>	<u>2,684,421</u>
Deferred tax liabilities:			
Inventory valuation.....	(15,411)	(16,385)	(124,035)
Depreciation and amortization, excluding lease transactions.....	(13,803)	(14,095)	(106,699)
Lease transactions	(77,971)	(114,433)	(866,260)
Undistributed earnings of subsidiaries and affiliates	(54,723)	(50,930)	(385,541)
Net unrealized gains on marketable equity securities	(37,070)	(20,716)	(156,821)
Other	(16,232)	(25,751)	(194,936)
Total gross deferred tax liabilities.....	(215,210)	(242,310)	(1,834,292)
Net deferred tax asset.....	<u>¥ 73,063</u>	<u>¥112,302</u>	<u>\$ 850,129</u>

The valuation allowance for deferred tax assets as of March 31, 1996 was ¥22,712 million. The net change in the total valuation allowance for the years ended March 31, 1997 and 1998 was a decrease of ¥5,626 million and ¥620 million (\$4,693 thousand), respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that Honda will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 1997 and 1998.

At March 31, 1998, certain of the Company's subsidiaries have operating loss carryforwards for income tax purposes of approximately ¥49,497 million (\$374,693 thousand), which are available

to offset future taxable income, if any. Periods available to offset future taxable income vary in each tax jurisdiction and range from one year to an indefinite period as follows:

	Yen (millions)	U.S. dollars (thousands) (note 2)
Within 1 year	¥ 3,650	\$ 27,631
1 to 5 years	8,083	61,188
5 to 15 years	6,877	52,059
Indefinite periods	30,887	233,815
	<u>¥49,497</u>	<u>\$374,693</u>

As of March 31, 1997 and 1998, the Company did not recognize deferred tax liabilities of ¥66,995 million and ¥51,039 million (\$386,366 thousand), respectively, for certain portions of the undistributed earnings of the Company's subsidiaries because such portions were reinvested or were determined to be reinvested. As of March 31, 1997 and 1998, the undistributed earnings not subject to deferred tax liabilities were ¥578,360 million and ¥592,800 million (\$4,487,509 thousand), respectively. The Company has recognized deferred tax liabilities for undistributed earnings for which decisions of reinvestment have not been made.

Deferred income taxes at March 31, 1997 and 1998 are reflected in the consolidated balance sheets under the following captions:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Current assets—Deferred income taxes	¥125,428	¥132,697	\$1,004,519
Other assets	14,674	16,176	122,453
Other current liabilities	(33,727)	(36,571)	(276,843)
Other liabilities	(33,312)	—	—
Net deferred tax asset	<u>¥ 73,063</u>	<u>¥112,302</u>	<u>\$ 850,129</u>

(10) Common Stock

During the years ended March 31, 1996, 1997 and 1998, the Company issued approximately 129 thousand, 19 thousand and 88 thousand shares, respectively, of common stock in connection with the conversion of convertible debt. Conversions of convertible debt issued subsequent to October 1, 1982 into common

stock and exercise of warrants were accounted for in accordance with the provisions of the Japanese Commercial Code by crediting one-half of the aggregate conversion price equally to the common stock account and the capital surplus account.

(11) Dividends and Legal Reserves

The Japanese Commercial Code provides that earnings in an amount equal to at least 10% of all appropriations of retained earnings that are paid in cash, such as cash dividends and bonuses to directors, shall be appropriated as a legal reserve until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries of domicile.

Cash dividends and appropriations to the legal reserves charged to retained earnings during the years ended March 31, 1996, 1997 and 1998 represent dividends paid out during those years and the related appropriations to the legal reserves. Cash dividends per share for the years ended March 31, 1996, 1997 and 1998 were ¥14, ¥14 and ¥17 (\$0.13), respectively. The accompanying consolidated financial statements do not include any provision for the dividend of ¥9 (\$0.07) per share aggregating ¥8,770 million (\$66,389 thousand) to be proposed in June 1998.

(12) Retirement and Severance Benefits

The Company and its subsidiaries have various pension plans covering substantially all of their employees in Japan and in certain foreign countries. Benefits under the plans are primarily based on the combination of years of service and compensation. The funding policy is to make periodic contributions as required by applicable regulations. Plan assets consist primarily of listed equity securities and bonds.

Retirement benefits for directors, excluding certain benefits, are subject to a resolution at the stockholders' meeting, and are

charged to income at the time when such a resolution is made. There are occasions where officers other than directors receive special lump-sum payments at retirement. Such payments are charged to income as paid since amounts vary with circumstances and it is impractical to compute a liability for future payments.

The funded status of the pension plans as of March 31, 1997 and 1998 are as follows:

	1997 Yen (millions)			
	Japanese Plans		Foreign Plans	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	¥(1,585)	¥(540,418)	¥(22,134)	¥(12,672)
Accumulated benefit obligation	(1,675)	(649,365)	(26,470)	(13,375)
Projected benefit obligation	(2,727)	(856,746)	(41,445)	(18,582)
Plan assets at fair value	2,030	476,259	39,133	12,348
Projected benefit obligation in excess of plan assets	(697)	(380,487)	(2,312)	(6,234)
Unrecognized net (gain) loss	697	331,394	(1,466)	1,710
Unrecognized prior service cost	—	—	4,910	(168)
Unrecognized net obligation (asset) at date of adoption				
being recognized over the average remaining service life of employees	(51)	14,005	(86)	418
Additional minimum liabilities	—	(138,220)	—	—
Prepaid (accrued) pension cost	¥ (51)	¥(173,308)	¥ 1,046	¥ (4,274)

	1998 Yen (millions)			
	Japanese Plans		Foreign Plans	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	¥ —	¥ (667,557)	¥(36,023)	¥(17,791)
Accumulated benefit obligation	—	(785,579)	(39,822)	(18,869)
Projected benefit obligation	—	(1,034,272)	(61,864)	(26,519)
Plan assets at fair value	—	563,748	59,338	18,042
Projected benefit obligation in excess of plan assets	—	(470,524)	(2,526)	(8,477)
Unrecognized net loss	—	408,412	22	3,181
Unrecognized prior service cost	—	—	4,640	(165)
Unrecognized net obligation (asset) at date of adoption being recognized over the average remaining service life of employees	—	12,970	(77)	393
Additional minimum liabilities	—	(172,811)	—	—
Prepaid (accrued) pension cost	¥ —	¥ (221,953)	¥ 2,059	¥ (5,068)

	1998 U.S. dollars (thousands) (note 2)			
	Japanese Plans		Foreign Plans	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	\$ —	\$(5,053,422)	\$(272,695)	\$(134,678)
Accumulated benefit obligation	—	(5,946,851)	(301,453)	(142,839)
Projected benefit obligation	—	(7,829,462)	(468,312)	(200,749)
Plan assets at fair value	—	4,267,585	449,190	136,578
Projected benefit obligation in excess of plan assets	—	(3,561,877)	(19,122)	(64,171)
Unrecognized net loss	—	3,091,688	167	24,080
Unrecognized prior service cost	—	—	35,125	(1,249)
Unrecognized net obligation (asset) at date of adoption being recognized over the average remaining service life of employees	—	98,183	(583)	2,975
Additional minimum liabilities	—	(1,308,183)	—	—
Prepaid (accrued) pension cost	\$ —	\$(1,680,189)	\$ 15,587	\$ (38,365)

Pension expense for each of the years in the three-year period ended March 31, 1998 includes the following:

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Japanese plans:				
Service cost	¥23,274	¥30,913	¥39,563	\$299,493
Interest cost on projected benefit obligation	27,774	30,098	34,270	259,424
Actual gain on plan assets	(40,350)	(14,022)	(38,920)	(294,625)
Net amortization and deferral	29,298	6,503	35,485	268,622
	<u>¥39,996</u>	<u>¥53,492</u>	<u>¥70,398</u>	<u>\$532,914</u>
Foreign plans:				
Service cost	¥ 3,095	¥ 4,993	¥ 6,441	\$ 48,758
Interest cost on projected benefit obligation	2,228	3,441	4,665	35,314
Actual gain on plan assets	(5,487)	(3,660)	(5,619)	(42,536)
Net amortization and deferral	3,290	212	1,266	9,584
	<u>¥ 3,126</u>	<u>¥ 4,986</u>	<u>¥ 6,753</u>	<u>\$ 51,120</u>

The assumptions used in computing the information above are as follows:

	1996	1997	1998
Japanese plans:			
As of March 31:			
Discount rate	4.5%	4.0%	3.5%
Rate of salary increase	3.0%	3.0%	3.0%
Year ended March 31:			
Expected long-term rate of return	4.0%	4.0%	4.0%
Foreign plans:			
As of March 31:			
Discount rate	8.0–8.5%	7.5–8.5%	6.75–8.5%
Rate of salary increase	5.0–6.0%	5.0–6.0%	4.25–6.0%
Year ended March 31:			
Expected long-term rate of return	8.0–9.5%	7.5–9.0%	6.75–9.0%

(13) Postretirement Benefits Other than Pensions

Certain of the Company's subsidiaries in the United States provide certain health care and life insurance benefits to retired employees.

The following table presents the plans' funded status reconciled with amounts recognized in the consolidated balance sheets at March 31, 1997 and 1998:

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Accumulated postretirement benefit obligation:			
Retirees	¥ (478)	¥ (565)	\$ (4,277)
Fully eligible active plan participants.....	(533)	(453)	(3,429)
Other active plan participants	(6,042)	(8,723)	(66,034)
	<u>(7,053)</u>	<u>(9,741)</u>	<u>(73,740)</u>
Plan assets at fair value, primarily listed U.S. stocks and bonds	1,348	2,497	18,903
Accumulated postretirement benefit obligation in excess of plan assets	(5,705)	(7,244)	(54,837)
Unrecognized prior service cost.....	850	866	6,556
Unrecognized net gain.....	(1,584)	(1,191)	(9,016)
Unrecognized transition obligation	3,193	3,186	24,118
Accrued postretirement benefit cost	<u>¥(3,246)</u>	<u>¥(4,383)</u>	<u>\$(33,179)</u>

Net periodic postretirement benefit cost for the years ended March 31, 1996, 1997 and 1998 includes the following components:

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Service cost	¥375	¥ 579	¥ 713	\$ 5,397
Interest cost.....	336	458	635	4,807
Actual return on plan assets	(83)	(80)	(113)	(855)
Net amortization and deferral.....	178	174	199	1,506
Net periodic postretirement benefit cost	<u>¥806</u>	<u>¥1,131</u>	<u>¥1,434</u>	<u>\$10,855</u>

For measurement purposes, a 9.0 percent annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for the year ended March 31, 1998; the rate was assumed to decrease gradually to 5.5 percent by the year 2002 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of March 31, 1998 by ¥999 million (\$7,562 thousand), and the aggregate

of the service and interest cost components of the net periodic postretirement benefit cost for the year ended March 31, 1998 by ¥198 million (\$1,499 thousand).

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.75 percent, 7.88 percent and 7.00 percent at March 31, 1996, 1997 and 1998, respectively. The expected long-term rate of return on plan assets, after estimated income taxes, was 8.50 percent at March 31, 1996, 1997 and 1998.

(14) Supplemental Disclosures of Cash Flow Information

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Cash paid during the period for:				
Interest.....	¥58,716	¥ 63,050	¥ 71,257	\$ 539,417
Income taxes.....	40,484	112,013	248,024	1,877,547
Noncash financing activities:				
Additional common stock issued upon the conversion of long-term debt (note 10).....	¥ 49	¥ 8	¥ 43	\$ 325

(15) Net Income per Common Share

A reconciliation of the numerators and denominators of the basic and diluted net income per common share computations is as follows:

	Yen (millions)			U.S. dollars (thousands) (note 2)
	1996	1997	1998	1998
Net income available to common stockholders.....	¥70,801	¥221,168	¥260,625	\$1,972,937
Effect of dilutive securities:				
Convertible bonds.....	(26)	(1)	(18)	(136)
Diluted net income.....	¥70,775	¥221,167	¥260,607	\$1,972,801

	Number of shares		
	1996	1997	1998
Average common shares outstanding.....	974,211,363	974,310,124	974,348,808
Effect of dilutive securities:			
Convertible bonds.....	205,523	106,760	67,630
Diluted common shares outstanding.....	974,416,886	974,416,884	974,416,438

	Yen			U.S. dollars (note 2)
	1996	1997	1998	1998
Net income per common share:				
Basic.....	¥72.68	¥227.00	¥267.49	\$2.02
Diluted.....	72.63	226.97	267.45	2.02

(16) Fair Value of Financial Instruments

The estimated fair values of significant financial instruments at March 31, 1997 and 1998 were as follows:

	Yen (millions)				U.S. dollars (thousands) (note 2)	
	1997		1998		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Finance subsidiaries—receivables (1).....	¥ 637,545	¥ 636,522	¥ 657,507	¥ 662,125	\$ 4,977,343	\$ 5,012,301
Investments and advances—marketable						
equity securities.....	140,989	140,989	114,812	114,812	869,129	869,129
Debt.....	(1,231,015)	(1,252,128)	(1,407,926)	(1,420,149)	(10,658,032)	(10,750,560)
Foreign exchange instruments (2)						
Asset position.....	—	3,452	967	4,340	7,320	32,854
Liability position.....	(2,934)	(7,198)	(54,608)	(51,759)	(413,384)	(391,817)
Net.....	(2,934)	(3,746)	(53,641)	(47,419)	(406,064)	(358,963)
Interest rate instruments						
Asset position.....	—	3,256	—	609	—	4,610
Liability position.....	—	(290)	—	(2,126)	—	(16,094)
Net.....	—	2,966	—	(1,517)	—	(11,484)

(1) The carrying amounts of Finance subsidiaries—receivables as of March 31, 1997 and 1998 in the table exclude ¥502,363 million and ¥898,194 million (\$6,799,349 thousand) of direct financing leases, net, classified as Finance subsidiaries—receivables in the consolidated balance sheets, respectively.

(2) The effects of foreign currency exchange rate fluctuations resulting from currency swap agreements are included in Other assets and liabilities and Other current assets and liabilities in the consolidated balance sheets as follows (see note 7):

	Yen (millions)		U.S. dollars (thousands) (note 2)
	1997	1998	1998
Other current assets.....	¥ —	¥ —	\$ —
Other assets.....	—	43	326
Other current liabilities.....	(1,308)	(11,385)	(86,185)
Other liabilities.....	(1,626)	(42,453)	(321,370)
	<u>¥(2,934)</u>	<u>¥(53,795)</u>	<u>\$(407,229)</u>

The estimated fair value amounts have been determined using relevant market information and appropriate valuation methodologies. However, these estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. The effect of using different assumptions and/or estimation methodologies may be significant to the estimated fair value amounts.

The methodologies and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents, trade receivables and trade payables

The carrying amounts approximate fair values because of the short maturity of these instruments.

Finance subsidiaries—receivables

The fair values of retail receivables and term loans to dealers were estimated by discounting future cash flows using the current rates for these instruments of similar remaining maturities. Given the short maturities of wholesale receivables, the carrying amount of such receivables approximates fair value.

Marketable equity securities

The fair value of marketable equity securities was estimated using quoted market prices.

Debt

The fair values of bonds and notes were estimated based on the quoted market prices for the same or similar issues. The fair value of long-term loans was estimated by discounting future cash flows using rates currently available for loans of similar terms and remaining maturities. The carrying amounts of short-term bank loans and commercial paper approximate fair values because of the short maturity of these instruments.

Foreign exchange and interest rate instruments

The fair values of foreign currency forward contracts and foreign currency option contracts were estimated by obtaining quotes from banks. The fair values of currency swap agreements and interest rate swap agreements were estimated by discounting future cash flows using rates currently available for these instruments of similar terms and remaining maturities.

(17) Risk Management Activities and Derivative Financial Instruments

The Company and certain of its subsidiaries are parties to derivative financial instruments in the normal course of business to reduce their exposure to fluctuations in foreign exchange rates and interest rates. Currency swap agreements are used to convert long-term debt denominated in a certain currency to long-term debt denominated in other currency(ies). Foreign currency forward contracts and purchased option contracts are normally used to hedge sale commitments denominated in foreign currencies (principally U.S. dollars). Foreign currency written option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts. Interest rate swap agreements are mainly used to convert floating rate financing, such as commercial paper, to (normally 3-5 years) fixed rate financing in order to match financing costs with income from finance receivables. These instruments involve, to varying degrees, elements of credit, exchange rate and interest rate risks in excess of the amount recognized in the consolidated balance sheet.

Foreign currency forward contracts and currency swap agreements are agreements to exchange different currencies at a specified rate on a specific future date. Foreign currency option contracts are contracts that allow the holder of the option the right but not the obligation to exchange different currencies at a specified rate on a specific future date. At March 31, 1997 and 1998, the total amounts of foreign currency forward contracts, currency swap agreements and foreign currency option contracts outstanding were ¥445,463 million and ¥809,766 million (\$6,129,947 thousand), respectively.

Interest rate swap agreements generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amount. At March 31, 1997 and 1998, the notional principal amounts of interest rate swap agreements were ¥1,280,257 million and ¥1,485,178 million (\$11,242,831 thousand), respectively.

(18) Commitments and Contingent Liabilities

At March 31, 1998, Honda had commitments for purchases of property, plant and equipment of approximately ¥35,386 million (\$267,873 thousand). Contingent liabilities for guarantees of bank loans of employees, affiliates and other companies amounted to approximately ¥109,549 million (\$829,288 thousand).

Honda is subject to potential liability under various lawsuits and claims. Such lawsuits and claims include product liability and

personal injury lawsuits or claims, lawsuits from dealers alleging impropriety in allocation of products, and other claims. Although the aggregate ultimate liability under these lawsuits and claims at March 31, 1998 was not determinable, on the basis of legal advice received, management is of the opinion that such liability would not have a significant adverse effect on the consolidated financial statements.

(19) Subsequent Event

On May 7, 1998, the Company announced that it had signed two joint venture agreements regarding manufacturing and sales of automobiles and related engines in China. Under these agreements, the Company is to pay a sum equivalent to US\$200 million

to establish, with the two Chinese partners, two 50-50 joint venture companies that have the rights to manufacture and sell automobiles in China.



The Board of Directors and Stockholders

Honda Motor Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Honda Motor Co., Ltd. and subsidiaries as of March 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended March 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The segment information required to be disclosed in financial statements under United States generally accepted accounting principles is not presented in the accompanying consolidated financial statements. Foreign issuers are presently exempted from such disclosure requirement in Securities Exchange Act filings with the Securities and Exchange Commission of the United States.

In our opinion, except for the omission of the segment information referred to in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 1997 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 1998 in conformity with United States generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 1998 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into dollars on the basis set forth in note 2 to consolidated financial statements.

Tokyo, Japan

May 22, 1998

A handwritten signature in black ink that reads 'KPMG Peat Marwick' in a cursive, flowing script.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) *

	Yen (millions except per share amounts)							
	Year ended March 31, 1997				Year ended March 31, 1998			
	I	II	III	IV	I	II	III	IV
Net sales and other								
operating revenue	¥1,230,771	¥1,247,813	¥1,333,959	¥1,480,759	¥1,418,751	¥1,375,916	¥1,554,822	¥1,650,249
Operating income.....	68,648	91,964	100,585	140,250	110,116	119,350	127,062	105,785
Income before income taxes.....	76,059	86,346	96,819	131,498	108,025	114,535	122,045	98,746
Net income.....	45,708	49,198	61,918	64,344	62,250	64,244	65,203	68,928
Net income per common share:**								
Basic.....	¥46.91	¥50.50	¥63.55	¥66.04	¥63.89	¥65.94	¥66.92	¥70.74
Diluted	46.91	50.49	63.54	66.03	63.88	65.93	66.91	70.72
Net income per American share, each representing two shares of common stock:**								
Basic.....	93.82	101.00	127.10	132.08	127.78	131.88	133.84	141.48
Diluted	93.82	100.98	127.08	132.06	127.76	131.86	133.82	141.44
Tokyo Stock Exchange: (TSE) (in yen)								
High	¥3,010	¥2,870	¥3,520	¥3,880	¥4,180	¥4,460	¥5,000	¥5,000
Low	2,260	2,480	2,620	2,950	3,070	3,210	3,950	4,280
New York Stock Exchange: (NYSE) (in U.S. dollars)								
High	\$55	\$52	\$61 ¹ / ₄	\$65 ¹ / ₈	\$66³/₄	\$71⁵/₈	\$75³/₈	\$76¹/₄
Low	42	45 ¹ / ₂	47 ¹ / ₄	51 ¹ / ₄	57¹/₈	58⁷/₁₆	63⁵/₁₆	67¹/₄

*All quarterly financial data is unaudited and has not been reviewed by the independent auditors.

**Net income per common (or American) share data for quarterly periods ended prior to December 31, 1997 were restated to conform with the provisions of SFAS No. 128 (see note 1 (m)).

NET SALES AND OPERATING INCOME BY BUSINESS SEGMENT *

Years ended March 31	Yen (millions)				
	1994	1995	1996	1997	1998
Motorcycle Business:					
Net sales	¥ 547,225	¥ 552,676	¥ 585,108	¥ 689,461	¥ 767,160
Operating income	48,609	54,699	59,308	77,532	87,374
(Operating income/Net sales).....	(8.9%)	(9.9%)	(10.1%)	(11.2%)	(11.4%)
Automobile Business:					
Net sales	3,032,970	3,109,468	3,311,936	4,229,055	4,752,473
Operating income	4,177	29,709	55,591	289,820	320,469
(Operating income/Net sales).....	(0.1%)	(1.0%)	(1.7%)	(6.9%)	(6.7%)
Financial Services:					
Net sales	60,540	60,658	72,559	94,009	139,582
Operating income	19,538	16,051	17,674	21,681	30,917
(Operating income/Net sales).....	(32.3%)	(26.5%)	(24.4%)	(23.1%)	(22.1%)
Other Businesses:					
Net sales	221,981	243,362	282,647	280,777	340,523
Operating income	6,004	7,457	11,060	12,414	23,553
(Operating income/Net sales).....	(2.7%)	(3.1%)	(3.9%)	(4.4%)	(6.9%)
Total:					
Net sales	¥3,862,716	¥3,966,164	¥4,252,250	¥5,293,302	¥5,999,738
Operating income	78,328	107,916	143,633	401,447	462,313
(Operating income/Net sales).....	(2.0%)	(2.7%)	(3.4%)	(7.6%)	(7.7%)

*The business segment information has been prepared according to a Ministerial Ordinance under the Securities and Exchange Law of Japan.

HONDA MOTOR CO., LTD.

Established

September 24, 1948

Principal Lines of Business

Manufacture, sale, lease and repair of motorcycles, automobiles and power products.

Head Office1-1, 2-chome, Minami-Aoyama,
Minato-ku, Tokyo 107-8556, Japan**Saitama Factory**Sayama Plant: Sayama, Saitama
Wako Plant: Wako, Saitama**Tochigi Factory**Mohka Plant: Mohka, Tochigi
Takanezawa Plant: Takanezawa-cho, Tochigi**Hamamatsu Factory** Hamamatsu, Shizuoka**Suzuka Factory** Suzuka, Mie**Kumamoto Factory** Ohzu-machi, Kumamoto**Parts Division** Sayama, Saitama

SUBSIDIARIES (Percentage owned by the Honda Group)

■ JAPAN

Honda R&D Co., Ltd. (100%) Saitama and Tochigi
Technical research and development work to supply blueprints to Honda Motor Co., Ltd.**Honda Engineering Co., Ltd.** (100%) Saitama
Manufacture and sale of machine tools, equipment and production techniques including plant layout.**Yutaka Giken Co., Ltd.** (69.7%) Shizuoka
Precision stamping of parts for motorcycles, automobiles and power products.**Honda Foundry Co., Ltd.** (82.1%) Saitama
Manufacture of engine parts for motorcycles and automobiles.**Asamagiken Co., Ltd.** (77.5%) Nagano
Casting and manufacture of precision parts for automobiles.**Honda Lock Mfg., Co., Ltd.** (100%) Miyazaki
Manufacture of keys and locks for motorcycles, automobiles and power products.**Honda Access Sales Corp.** (100%) Tokyo
Sale of Honda special accessories for automobiles.**Honda Motor Parts Service Co., Ltd.** (100%) Tokyo
Wholesale of Honda spare parts.**Honda Access Corp.** (100%) Saitama
Manufacture and sale of Honda special accessories for motorcycles, automobiles and power products.**Honda Parts Sales Co., Ltd.** (100%) Saitama
Wholesale of Honda spare parts.**Twin Ring Motegi Co., Ltd.** (100%) Tokyo and Tochigi
Operation of racing circuits.**Honda Finance Co., Ltd.** (100%) Tokyo
Provision of credit facilities for Honda products and leasing of machinery and equipment.**Suzuka Circuitland Co., Ltd.** (85.4%) Mie and Tokyo
Operation of amusement parks and racing circuit.**Honda Trading Corporation** (87.6%) Tokyo
Import, export and marketing operations.**Honda Leasing Corporation** (100%) Tokyo
Leasing of Honda products.**Honda Sogo Tatemono Co., Ltd.** (70%) Tokyo and 17 other companies
Administration and lease of real estate, research, development, manufacture and sale of Honda products as well as various other businesses.**Honda Verno Shin Tokyo Co., Ltd.** (96.2%) Tokyo and 133 other sales companies
Distribution and sale of Honda products.

■ NORTH AMERICA

American Honda Motor Co., Inc. (100%) U.S.A. and its five subsidiaries
Import, manufacture and distribution of Honda products and precision parts.**Honda North America, Inc.** (100%) U.S.A.
Coordination of operations of subsidiaries in North America.**Honda of America Mfg., Inc.** (100%) U.S.A. and its subsidiary
Manufacture of motorcycles, automobiles and all-terrain vehicles.**American Honda Finance Corporation** (100%) U.S.A. and its ten subsidiaries
Provision of credit facilities for Honda products and leasing of Honda products.**Cardington Yutaka Technologies Inc.** (100%) U.S.A.
Manufacture of precision parts for automobiles.**Honda R&D Americas, Inc.** (100%) U.S.A.
Research and development work in North America in collaboration with Honda R&D Co., Ltd.**Celina Aluminum Precision Technology Inc.** (100%) U.S.A.
Manufacture of precision parts for automobiles.**Asama Coldwater Manufacturing, Inc.** (100%) U.S.A.
Manufacture of precision parts for automobiles.**Honda Trading America Corp.** (100%) U.S.A. and its two subsidiaries
Import, export and marketing operations.**Honda Engineering North America, Inc.** (100%) U.S.A. and two other companies
Manufacture and sale of machine tools, equipment and production techniques including plant layout.**Honda Canada Inc.** (100%) Canada
Import, manufacture and distribution of Honda products.**Honda Canada Finance, Inc.** (100%) Canada
Provision of credit facilities for Honda products and leasing of Honda products.**Honda de Mexico, S.A. de C.V.** (100%) Mexico
Import, manufacture and distribution of Honda products and spare parts.

■ EUROPE

Honda Austria G.m.b.H. (100%) Austria
Import and distribution of Honda products.**Honda Europe N.V.** (100%) Belgium and its four subsidiaries
Import and distribution of power products and supply of spare parts for Honda products in Europe.**Honda Belgium N.V.** (100%) Belgium and its subsidiary
Import and distribution of Honda products and manufacture of precision parts.**Honda Motor Europe Limited** (100%) U.K. and its two subsidiaries
Coordination of operations of subsidiaries in Europe and import and distribution of Honda products.**Honda of the U.K. Manufacturing Limited** (100%) U.K. and its subsidiary
Manufacture of automobiles and engines.**Honda Finance Europe plc.** (100%) U.K.
Provision of credit facilities for Honda products.**Honda France S.A.** (100%) France
Import and distribution of Honda products.**Honda Europe Power Equipment S.A.** (100%) France
Manufacture of power products.**Honda Deutschland G.m.b.H.** (100%) Germany
Import and distribution of Honda products.**Honda R&D Europe (Deutschland) G.m.b.H.** (100%) Germany
Research and development work in Europe in collaboration with Honda R&D Co., Ltd.**Honda Nederland B.V.** (100%) Netherlands
Import and distribution of Honda products.**Honda International Finance B.V.** (100%) Netherlands
Provision of financing to Honda's subsidiaries.**Honda Italia Industriale S.p.A.** (100%) Italy
Import, manufacture and distribution of Honda products.**Honda Automobili Italia S.p.A.** (100%) Italy
Import and distribution of automobiles.**Honda Automovel de Portugal S.A.** (67%) Portugal
Import and distribution of automobiles.**Honda Motor de Portugal, S.A.** (80%) Portugal
Import and distribution of motorcycles.**Honda Automoviles España, S.A.** (100%) Spain
Import and distribution of automobiles.

Montesa Honda S.A. (88.1%) Spain
Import, manufacture and distribution of Honda products.

Svenska Honda Bil Import AB (100%) Sweden
Import and distribution of automobiles.

Honda (Suisse) S.A. (60%) Switzerland and 12 other companies
Import, distribution, research, development and manufacture of Honda products as well as various other businesses.

■ ASIA AND OTHER AREAS

Honda-Mindong Generator Co., Ltd. (60%) China
Manufacture of power products.

Honda Siel Cars India Ltd. (90%) India
Manufacture of automobiles.

Kinetic Honda Motor Ltd. (50.9%) India
Manufacture of motorcycles.

P.T. Honda Prospect Engine Manufacturing (55%) Indonesia
Manufacture of automobile engines.

P.T. Honda Federal Inc. (60%) Indonesia
Manufacture of precision parts for motorcycles.

Honda Autoparts Mfg. (M) Sdn. Bhd. (51%) Malaysia
Manufacture of component parts for automobiles.

Honda Atlas Cars (Pakistan) Ltd. (51%) Pakistan
Manufacture of automobiles.

Honda Philippines, Inc. (99.5%) Philippines
Import, manufacture and distribution of Honda products.

Honda Engine Mfg. Philippines, Inc. (100%) Philippines
Manufacture of automobile engines.

Honda Parts Manufacturing Corp. (100%) Philippines
Manufacture of spare parts for automobiles.

Yutaka Manufacturing (Philippines), Inc. (100%) Philippines
Manufacture of precision parts for motorcycles and automobiles.

Asian Honda Motor Co., Ltd. (100%) Thailand
Coordination of operations of subsidiaries in the ASEAN region and import and distribution of Honda products.

Honda Cars Manufacturing (Thailand) Co., Ltd. (97%) Thailand
Manufacture of automobiles.

Thai Honda Manufacturing Co., Ltd. (60%) Thailand
Manufacture of motorcycles and power products.

Honda Vietnam Co., Ltd. (70%) Vietnam
Manufacture of motorcycles.

Honda Gulf Fze (100%) U.A.E.
Import and distribution of spare parts for Honda products.

Honda Anadolu Motorsiklet Uretim Ve Pazarlama A.S. (51%) Turkey
Manufacture of motorcycles.

Honda Motor de Argentina S.A. (100%) Argentina
Import and distribution of Honda products.

Honda Motor do Brasil Ltda. (100%) Brazil and its five subsidiaries
Import, manufacture and distribution of Honda products and precision parts.

Honda Automoveis do Brasil Ltda. (100%) Brazil
Manufacture of automobiles.

Honda del Peru S.A. (81.8%) Peru
Import, manufacture and distribution of Honda products.

Honda Australia Pty., Ltd. (100%) Australia and its two subsidiaries
Import, manufacture and distribution of Honda products.

Honda New Zealand Limited (100%) New Zealand and 15 other companies
Import, manufacture and distribution of Honda products as well as various other businesses.

(As of March 31, 1998)

PRINCIPAL MANUFACTURING FACILITIES

Location	Start of operations	Floor space (thousands of square feet)	Number of employees	Principal products manufactured
Wako, Saitama, Japan	May 1953	870	1,262	Engines
Sayama, Saitama, Japan	Nov. 1964	4,855	4,999	Automobiles
Takanezawa-cho, Tochigi, Japan	May 1990	297	623	Automobiles
Hamamatsu, Shizuoka, Japan	Apr. 1954	1,764	3,930	Motorcycles, power products and transmissions
Suzuka, Mie, Japan	May 1960	6,314	8,673	Automobiles
Ohzu-machi, Kumamoto, Japan	Mar. 1976	1,682	2,962	Motorcycles, power products and engines
Marysville, Ohio, U.S.A.	Sept. 1979	3,714	7,882	Motorcycles, automobiles and all-terrain vehicles
Anna, Ohio, U.S.A.	July 1985	1,640	2,608	Engines
East Liberty, Ohio, U.S.A.	Dec. 1989	1,391	2,543	Automobiles
Swepsonville, North Carolina, U.S.A.	Aug. 1984	124	282	Power products
Alliston, Ontario, Canada	Nov. 1986	1,948	2,271	Automobiles
El Salto, Mexico	Mar. 1988	456	766	Motorcycles, automobiles and all-terrain vehicles
Swindon, Wiltshire, U.K.	July 1989	1,082	2,605	Automobiles and engines
Ormes, France	Jan. 1985	64	132	Power products
Atessa, Italy	Apr. 1977	470	493	Motorcycles, power products and engines
Barcelona, Spain	May 1980	147	276	Motorcycles
Gautambudh Nager, India	Dec. 1997	525	800	Automobiles
Pithampur, India	Apr. 1986	428	1,501	Motorcycles
Lahore, Pakistan	Oct. 1993	169	202	Automobiles
Manila, Philippines	May 1973	92	441	Motorcycles and power products
Ayutthaya, Thailand	Jan. 1993	981	1,479	Automobiles
Bangkok, Thailand	Apr. 1965	823	2,567	Motorcycles and power products
Vinhphuc, Vietnam	Dec. 1997	292	675	Motorcycles
Sumare, Brazil	Sept. 1997	246	607	Automobiles
Manaus, Brazil	Jan. 1977	800	2,365	Motorcycles and power products

(As of March 31, 1998)

FINANCIAL SUMMARY

Honda Motor Co., Ltd. and Subsidiaries

	Seven months ended September 30	Six months ended March 31			
	1987	1988	1989	1990	1991
Sales, income, and dividends					
Net sales and other operating revenue.....	¥1,847,750	¥1,650,781	¥3,489,258	¥3,852,905	¥4,301,518
Operating income.....	100,052	76,499	177,058	200,585	146,833
Income before income taxes.....	93,623	100,993	172,089	152,132	132,021
Income taxes.....	44,553	46,430	80,559	75,292	63,418
Equity in income of affiliates.....	1,764	2,113	5,769	4,844	7,670
Net income.....	50,834	56,676	97,299	81,684	76,273
As percentage of sales.....	2.8%	3.4%	2.8%	2.1%	1.8%
Cash dividends paid during the period.....	5,491	6,477	11,283	13,295	13,564
Research and development.....	89,850	88,011	183,652	185,780	194,039
Interest paid.....	14,706	10,687	24,547	36,349	40,231
Assets, long-term debt, and stockholders' equity					
Total assets.....	¥1,914,652	¥1,976,570	¥2,284,449	¥2,842,319	¥2,949,333
Long-term debt.....	270,294	254,884	334,570	427,713	479,015
Stockholders' equity.....	779,770	779,677	901,458	1,084,576	1,087,707
Depreciation.....	77,780	64,934	130,915	165,244	191,233
Capital expenditures.....	99,818	110,849	278,895	332,801	261,207
Per common share					
Net income					
Basic.....	¥ 55.16	¥ 60.79	¥ 103.17	¥ 85.65	¥ 78.57
Diluted.....	50.75	56.00	98.48	83.37	77.46
Cash dividends paid during the period.....	6	7	12	14	14
Stockholders' equity.....	842.62	833.35	950.91	1,122.07	1,118.29
Per American share, each representing two shares of common stock					
Net income					
Basic.....	110.32	121.58	206.34	171.30	157.14
Diluted.....	101.50	112.00	196.96	166.74	154.92
Cash dividends paid during the period.....	12	14	24	28	28
Stockholders' equity.....	1,685.24	1,666.70	1,901.82	2,244.14	2,236.58
Sales progress					
Sales amounts					
Japan.....	¥ 656,175 (36%)	¥ 597,550 (36%)	¥1,293,790 (37%)	¥1,320,483 (34%)	¥1,392,962 (32%)
Overseas.....	1,191,575 (64%)	1,053,231 (64%)	2,195,468 (63%)	2,532,422 (66%)	2,908,556 (68%)
Total.....	¥1,847,750 (100%)	¥1,650,781 (100%)	¥3,489,258 (100%)	¥3,852,905 (100%)	¥4,301,518 (100%)
Unit sales					
Motorcycles.....	1,690	1,353	3,032	2,987	3,398
Automobiles.....	979	892	1,903	1,936	1,915
Power products.....	867	841	1,543	1,521	1,397
Number of employees.....	64,200	65,500	71,200	79,200	85,500
Exchange rate (yen amounts per U.S. dollar):					
Rates for the period-end.....	150	125	132	158	141
Average rates for the period.....	148	138	128	143	141

Yen (millions)							U.S. dollars (thousands)
Fiscal years ended March 31							
1992	1993	1994	1995	1996	1997	1998	1998
¥4,391,864	¥4,132,435	¥3,862,716	¥3,966,164	¥4,252,250	¥5,293,302	¥5,999,738	\$45,418,153
153,345	108,756	78,328	107,916	143,633	401,447	462,313	3,499,720
130,756	88,564	46,890	94,287	115,134	390,722	443,351	3,356,177
68,459	53,208	33,719	44,904	58,281	189,044	201,278	1,523,679
1,273	1,801	10,528	12,142	13,948	19,490	18,552	140,439
59,731	37,157	23,699	61,525	70,801	221,168	260,625	1,972,937
1.4%	0.9%	0.6%	1.6%	1.7%	4.2%	4.3%	
13,617	13,620	13,631	13,635	13,638	13,640	16,563	125,382
192,475	199,233	188,815	203,004	220,573	251,128	285,863	2,163,990
42,615	43,426	35,379	34,382	30,601	27,514	27,655	209,349
¥3,153,992	¥3,012,896	¥2,921,084	¥3,014,410	¥3,516,113	¥4,191,294	¥4,815,265	\$36,451,665
589,899	569,479	612,511	589,537	656,461	734,255	677,750	5,130,583
1,097,663	1,030,867	967,345	1,017,462	1,144,540	1,388,430	1,607,914	12,171,945
190,671	173,733	143,229	125,115	125,007	141,351	153,337	1,160,765
237,861	168,205	121,838	128,644	150,489	217,782	309,517	2,343,051
Yen							U.S. dollars
¥ 61.40	¥ 38.19	¥ 24.34	¥ 63.16	¥ 72.68	¥ 227.00	¥ 267.49	\$ 2.02
61.27	37.94	24.28	63.00	72.63	226.97	267.45	2.02
14	14	14	14	14	14	17	0.13
1,128.35	1,058.80	993.47	1,044.44	1,174.73	1,425.04	1,650.14	12.49
122.80	76.38	48.68	126.32	145.36	454.00	534.98	4.05
122.54	75.88	48.56	126.00	145.26	453.94	534.90	4.05
28	28	28	28	28	28	34	0.26
2,256.70	2,117.60	1,986.94	2,088.88	2,349.46	2,850.08	3,300.28	24.98
Yen (millions)							U.S. dollars (thousands)
¥1,444,852	¥1,379,748	¥1,282,771	¥1,326,487	¥1,540,463	¥1,826,284	¥1,710,813	\$12,950,893
(33%)	(33%)	(33%)	(33%)	(36%)	(35%)	(29%)	
2,947,012	2,752,687	2,579,945	2,639,677	2,711,787	3,467,018	4,288,925	32,467,260
(67%)	(67%)	(67%)	(67%)	(64%)	(65%)	(71%)	
¥4,391,864	¥4,132,435	¥3,862,716	¥3,966,164	¥4,252,250	¥5,293,302	¥5,999,738	\$45,418,153
(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	
(thousands)							
3,614	3,951	4,169	4,815	5,373	5,198	5,101	
1,961	1,793	1,753	1,794	1,887	2,184	2,343	
1,416	1,534	1,714	2,004	2,383	2,648	3,013	
90,500	90,900	91,300	92,800	96,800	101,100	109,400	
133	116	103	89	106	124	132	
133	125	108	99	96	113	123	

Notes:

(1) The amounts for the fiscal year ended March 31, 1998, have been translated into U.S. dollars at the rate of ¥132.10=US\$1, the mean of the telegraphic transfer selling exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo foreign exchange market on March 31, 1998.

(2) In accordance with the Company's change from a fiscal year ending the last day of February to one ending March 31 beginning April 1, 1988, its Japanese subsidiaries changed their fiscal year from one ending the last day of February to one ending March 31 and its overseas subsidiaries also changed their fiscal year from one ending December 31 to one ending March 31.

The consolidated statements of income for the seven-month period ended September 30, 1987, and for the six-month period ended March 31, 1988, included the operations of the Company's overseas subsidiaries from January 1987 through July 1987, and from August 1987 through January 1988, respectively. The net income of the Company's overseas subsidiaries for the two months ended March 31, 1988, has been credited to retained earnings at March 31, 1988.

(3) One American share represents two shares of Honda common stock. Per American share information presented prior to fiscal 1990 is restated in accordance with the change in the basis of issuance of American shares from 10 common shares to two common shares per American share as a result of a 5-for-1 split of American shares effected April 3, 1989. (European share remains unchanged, representing 10 shares of Honda common stock.)

(4) Net income per common (or American) share amounts are computed based on Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," which is effective for the annual period ended after December 15, 1997. All prior-years net income per common (or American) share data presented were restated to conform with the provisions of SFAS No. 128.

(5) The consolidated financial statements in this summary have been prepared in accordance with an accounting pronouncement, Statement of Financial Accounting Standards (SFAS) No. 94, "Consolidation of All Majority-Owned Subsidiaries." All consolidated financial information presented prior to fiscal 1989 has been restated to conform to the requirements of SFAS No. 94.

(6) The exchange rates reflected in this financial summary are based upon approximate exchange rates prevailing on the Tokyo foreign exchange market, including average rates and period-end rates on the basis of the fiscal periods adopted by the Company's overseas subsidiaries, which for fiscal year 1987 was the preceding calendar year. Beginning with 1989, those subsidiaries have adopted the same fiscal year as the parent company. The average rates for the seven-month period ended September 30, 1987, and for the six-month period ended March 31, 1988, were based on the period from January through July 1987 and the period from August 1987 through January 1988, respectively, and fiscal period-end rates were based on the last day of July 1987 and March 1988, respectively.

(7) The Company adopted SFAS No. 109, "Accounting for Income Taxes," from the fiscal year ended March 31, 1994, and applied the provisions of SFAS No. 109 retroactively to April 1, 1991. Accordingly, the consolidated financial results for the fiscal years 1992 and 1993 have been restated.

(8) Effective April 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Net unrealized gains on marketable equity securities, less related income taxes, are presented as a separate component of stockholders' equity, and net income for the fiscal year ended March 31, 1995, was not affected by adoption of this statement.

Transfer Agent for Common Stock

The Chuo Trust & Banking Co., Ltd.
7-1, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031, Japan

**Depository and Transfer Agent
for American Depository Receipts**

Morgan Guaranty Trust Company of New York
60 Wall Street,
New York, NY 10260-0060, U.S.A.

Stock Exchange Listings in Japan

Tokyo, Osaka, Nagoya, Sapporo, Niigata, Kyoto,
Hiroshima, and Fukuoka

Stock Exchange Listings Overseas

New York, London, Paris and Swiss stock exchanges

Total Shares of Common Stock Issued and Outstanding

974,414,215 (as of March 31, 1998)

Number of Stockholders

36,324 (as of March 31, 1998)

Classification	Number of stockholders	Number of shares held	%
Financial institutions.....	277	555,363,256	56.99
Legal persons.....	650	145,482,217	14.93
Foreign institutions and individuals.....	910	191,735,628	19.68
Securities companies.....	41	2,497,343	0.26
Individuals and others.....	34,446	79,335,771	8.14

Honda Motor Co., Ltd.

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