

Financial Section

CONTENTS

- 24 Financial Summary**
- 26 Financial Review**
- 32 Consolidated Balance Sheets**
- 34 Consolidated Statements of Income**
- 35 Consolidated Statements of Stockholders' Equity**
- 36 Consolidated Statements of Cash Flows**
- 37 Notes to Consolidated Financial Statements**
- 58 Independent Auditors' Report**
- 59 Selected Quarterly Financial Data
(Unaudited and Not Reviewed)**
- 59 Net Sales and Operating Income by Business Segment**

FINANCIAL SUMMARY

Honda Motor Co., Ltd. and Subsidiaries
Years ended or at March 31

	1992	1993	1994	1995
Sales, income, and dividends				
Net sales and other operating revenue	¥4,391,864	¥4,132,435	¥3,862,716	¥3,966,164
Operating income	153,345	108,756	78,328	107,916
Income before income taxes	130,756	88,564	46,890	94,287
Income taxes	68,459	53,208	33,719	44,904
Equity in income of affiliates	1,273	1,801	10,528	12,142
Net income	59,731	37,157	23,699	61,525
As percentage of sales	1.4%	0.9%	0.6%	1.6%
Cash dividends paid during the period	13,617	13,620	13,631	13,635
Research and development	192,475	199,233	188,815	203,004
Interest expense	42,615	43,426	35,379	34,382
Assets, long-term debt, and stockholders' equity				
Total assets	¥3,153,992	¥3,012,896	¥2,921,084	¥3,014,410
Long-term debt	589,899	569,479	612,511	589,537
Stockholders' equity	1,097,663	1,030,867	967,345	1,017,462
Depreciation				
Capital expenditures	190,671	173,733	143,229	125,115
Per common share				
Net income:				
Basic	¥ 61.40	¥ 38.19	¥ 24.34	¥ 63.16
Diluted	61.27	37.94	24.28	63.00
Cash dividends paid during the period	14	14	14	14
Stockholders' equity	1,128.35	1,058.80	993.47	1,044.44
Per American share				
Net income:				
Basic	30.70	19.09	12.17	31.58
Diluted	30.63	18.97	12.14	31.50
Cash dividends paid during the period	7.0	7.0	7.0	7.0
Stockholders' equity	564.17	529.40	496.73	522.22
Sales progress				
Sales amounts:*				
Japan	¥1,444,852	¥1,379,748	¥1,282,771	¥1,326,487
	33%	33%	33%	33%
Overseas	2,947,012	2,752,687	2,579,945	2,639,677
	67%	67%	67%	67%
Total	¥4,391,864	¥4,132,435	¥3,862,716	¥3,966,164
	100%	100%	100%	100%
Unit sales:				
Motorcycles	3,675	4,035	4,251	4,910
Automobiles	1,961	1,793	1,753	1,794
Power Products	1,355	1,450	1,632	1,909
Number of employees				
	90,500	90,900	91,300	92,800
Exchange rate (yen amounts per U.S. dollar)				
Rates for the period-end	¥ 133	¥ 116	¥ 103	¥ 89
Average rates for the period	133	125	108	99

Notes:

(1) The amounts for the fiscal year ended March 31, 2002, have been translated into U.S. dollars at the rate of ¥133.25=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 29, 2002.
(2) Net income per common (or American) share amounts are computed based on Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." All net income per common (or American) share data presented prior to fiscal 1998 has been restated to conform with the provisions of SFAS No. 128.

(3) The Company adopted Statement of Financial Accounting Standards (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 fiscal years 1992 and 1993 have been restated.

(4) Effective April 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Net unrealized gains on marketable equity securities, less related income taxes, are included in accumulated other comprehensive income (loss) in the statements of stockholders' equity.

* The geographic breakdown of sales amounts is based on the location of customers.

Yen (millions)							U.S. dollars (millions)
1996	1997	1998	1999	2000	2001	2002	2002
¥4,252,250	¥5,293,302	¥5,999,738	¥6,231,041	¥6,098,840	¥6,463,830	¥7,362,438	\$55,253
143,633	401,447	462,313	548,698	426,230	406,960	639,296	4,798
115,134	390,722	443,351	520,511	416,063	384,976	551,342	4,138
58,281	189,044	201,278	229,624	170,434	178,439	231,150	1,735
13,948	19,490	18,552	14,158	16,786	25,704	42,515	319
70,801	221,168	260,625	305,045	262,415	232,241	362,707	2,722
1.7%	4.2%	4.3%	4.9%	4.3%	3.6%	4.9%	
13,638	13,640	16,563	20,463	20,463	22,412	24,360	183
220,573	251,128	285,863	311,632	334,036	352,829	395,176	2,966
30,601	27,514	27,655	27,890	18,920	21,400	16,769	126
¥3,516,113	¥4,191,294	¥4,815,265	¥5,034,247	¥4,898,428	¥5,667,409	¥6,940,795	\$52,089
656,461	734,255	677,750	673,084	574,566	368,173	716,614	5,378
1,144,540	1,388,430	1,607,914	1,763,855	1,930,373	2,230,291	2,573,941	19,317
125,007	141,351	153,337	177,666	172,139	170,342	194,944	1,463
150,489	217,782	309,517	237,080	222,891	285,687	303,424	2,277

Yen							U.S. dollars
¥ 72.68	¥ 227.00	¥ 267.49	¥ 313.05	¥ 269.31	¥ 238.34	¥ 372.23	\$ 2.79
72.63	226.97	267.45	313.05	269.31	238.34	372.23	2.79
14	14	17	21	21	23	25	0.19
1,174.73	1,425.04	1,650.14	1,810.20	1,981.07	2,288.87	2,641.55	19.82
36.34	113.50	133.74	156.52	134.65	119.17	186.11	1.40
36.31	113.48	133.72	156.52	134.65	119.17	186.11	1.40
7.0	7.0	8.5	10.5	10.5	11.5	12.5	0.09
587.36	712.52	825.07	905.10	990.53	1,144.43	1,320.77	9.91

Yen (millions)							U.S. dollars (millions)
¥1,540,463	¥1,826,284	¥1,710,813	¥1,556,333	¥1,612,191	¥1,740,340	¥1,868,746	\$14,024
36%	35%	29%	25%	26%	27%	25%	
2,711,787	3,467,018	4,288,925	4,674,708	4,486,649	4,723,490	5,493,692	41,229
64%	65%	71%	75%	74%	73%	75%	
¥4,252,250	¥5,293,302	¥5,999,738	¥6,231,041	¥6,098,840	¥6,463,830	¥7,362,438	\$55,253
100%	100%	100%	100%	100%	100%	100%	

Thousands						
5,488	5,325	5,257	4,295	4,436	5,118	6,095
1,887	2,184	2,343	2,333	2,473	2,580	2,666
2,268	2,521	2,857	3,412	4,057	3,884	3,926
96,800	101,100	109,400	112,200	112,400	114,300	120,600
¥ 106	¥ 124	¥ 132	¥ 121	¥ 106	¥ 124	¥ 133
96	113	123	128	112	111	125

and net income for the fiscal year ended March 31, 1995, was not affected by the adoption of this Statement.

(5) Effective fiscal 2000, due to the change in method of business segment categorization, all prior years' unit sales under Sales progress have been restated to reflect the change: i.e., unit sales of all-terrain vehicles (ATVs) are now included in Motorcycles, but were previously included in Power Products.

(6) Previously, revenue from domestic sales of general-purpose engines to customers who install them in products that are subsequently exported were recorded as overseas sales.

However, owing to various factors including changes in transaction formats and contract terms, as of fiscal 2002, such sales are now recorded as domestic sales. The sales amount from such sales for fiscal 2002 amounted to ¥5,468 million.

(7) Honda's common stock-to-ADR exchange ratio was changed from two shares of common stock to one ADR, to one share of common stock to two ADRs, effective January 10, 2002. Per American share information has been restated for all periods presented to reflect this four-for-one ADR split.

Net Sales and Other Operating Revenue

Honda's consolidated net sales and other operating revenue (hereafter "net sales") for fiscal 2002, ended March 31, 2002, amounted to ¥7,362.4 billion, up 13.9% from the previous fiscal year. This gain was driven primarily by increases in unit sales in each of our automobile, motorcycle and power products categories. Higher net sales also reflected currency translation effects, which had a positive impact on foreign currency-denominated revenue from Honda's overseas subsidiaries when translated into yen. Honda estimates that had exchange rates remained at the same level as in fiscal 2001, net sales and other operating revenue would have risen approximately 5.3%.

Operating Income

Operating income soared 57.1% from the previous fiscal year, to ¥639.2 billion, as strong demand for Honda automobiles prompted significant unit sales gains in Japan and North America. Improved operating income was also attributable to ongoing cost-cutting strategies and a weaker yen.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses for fiscal 2002 were up 12.7%, to ¥1,291.7 billion, largely as a consequence of higher advertising expenses, an increase in product warranty-related expenses—paralleling unit sales gains—and rising personnel expenses.

Research and Development (R&D) Expenses

The aim of Honda's R&D activities is to create, through application of the latest technologies, products that are both distinctive and internationally competitive. To this end, the Company maintains R&D functions as independent corporate entities, thereby enabling engineers to engage in R&D without constraint. Principal companies responsible for product research include Honda R&D Co., Ltd., Honda R&D Americas, Inc., and Honda R&D Europe (Deutschland) G.m.b.H., while research in the area of production technology is carried out by Honda Engineering Co., Ltd., and Honda Engineering North America, Inc. Each company cooperates closely with the communities in which it operates.

R&D expenses in fiscal 2002 totaled ¥395.1 billion.

R&D Activities

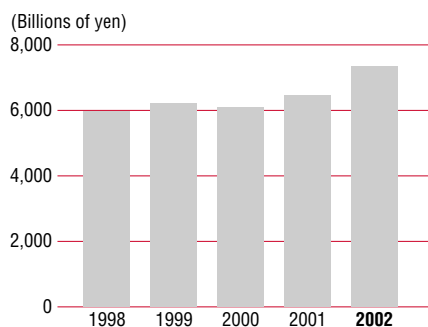
Motorcycles

Honda seeks to meet the diverse needs of motorcycle customers by originating products that offer new value and by conducting swift and effective development in overseas markets. At the same time, the Company is stepping up efforts to establish leading motorcycle technologies that contribute to the resolution of crucial environment and safety issues.

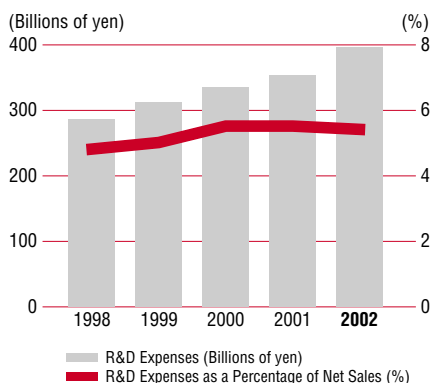
As a result of its efforts, in the domestic market Honda introduced a powerful, fun-to-drive new version of the Silver Wing large scooter mounted with a water-cooled DOHC two-cylinder 600cc engine; the Zoomer, a scooter featuring distinctive "naked" styling; and the slim, casually appointed Bite. Honda also introduced the CBR954RR (FireBlade in Europe) super sport touring bike, which boasts the power of a 1,000cc machine in a compact package comparable to that of a 600cc motorcycle. At the same time, the Company completely remodeled the VFR (Interceptor in North America), a large-displacement super sport touring bike mounted with a 4-stroke V-4 800cc engine, enhancing its smooth and powerful ride and adding a 3-way catalyzer system to substantially cut emissions. The year also saw several affordably priced, environment-friendly launches in Asia. In Thailand, Honda introduced the Wave 125, a fuel-efficient family-oriented motorcycle equipped with a 4-stroke 125cc engine, while in Vietnam, it began selling the Wave α , an inexpensive family-oriented motorcycle. In China, the Company commenced sales of the M-LIVING, an affordably priced motorcycle with a 4-stroke 125cc overhead valve (OHV) engine developed with newly established joint venture Sundiro Honda Motorcycle Co., Ltd. The period also marked Honda's debut in the personal watercraft (PWC) category with the development and launch in the United States of the AquaTrax F-12 and AquaTrax F-12X. Indicative of its ability to respond promptly to customer needs, Honda continued to conduct product development in North America, Asia and South America. The Company also introduced the SH125 and SH150 scooters, which were developed in Italy, in the European market.

Motorcycle-related R&D expenses in fiscal 2002 were ¥69.4 billion.

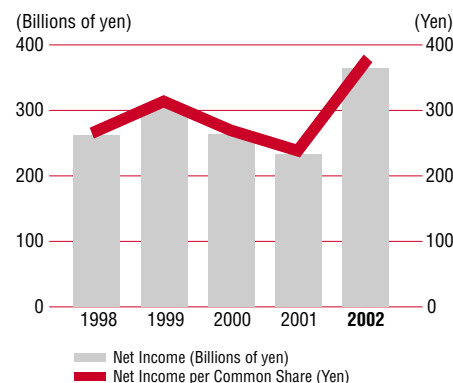
Net Sales and Other Operating Revenue



R&D Expenses and R&D Expenses as a Percentage of Net Sales



Net Income and Net Income per Common Share



Automobiles

Honda is committed to responding to the evolving needs of customers worldwide by developing attractive new products and original technologies. Accordingly, the Company is employing increasingly innovative development processes and focusing its product-related R&D efforts on automobiles incorporating competitive technologies. Honda also emphasizes the development of advanced solutions to environmental and safety issues.

As a result, in Japan and Europe, Honda introduced the Fit (called the Jazz in Europe), a new subcompact car mounted with a 1.3-liter i-DSI engine that delivers the ultimate in combustion efficiency and boasts an outstanding average fuel economy of 23 kilometers per liter (Japanese Standard) and emission cleanliness. The Fit was recognized with the prestigious 2001–2002 Japan Car of the Year and the 2002 Automotive Researchers' and Journalists' Conference (RJC) of Japan Car of the Year awards.

During fiscal 2002, in Japan and the United States, Honda introduced the Civic Hybrid, an ultraefficient hybrid car fitted with a state-of-the-art VTEC Cylinder Cut-off System—equipped with a 1.3-liter i-DSI engine and an improved version of Honda's original Integrated Motor Assist (IMA) system that delivers a fuel economy of 29.5 kilometers per liter (Japanese Standard). The Civic Hybrid runs so clean that it is recognized by the Japanese Ministry of Land, Infrastructure and Transport as an ultralow emissions vehicle. In Japan, Honda launched the Mobilio, a compact minivan equipped with a newly developed 1.5-liter i-DSI engine capable of seating up to seven adults in a 4-meter-long compact body, and the unique That's minicar, featuring a simple, practical interior and a newly engineered body designed with advanced Honda safety technologies.

Other R&D highlights of the period include the introduction of a fully remodeled version of the Company's popular Step Wagon with further improved utility and interior space. The use of a new-generation perovskite 3-way catalyzer system greatly reduces reliance on rare metals such as palladium in the catalytic converter, while still ensuring a superior environmental performance. In Japan and North America, Honda launched a fully redesigned version of the Integra sports coupe (Acura RSX in North America) featuring superior body strength, which greatly improves handling

stability. The CR-V, which was also given a full makeover worldwide, was designed with further enhanced safety features through incorporating a newly designed crash safety body based on Honda's G-Control Technology and an increased number of body sections, designed to reduce pedestrian injury.

Honda also continued to conduct research on a new fuel cell-powered vehicle, the FCX-V4. Improvements in driving performance, including maximum speed and acceleration, and an extended cruising distance enable the FCX-V4 to achieve a performance close to that of mass-produced vehicles. The Company expects to launch the FCX-V4 in calendar 2003.

Automobile-related R&D expenses amounted to ¥315.8 billion in fiscal 2002.

Others

In the area of power products, Honda's R&D efforts are directed toward new offerings that deliver new value and respond to customer needs, as well as the evolution of technologies that enhance the environmental soundness of our products.

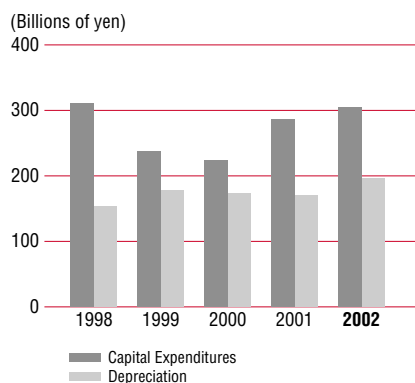
As a result, the Company developed, and in fiscal 2002 commenced sales of, the FG201 Puchina, an easy-to-operate tiller for home gardening use equipped with a 4-stroke OHV engine that realizes superb environmental performance. Honda also developed and launched the world's first hybrid snowblower, the HS1390i, in Japan and Europe, featuring Honda's original hybrid technology that combines a gasoline engine to power the apparatus and charge the battery with an electric motor for forward locomotion. The computerized drive system allows for optimum, smoother speed control based on workload. Other R&D achievements during the period include the introduction in North America of a compact, lightweight high-output inverter-equipped generator, the EU2000i, and the BF225 and BF200 environment-friendly V-6 4-stroke outboard engines, which are among the largest such engines currently on the market, both of which were offered worldwide.

R&D expenditures in this area amounted to ¥9.9 billion.

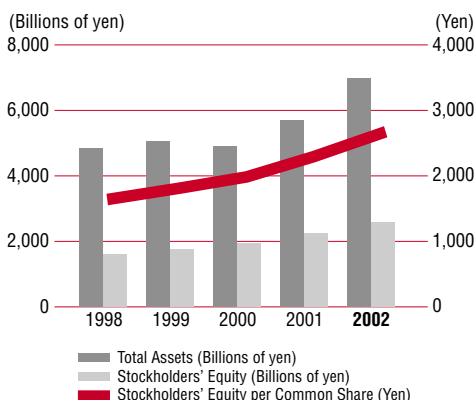
Fundamental Research

In the area of fundamental research, Honda enhanced the devel-

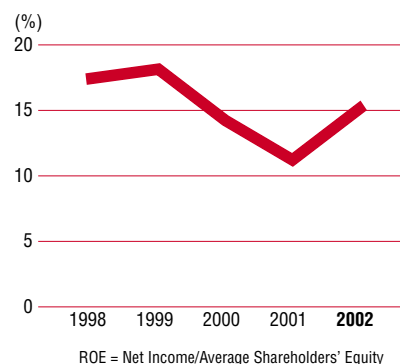
Capital Expenditures and Depreciation



Total Assets, Stockholders' Equity and Stockholders' Equity per Common Share



Return on Equity (ROE)



ROE = Net Income/Average Shareholders' Equity

opment of ASIMO, an advanced humanoid robot developed with the aim of creating a walking robot that can benefit both humans and society. Honda focused on further advancing ASIMO's flexible walking technology and on simplifying its maneuverability system. Fundamental research also encompasses efforts to develop technologies aimed at responding to the energy and environmental needs of the future. During the period under review, funds were applied to experimental operations at a hydrogen production and fueling station for fuel cell-powered vehicles and the development of ultracompact fuel cells.

Expenses stemming from fundamental research are borne by the Company's business segments and are included in the figures above.

Income before Income Taxes and Equity in Income of Affiliates

Reflecting solid increases in revenue and operating income, income before income taxes and equity in income of affiliates advanced 43.2%, to ¥551.3 billion.

Equity in Income of Affiliates

Equity in income of affiliates climbed 65.4%, to ¥42.5 billion. This gain was due largely to income gains posted by affiliates in Asia.

Net Income

Consolidated fiscal 2002 net income totaled ¥362.7 billion, an increase of 56.2% and a record high. The effective tax rate was 41.9%, 4.5 percentage points lower than for the previous period. Basic net income per common share amounted to ¥372.23, compared with ¥238.34 in fiscal 2001.

Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of the year came to ¥609.4 billion, up ¥191.9 billion from the fiscal 2001 year-end. Substantial gains in net income and proceeds from long-term debt, along with an increase in short-term debt, countered higher demand for capital in connection with increases in investment in property, plant and equipment and acquisitions of finance subsidiaries—receivables.

Net cash provided by operating activities rose ¥241.6 billion, to ¥749.9 billion, reflecting increases in key items, notably net income, as well as depreciation, which grew ¥24.6 billion, to ¥194.9 billion.

Net cash used in investing activities amounted to ¥886.5 billion, an increase of ¥369.5 billion, largely as a consequence of higher capital expenditures—notably investments related to the introduction of the New Manufacturing System and the purchase of production equipment for overseas subsidiaries—and an increase in acquisitions of finance subsidiaries—receivables.

Net cash provided by financing activities was ¥307.6 billion, compared with ¥14.7 billion used in financing activities in the previous period, reflecting an increase in short-term debt and long-term debt.

Capital Expenditures

Manufacturing-related expenditures in fiscal 2002 were applied to the expansion of manufacturing facilities, streamlining efforts and

the replacement of older equipment. Other expenditures included funds used to augment sales and R&D facilities. Total capital expenditures were ¥303.4 billion, an increase of ¥17.7 billion from fiscal 2001. Capital expenditures by segment were as follows:

	Yen (millions)	
	2001	2002
Motorcycle Business	¥ 34,012	¥ 29,929
Automobile Business	239,609	264,657
Financial Services	1,320	676
Other Businesses	10,746	8,162
Total	¥285,687	¥303,424

Honda invested ¥29.9 billion in its motorcycle business, mainly for the introduction of new models and the New Manufacturing System. Capital expenditures in the automobile business amounted to ¥264.6 billion. These funds primarily comprised investments in new model production and the New Manufacturing System at the Company and Honda of America Mfg., Inc. Funds were also applied to the construction of a production facility at Honda Manufacturing of Alabama, LLC for the Odyssey minivan (Lagreat in Japan) and V-6 engines for this model. In addition, Honda invested in a second plant at Honda of the U.K. Manufacturing Ltd., slated to expand annual production capacity by 100,000 units. Expenditures in the financial services business totaled ¥0.6 billion in fiscal 2002, while Honda's investment in other businesses—mainly to fund the expansion and renewal of power product manufacturing equipment and the renovation of motor sports facilities—came to ¥8.1 billion. Eliminations and sales of manufacturing facilities during the period had no material impact.

Segment Information

The following segment information has been prepared in accordance with 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 Segments

Business segments are based on Honda's business organization and the similarity of the principal products within each segment, as well as the relevant markets for such products.

Motorcycles

Honda launched several new scooter models in the domestic market during the period, including the Silver Wing, the Zoomer and the Bite. The Company also introduced the CBR954RR super sport bike (FireBlade in Europe) and the fully remodeled VFR road-going sport bike (Interceptor in North America) in Japan, the United States and Europe. Other new offerings in Europe included the locally developed and built SH125 and SH150 scooters. In South America, Honda brought the XR250 Tornado on-road/off-road bike to market. In Asia, Honda attracted attention with the new M-LIVING, an affordably priced 125cc motorcycle for everyday transportation introduced in China; the Wave 125, a fuel-efficient

motorcycle with a 4-stroke engine offered in Thailand; and the Wave α , an inexpensive, family-oriented motorcycle introduced in Vietnam. Fiscal 2002 also brought the launch of the AquaTrax F-12 and AquaTrax F-12X, the Company's first models in the new PWC category.

Despite higher sales of sport bikes, a decline in sales of commercial-use bikes and other products held domestic unit sales to 404,000, largely level with the previous period. In contrast, overseas unit sales rose 20.8%, to 5,691,000, owing to solid gains in Asia and Latin America. Accordingly, total unit sales in the motorcycles segment amounted to 6,095,000, an increase of 19.1%. Higher unit sales combined with positive currency translation effects to push segment revenue up 17.7%, to ¥947.9 billion. Operating income grew 23.3%, to ¥69.6 billion.

Automobiles

In Japan and Europe, Honda launched the exciting new Fit (Jazz in Europe), a subcompact car powered by the newly developed i-DSI engine. The Company also reinforced its lineup of environment-friendly automobiles with the new Civic Hybrid, a new sedan featuring greatly improved energy efficiency, in Japan and the United States. In the domestic market, Honda also introduced a fully remodeled Step Wagon and the new Mobilio compact minivan and the That's, a new style of minicar. The Company also implemented full model changes for the Integra, offered in Japan and North America, where it is called the Acura RSX, and the groundbreaking CR-V SUV, available worldwide, and launched the redesigned British-made Civic 3-door in Japan, Europe and North America.

Brisk sales of new models, notably the Fit and the Stream minivan, and the remodeled Step Wagon, pushed domestic unit sales up 13.1%, to 878,000. Unit sales in overseas markets edged down 0.9%, to 1,788,000 units, as flagging sales in Europe negatively affected gains in other markets prompted by increased sales of the Acura MDX and the Odyssey minivan. As a consequence, total unit sales in the automobiles segment advanced 3.3%, to 2,666,000. Growth in unit sales and positive currency translation effects pushed segment revenue up 13.4%, to ¥5,929.7 billion. Operating income shot up 62.6%, to ¥520.5 billion.

Financial Services

Revenue from Honda's financial services business climbed 18.9%, to ¥209.3 billion. Operating income surged 46.4%, to ¥45.0 billion.

Other Businesses

During the period under review, Honda expanded its lineup of power products with the FG201 Puchina, a compact, high-performance, easy-to-operate tiller for home gardening use launched in Japan, and the HS1390i, the world's first hybrid snowblower, introduced in Japan and Europe. Other new products during the period included the EU2000i and EU20i high-output inverter-equipped generators, introduced in North America and Europe, respectively, and the GX100 4-stroke OHC general-purpose engine and BF225 and BF200 4-stroke outboard engines, which are among the largest such engines currently on the market, both of which were offered worldwide.

Honda's domestic unit sales of power products jumped 149.4% in fiscal 2002, to 409,000. Owing to various factors, including changes in transaction formats and contract terms in the period under review, domestic sales of general-purpose engines to customers for installation in products that are subsequently exported, which were previously recorded as overseas sales, are now accounted for as domestic sales. Unit sales of such general-purpose engines for the period amounted to 251,000. As a consequence, total unit sales of power products rose 1.1%, to 3,926,000, despite a 5.5% dip in overseas unit sales, to 3,517,000, as flagging sales in Europe and other areas offset gains in North America.

Reflecting these results and the positive effects of currency translation, segment revenue advanced 11.0%, to ¥293.8 billion. Operating income was ¥4.0 billion, up from an operating loss of ¥355 million in fiscal 2001.

Geographical Segments

Geographical segments are based on the location of the Company and its subsidiaries.

Japan

Brisk automobile sales and the positive effects of currency translation contributed to a 6.0% increase in net sales in Japan in fiscal 2002, to ¥3,811.0 billion. Operating income increased 73.5%, to ¥253.4 billion.

North America

Higher unit sales of motorcycles, automobiles and power products, along with the positive effects of currency translation, pushed Honda's net sales in North America up 19.4%, to ¥4,307.9 billion. Operating income amounted to ¥402.3 billion, up 45.5%.

Europe

Despite flagging unit sales of motorcycles, automobiles and power products, the positive effects of currency translation contributed significantly to a 10.3% increase in Honda's net sales in Europe, to ¥603.5 billion. Nonetheless, Honda recorded an operating loss of ¥35.3 billion, although this marked an improvement of ¥20.1 billion from the previous period.

Other Regions

Higher unit sales of motorcycles in Asia and Latin America, coupled with the positive effects of currency translation attributable to a weaker yen, countered declines in unit sales of automobiles and power products. As a consequence, aggregate net sales in other regions rose 8.7%, to ¥554.8 billion, while operating income climbed 13.3%, to ¥40.7 billion.

Environmental Matters

Automobiles and motorcycles manufactured by Honda for sale in Japan comply with Japan's exhaust emission and noise level regulations. Honda products sold in markets outside Japan comply with all such regulations currently in force in the pertinent market. Honda does not foresee any significant difficulty in complying with regulations expected to be enacted in such markets in the near future.

Business Segment Information

Years ended or at March 31	Yen (millions)	
	2001	2002
Net sales and other operating revenue:		
Motorcycle Business		
Sales to unaffiliated customers	¥ 805,304	¥ 947,900
Automobile Business		
Sales to unaffiliated customers	5,231,326	5,929,742
Financial Services		
Sales to unaffiliated customers	169,293	201,906
Intersegment sales	6,781	7,409
Total	176,074	209,315
Other Businesses		
Sales to unaffiliated customers	257,907	282,890
Intersegment sales	6,796	10,968
Total	264,703	293,858
Eliminations	(13,577)	(18,377)
Consolidated	¥6,463,830	¥7,362,438

Operating income:

Motorcycle Business	¥ 56,478	¥ 69,656
Automobile Business	320,035	520,510
Financial Services	30,802	45,084
Other Businesses	(355)	4,046
Consolidated	¥ 406,960	¥ 639,296

Assets:

Motorcycle Business	¥ 597,998	¥ 754,512
Automobile Business	2,828,579	3,377,470
Financial Services	2,217,186	2,917,170
Other Businesses	191,223	240,735
Corporate assets and eliminations	(167,577)	(349,092)
Consolidated	¥5,667,409	¥6,940,795

Depreciation:

Motorcycle Business	¥ 19,275	¥ 22,129
Automobile Business	143,884	165,508
Financial Services	492	786
Other Businesses	6,691	6,521
Consolidated	¥ 170,342	¥ 194,944

Capital expenditures:

Motorcycle Business	¥ 34,012	¥ 29,929
Automobile Business	239,609	264,657
Financial Services	1,320	676
Other Businesses	10,746	8,162
Consolidated	¥ 285,687	¥ 303,424

Geographical Segment Information

Years ended or at March 31	Yen (millions)	
	2001	2002
Net sales and other operating revenue:		
Japan		
Sales to unaffiliated customers	¥1,950,985	¥2,087,765
Transfers between geographical segments	1,643,591	1,723,269
Total	3,594,576	3,811,034
North America		
Sales to unaffiliated customers	3,488,287	4,163,951
Transfers between geographical segments	120,123	143,987
Total	3,608,410	4,307,938
Europe		
Sales to unaffiliated customers	526,923	570,170
Transfers between geographical segments	20,365	33,335
Total	547,288	603,505
Others		
Sales to unaffiliated customers	497,635	540,552
Transfers between geographical segments	12,921	14,259
Total	510,556	554,811
Eliminations	(1,797,000)	(1,914,850)
Consolidated	¥6,463,830	¥7,362,438

Operating income:

Japan	¥ 146,071	¥ 253,431
North America	276,540	402,395
Europe	(55,527)	(35,338)
Others	35,920	40,711
Eliminations	3,956	(21,903)
Consolidated	¥ 406,960	¥ 639,296

Assets:

Japan	¥2,022,021	¥2,177,095
North America	2,713,508	3,679,762
Europe	457,647	514,535
Others	286,776	374,801
Corporate assets and eliminations	187,457	194,602
Consolidated	¥5,667,409	¥6,940,795

Consolidated Balance Sheets Divided into Non-Financial Services Businesses and Finance Subsidiaries

At March 31, 2002	Yen (millions)	% of total
Assets		
Non-financial services businesses		
Current Assets:	¥2,745,407	39.6
Cash and cash equivalents	590,798	
Trade accounts and notes receivable	455,019	
Inventories	645,218	
Other current assets	1,054,372	
Investments and advances	529,763	7.6
Property, plant and equipment, at cost	1,368,405	19.7
Other assets	221,104	3.2
Total assets	4,864,679	70.1
Finance subsidiaries		
Cash and cash equivalents	18,643	0.3
Finance subsidiaries—short-term receivables, net	995,547	14.3
Finance subsidiaries—long-term receivables, net	1,811,502	26.1
Other assets	91,478	1.3
Total assets	2,917,170	42.0
Eliminations	(841,054)	(12.1)
Total assets	¥6,940,795	100.0
Liabilities and Stockholders' Equity		
Non-financial services businesses		
Current liabilities:	¥1,869,129	26.9
Short-term debt	302,732	
Current portion of long-term debt	8,052	
Trade payables	845,990	
Accrued expenses	544,144	
Other current liabilities	168,211	
Long-term debt	34,565	0.5
Other liabilities	539,909	7.8
Total liabilities	2,443,603	35.2
Finance subsidiaries		
Short-term debt	1,361,807	19.6
Current portion of long-term debt	299,962	4.3
Accrued expenses	137,844	2.0
Long-term debt	684,907	9.9
Other liabilities	145,811	2.1
Total liabilities	2,630,331	37.9
Eliminations	(707,080)	(10.2)
Total liabilities	4,366,854	62.9
Common stock	86,067	1.2
Capital surplus	172,529	2.5
Legal reserves	28,969	0.4
Retained earnings	2,765,600	39.9
Accumulated other comprehensive income (loss)	(479,175)	(6.9)
Treasury stock	(49)	(0.0)
Total stockholders' equity	2,573,941	37.1
Total liabilities and stockholders' equity	¥6,940,795	100.0

Consolidated Statements of Cash Flows Divided into Non-Financial Services Businesses and Finance Subsidiaries

Year ended March 31, 2002	Yen (millions)	
	Non-financial services businesses	Finance subsidiaries
Cash flows from operating activities:		
Net income	¥339,392	¥ 23,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	194,158	786
Deferred income taxes	(33,301)	41,387
Equity in income of affiliates	(43,162)	—
Loss on derivative instruments and related others	6,931	14,809
Decrease (increase) in trade accounts and notes receivable	5,438	—
Decrease (increase) in inventories	10,191	—
Increase (decrease) in trade payables	(13,828)	—
Other, net	204,088	(1,309)
Net cash provided by operating activities	669,907	79,408
Cash flows from investing activities:		
Decrease (increase) in investments and advances	(89,633)	(1,349)
Capital expenditures	(302,748)	(676)
Proceeds from sales of property, plant and equipment	7,162	254
Decrease (increase) in finance subsidiaries—receivables	—	(588,875)
Net cash used in investing activities	(385,219)	(590,646)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(47,430)	141,266
Proceeds from long-term debt	13,503	610,567
Repayment of long-term debt	(45,295)	(270,791)
Proceeds from issuance of common stock	—	19,878
Cash dividends paid	(24,391)	(389)
Increase (decrease) in commercial paper classified as long-term debt	—	649
Net cash provided by (used in) financing activities	(103,613)	501,180
Effect of exchange rate changes on cash and cash equivalents	20,776	129
Net change in cash and cash equivalents	201,851	(9,929)
Cash and cash equivalents at beginning of year	388,947	28,572
Cash and cash equivalents at end of year	¥590,798	¥ 18,643

Notes:

- Subsidiaries engaged in financial services are referred to as finance subsidiaries. Other subsidiaries are referred to as non-financial services businesses.
- Free cash flow (the net of cash flows from operating activities and cash flows from investing activities) for non-financial services businesses was ¥284,688 million, while finance subsidiaries generated a negative free cash flow of ¥511,238 million in fiscal 2002. Non-financial services businesses lend to finance subsidiaries. These cash flows are included in the decrease (increase) in investments and advances, increase (decrease) in short-term debt, proceeds from long-term debt and repayment of long-term debt. Excluding the increase in loans to finance subsidiaries (¥70,471 million), free cash flow for non-financial services businesses in fiscal 2002 was ¥355,159 million.

CONSOLIDATED BALANCE SHEETS

Honda Motor Co., Ltd. and Subsidiaries
March 31, 2001 and 2002

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 417,519	¥ 609,441	\$ 4,574
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥7,899 million in 2001 and ¥8,662 million (\$65 million) in 2002	440,802	452,208	3,394
Finance subsidiaries—receivables, net (note 3)	762,368	995,087	7,468
Inventories (note 4)	620,754	644,282	4,835
Deferred income taxes (note 9)	151,722	182,788	1,372
Other current assets (note 7)	205,771	204,538	1,534
Total current assets	2,598,936	3,088,344	23,177
Finance subsidiaries—receivables, net (note 3)	1,304,994	1,808,861	13,575
Investments and advances:			
Investments in and advances to affiliates (note 5)	200,625	249,959	1,876
Other, including marketable equity securities (note 6)	175,562	145,536	1,092
Total investments and advances	376,187	395,495	2,968
Property, plant and equipment, at cost (note 7):			
Land	299,984	318,208	2,388
Buildings	831,868	920,106	6,905
Machinery and equipment	1,887,630	2,048,244	15,372
Construction in progress	99,552	82,610	620
	3,119,034	3,369,168	25,285
Less accumulated depreciation	1,864,411	1,979,455	14,855
Net property, plant and equipment	1,254,623	1,389,713	10,430
Other assets (notes 7 and 9)	132,669	258,382	1,939
Total assets	¥5,667,409	¥6,940,795	\$52,089

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Current liabilities:			
Short-term debt (note 7)	¥ 910,417	¥1,035,069	\$ 7,768
Current portion of long-term debt (note 7)	274,481	308,014	2,312
Trade payables:			
Notes	24,372	26,009	195
Accounts	795,882	814,948	6,116
Accrued expenses	539,348	678,118	5,089
Income taxes payable (note 9)	38,633	61,244	460
Other current liabilities (notes 7 and 9)	178,124	186,657	1,400
Total current liabilities	2,761,257	3,110,059	23,340
Long-term debt (note 7)	368,173	716,614	5,378
Other liabilities (notes 7, 8, 9 and 11)	307,688	540,181	4,054
Total liabilities	3,437,118	4,366,854	32,772
Stockholders' equity:			
Common stock, authorized 3,600,000,000 shares; issued 974,414,215 shares at March 31, 2001 and 2002	86,067	86,067	646
Capital surplus	172,529	172,529	1,295
Legal reserves (note 10)	27,929	28,969	217
Retained earnings (note 10)	2,428,293	2,765,600	20,755
Accumulated other comprehensive income (loss) (notes 6, 9, 11 and 13)	(484,527)	(479,175)	(3,596)
Treasury stock, at cost 10,036 shares at March 31, 2002	—	(49)	(0)
Total stockholders' equity	2,230,291	2,573,941	19,317
Commitments and contingent liabilities (notes 16 and 17)			
Total liabilities and stockholders' equity	¥5,667,409	¥6,940,795	\$52,089

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Honda Motor Co., Ltd. and Subsidiaries
Years ended March 31, 2000, 2001 and 2002

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Common stock:				
Balance at beginning of year	¥ 86,067	¥ 86,067	¥ 86,067	\$ 646
Balance at end of year	86,067	86,067	86,067	646
Capital surplus:				
Balance at beginning of year	172,529	172,529	172,529	1,295
Balance at end of year	172,529	172,529	172,529	1,295
Legal reserves:				
Balance at beginning of year	26,828	27,545	27,929	209
Transfer from retained earnings (note 10)	717	384	1,040	8
Balance at end of year	27,545	27,929	28,969	217
Retained earnings:				
Balance at beginning of year	1,977,613	2,218,848	2,428,293	18,224
Net income for the year	262,415	232,241	362,707	2,722
Cash dividends (note 10)	(20,463)	(22,412)	(24,360)	(183)
Transfer to legal reserves (note 10)	(717)	(384)	(1,040)	(8)
Balance at end of year	2,218,848	2,428,293	2,765,600	20,755
Accumulated other comprehensive income (loss)				
(notes 6, 9, 11 and 13):				
Balance at beginning of year	(499,182)	(574,616)	(484,527)	(3,636)
Other comprehensive income (loss) for the year, net of tax	(75,434)	90,089	5,352	40
Balance at end of year	(574,616)	(484,527)	(479,175)	(3,596)
Treasury stock:				
Balance at beginning of year	—	—	—	—
Purchase of treasury stock	—	—	(49)	(0)
Balance at end of year	—	—	(49)	(0)
Total stockholders' equity	¥1,930,373	¥2,230,291	¥2,573,941	\$19,317
Disclosure of comprehensive income:				
Net income for the year	¥ 262,415	¥ 232,241	¥ 362,707	\$ 2,722
Other comprehensive income (loss) for the year, net of tax (notes 6, 9, 11 and 13)	(75,434)	90,089	5,352	40
Total comprehensive income for the year	¥ 186,981	¥ 322,330	¥ 368,059	\$ 2,762

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Honda Motor Co., Ltd. and Subsidiaries
Years ended March 31, 2000, 2001 and 2002

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Cash flows from operating activities (note 12):				
Net income	¥ 262,415	¥ 232,241	¥ 362,707	\$ 2,722
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	172,139	170,342	194,944	1,463
Deferred income taxes	(42,544)	(18,424)	8,086	61
Equity in income of affiliates	(16,786)	(25,704)	(42,515)	(319)
Provision for credit and lease residual losses on finance subsidiaries–receivables	15,777	15,584	22,139	166
Loss on derivative instruments and related others	—	—	21,740	163
Decrease (increase) in assets:				
Trade accounts and notes receivable	(43,732)	(35,460)	5,539	42
Inventories	(42,376)	(8,372)	10,191	76
Other current assets	(19,071)	(843)	69,243	520
Other assets	(11,437)	18,508	(28,577)	(214)
Increase (decrease) in liabilities:				
Trade payables	62,506	83,566	(14,101)	(106)
Accrued expenses	52,400	31,477	75,772	569
Income taxes payable	(13,988)	(15,180)	20,551	154
Other current liabilities	3,459	39,791	(41,717)	(313)
Other liabilities	19,647	19,176	59,762	448
Other, net	8,821	1,608	26,186	196
Net cash provided by operating activities	407,230	508,310	749,950	5,628
Cash flows from investing activities:				
Decrease (increase) in investments and advances	14,102	(8,658)	476	4
Capital expenditures	(222,891)	(285,687)	(303,424)	(2,277)
Proceeds from sales of property, plant and equipment	18,573	19,218	7,416	56
Acquisitions of finance subsidiaries–receivables	(1,809,817)	(2,083,375)	(2,900,128)	(21,765)
Collections of finance subsidiaries–receivables	1,299,862	1,516,094	1,615,182	12,121
Proceeds from sales of finance subsidiaries–receivables	398,580	325,364	693,907	5,208
Net cash used in investing activities	(301,591)	(517,044)	(886,571)	(6,653)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	(42,096)	333,541	5,997	45
Proceeds from long-term debt	290,822	149,108	624,070	4,684
Repayment of long-term debt	(265,392)	(475,744)	(298,718)	(2,242)
Cash dividends paid (note 10)	(20,463)	(22,412)	(24,360)	(183)
Increase in commercial paper classified as long-term debt	7,187	711	649	5
Net cash provided by (used in) financing activities	(29,942)	(14,796)	307,638	2,309
Effect of exchange rate changes on cash and cash equivalents	(22,734)	10,462	20,905	157
Net change in cash and cash equivalents	52,963	(13,068)	191,922	1,441
Cash and cash equivalents at beginning of year	377,624	430,587	417,519	3,133
Cash and cash equivalents at end of year	¥ 430,587	¥ 417,519	¥ 609,441	\$ 4,574

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Honda Motor Co., Ltd. and Subsidiaries

1. General and Summary of Significant Accounting Policies

(a) Description of Business

Honda Motor Co., Ltd. (the "Company") and its subsidiaries (collectively "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 26 separate factories, 6 of which are located in Japan. Principal overseas manufacturing facilities are located in the United States of America, Canada, the United Kingdom, France, Italy, Spain, India, Pakistan, the Philippines, Thailand, Vietnam, Brazil and Mexico.

Net sales and other operating revenue by category of activity for the year ended March 31, 2002 were derived from: motorcycle business 12.9%, automobile business 80.5%, financial services 2.7%, and other businesses 3.9%. Operating income by category of activity for the year ended March 31, 2002 was derived from: motorcycle business 10.9%, automobile business 81.4%, financial services 7.1%, and other businesses 0.6%. The total assets at March 31, 2002 were attributable to: motorcycle business 10.9%, automobile business 48.7%, financial services 42.0%, other businesses 3.5%, and corporate assets (net of company-wide accounts eliminated in consolidation) (5.1%).

Honda sells motorcycles, automobiles and power products in most countries in the world. For the year ended March 31, 2002, 71.6% of net sales and other operating revenue (¥5,274,673 million; \$39,585 million) was derived from subsidiaries operating outside Japan (2001: ¥4,512,845 million, 2000: ¥4,291,964 million). Net sales and other operating revenue for the year ended March 31, 2002 was geographically broken down based on the location of customers as follows: Japan 25.4%, North America 56.3%, Europe 7.7%, and others 10.6%. For the year ended March 31, 2002, 63.8% of operating income (¥407,768 million; \$3,060 million) was generated from foreign subsidiaries, disregarding the effect of elimination of unrealized profits between domestic operations and foreign operations (2001: ¥256,933 million, 2000: ¥292,294 million). Also, 65.8% of Honda's assets at March 31, 2002 (¥4,569,098 million; \$34,290 million) was identified with foreign operations (2001: ¥3,457,931 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 accounting principles generally accepted in the United States of America.

(c) Consolidation Policy

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and 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 Honda 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 accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(e) Revenue Recognition

Sales of manufactured products are recognized when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is probable. 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 the net fee or cost is recognized using the interest method 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 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. Honda determines the value of the retained interests by discounting the future cash flows. Those cash flows are net of estimated credit losses and are discounted at a rate which Honda believes is commensurate with the risks involved. A servicing asset or liability is amortized in proportion to and over the period of estimated net servicing income. Servicing assets and servicing liabilities at March 31, 2001 and 2002 were not significant.

(f) Cash Equivalents

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

(g) Inventories

Inventories are stated at the lower of cost, determined principally 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 included in other comprehensive income (loss) and accumulated in the stockholders' equity section of the consolidated balance sheets. Honda did not hold any "trading" securities at March 31, 2001 and 2002, 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, 2001 and 2002.

(i) Goodwill

Goodwill, which represents the excess cost over the net tangible and identifiable intangible assets acquired at acquisition dates of investments in subsidiaries and affiliates, is being amortized on a straight-line basis over the expected periods to be benefited, generally five years.

(j) Depreciation

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

(k) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

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.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. 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 carryforwards. 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 earnings 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.

(m) Product-Related Expenses

Advertising and sales promotion costs are expensed as incurred. Advertising expenses for each of the years in the three-year period ended March 31, 2002 were ¥189,774 million, ¥197,593 million and ¥213,836 million (\$1,605 million), respectively. Provisions for estimated costs related to product warranty are made at the time of sale.

(n) Basic Net Income per Common Share

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. The weighted average number of common shares outstanding for the years ended March 31, 2000, 2001 and 2002 was 974,414,215, 974,414,215 and 974,408,513, respectively.

(o) Foreign Currency Translation

Foreign currency financial statement amounts are translated into Japanese 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 included in other comprehensive income (loss) and are accumulated in the stockholders' equity section of the consolidated balance sheets.

Foreign currency transaction gains (losses) included in other income (expenses)—other for each of the years in the three-year period ended March 31, 2002 are as follows:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2000	2001	2002
	¥1,305	¥(8,195)	¥(46,678)
			\$(350)

(p) 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. Prior to the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB statement No. 133" on April 1, 2001, gains and losses on foreign exchange instruments that qualify for hedge accounting treatment were recognized in the same period in which gains or losses from the transaction being hedged were recognized. The differential paid or received on interest rate swap agreements was 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 was deferred until the hedged item was realized. Derivative financial instruments that did not meet the criteria for hedge accounting were marked to market.

The Financial Accounting Standards Board issued SFAS No. 133 in June 1998 and SFAS No. 138 in June 2000. Both standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings.

Honda adopted SFAS No. 133 and SFAS No. 138 on April 1, 2001. The cumulative effect adjustment upon the adoption of SFAS No. 133 and SFAS No. 138, net of the related income tax effect, resulted in a decrease to net income of ¥89 million and a decrease to other comprehensive income of ¥5,998 million. Due to the immateriality of the amount, the cumulative effect adjustment to net income of ¥89 million and the cumulative effect adjustment to other comprehensive income of ¥5,998 million were recognized in other expenses in the consolidated statements of income for the year ended March 31, 2002. The adoption of SFAS No. 133 and SFAS No. 138 has not altered Honda's hedging strategies. However, all derivatives are now recognized as either assets or liabilities in the consolidated balance sheets and measured at fair value. In addition, because Honda has not elected to apply hedge accounting subsequent to the adoption of SFAS No. 133 and SFAS No. 138, changes in the fair value of its derivative instruments are recognized in earnings in the period of the change. The

amount recognized in earnings (included in other expenses—other) during the year ended March 31, 2002, excluding the cumulative effect adjustment, was ¥14,039 million.

(q) Pension and Other Postretirement Benefits

The Company and certain of its subsidiaries have various pension plans covering substantially all of their employees in Japan and in certain foreign countries who meet eligibility requirements. Certain of the Company's subsidiaries in North America provide certain health care and life insurance benefits to retired employees.

(r) Internal-Use Software

Certain internal-use software costs are capitalized once specific criteria are met and are amortized on a straight-line basis over five years.

(s) New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SFAS No. 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. SFAS No. 142 requires that goodwill no longer be amortized, but instead be tested for impairment at least annually. SFAS No. 142 also requires recognized intangible assets determined to have a finite useful life be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead tested for impairment in accordance with the Standard until its life is determined to no longer be indefinite.

Honda adopted the provisions of SFAS No. 141 and 142 on April 1, 2002, with the exception of the immediate requirement to use the purchase method of accounting for all future business combinations completed after June 30, 2001. However, any goodwill and any intangible asset determined to have an indefinite useful life that is acquired in a business combination completed after June 30, 2001 will not be amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized through March 31, 2002.

SFAS No. 141 requires Honda to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform with the new separation requirements at the date of adoption. Upon adoption of SFAS No. 142, the Company is

required to reassess the useful lives and residual values of all intangible assets and make any necessary amortization period adjustments by June 30, 2002.

In connection with the transitional impairment evaluation, SFAS No. 142 will require Honda to perform an assessment of whether there is an indication that goodwill is impaired as of April 1, 2002. To accomplish this, Honda must (1) identify its reporting units, (2) determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets to those reporting units, and (3) determine the fair value of each reporting unit. This first step of the transitional assessment is required to be completed by September 30, 2002. If the carrying value of any reporting unit exceeds its fair value, then detailed fair values for each of the assigned assets (excluding goodwill) and liabilities will be determined to calculate the amount of goodwill impairment, if any. This second step is required to be completed as soon as possible, but no later than March 31, 2003. Any transitional impairment loss resulting from the adoption will be recognized as the effect of a change in accounting principle in Honda's consolidated statements of income. The adoption of SFAS No. 141 did not have a material effect on Honda's consolidated financial position and results of operations. Management does not anticipate that the adoption of SFAS No. 142 will have a material effect on Honda's consolidated financial position and results of operations.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, Honda will recognize a gain or loss on settlement.

2. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2002 have been translated into United States dollars at

Honda is required and plans to adopt the provisions of SFAS No. 143 for the fiscal year beginning April 1, 2003. Honda is currently analysing SFAS No. 143 and has not yet determined the impact of adopting this Statement as of the date of this report.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes both SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS No. 121. For example, SFAS No. 144 provides guidance on how a long-lived asset that is used as part of a group should be evaluated for impairment, establishes criteria for when a long-lived asset is held for sale, and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. SFAS No. 144 retains the basic provisions of APB Opinion No. 30 on how to present discontinued operations in the income statements but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike SFAS No. 121, an impairment assessment under SFAS No. 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under SFAS No. 142, "Goodwill and Other Intangible Assets".

Honda adopted the provisions of SFAS No. 144 on April 1, 2002. The adoption of SFAS No. 144 did not have a material effect on Honda's consolidated financial position and results of operations.

(t) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2002.

the rate of ¥133.25=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 29, 2002. 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 and Securitizations

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 of the Company purchase insurance to cover a substantial amount of the estimated residual value of vehicles leased to customers. The allowance for losses on lease residual values is maintained at an amount management deems adequate to cover estimated losses on the uninsured portion of the vehicles' lease residual values. The allowance is also based on management's evaluation of many factors, including current economic conditions, industry experience and the finance subsidiaries' historical experience with residual value losses.

Finance subsidiaries—receivables, net, consisted of the following at March 31, 2001 and 2002:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Direct financing leases	¥ 892,589	¥1,410,324	\$10,584
Retail	980,215	1,230,479	9,235
Wholesale	220,259	236,396	1,774
Term loans to dealers	26,611	22,288	167
Total finance receivables	2,119,674	2,899,487	21,760
Retained interests in the sold pools of finance receivables	88,898	106,879	802
	2,208,572	3,006,366	22,562
Less:			
Allowance for credit losses	8,296	12,965	97
Allowance for losses on lease residual values	8,563	12,560	94
Unearned interest income and fees	124,351	176,893	1,328
Finance subsidiaries—receivables, net	2,067,362	2,803,948	21,043
Less current portion	762,368	995,087	7,468
Noncurrent finance subsidiaries—receivables, net	¥1,304,994	¥1,808,861	\$13,575

The following schedule shows the contractual maturities of finance receivables for each of the five years following March 31, 2002 and thereafter:

Years ending March 31	Yen (millions)	U.S. dollars (millions) (note 2)
2003	¥ 976,688	\$ 7,330
2004	686,850	5,154
2005	707,133	5,307
2006	378,551	2,841
2007	121,530	912
After five years	28,735	216
	1,922,799	14,430
Total	¥2,899,487	\$21,760

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, 2002 as follows:

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Finance income	¥144,729	¥176,074	¥209,315	\$1,571
Finance cost	68,638	89,896	93,868	704

Finance subsidiaries of the Company periodically sell finance receivables. Pre-tax net gains or losses on such sales for each of the years in the three-year period ended March 31, 2002, which are included in finance income in the table above, are ¥617 million net losses, ¥3,170 million net gains and ¥13,060 million (\$98 million) net gains, respectively.

Key economic assumptions used in initially estimating the fair values at the date of the securitizations during the year ended March 31, 2002 are as follows:

Weighted average life (years)	2.40 to 3.92
Prepayment speed	0.75% to 1.30%
Expected credit losses	0.20% to 0.35%
Residual cash flows discount rate	5.96% to 12.00%

At March 31, 2002, the significant assumptions used in estimating the residual cash flows from sold receivables are as follows:

	Assumption (%)
Retail receivables:	
Prepayment speed	1.31
Expected credit losses	0.34
Residual cash flows discount rate	9.76
Lease receivables:	
Prepayment speed	1.21
Expected credit losses	0.39
Residual cash flows discount rate	6.99

The outstanding balance of securitized financial assets at March 31, 2002 is summarized as follows:

	Yen (millions)	U.S. dollars (millions) (note 2)
	2002	2002
Receivables sold:		
Retail	¥835,252	\$6,268
Direct financing leases	140,720	1,056
Total receivables sold	¥975,972	\$7,324

4. Inventories

Inventories at March 31, 2001 and 2002 are summarized as follows:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Finished goods	¥387,714	¥408,703	\$3,067
Work in process	22,482	21,521	162
Raw materials	210,558	214,058	1,606
	¥620,754	¥644,282	\$4,835

5. Investments and Advances—Affiliates

Certain financial information in respect of affiliates at March 31, 2001 and 2002, and for each of the years in the three-year period ended March 31, 2002 is shown below:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Current assets	¥ 540,145	¥ 654,709	\$ 4,913
Other assets, principally property, plant and equipment	631,190	726,335	5,451
	1,171,335	1,381,044	10,364
Current liabilities	494,459	545,093	4,091
Other liabilities	150,895	144,718	1,086
Net assets	¥ 525,981	¥ 691,233	\$ 5,187

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Net sales	¥1,866,464	¥2,011,217	¥2,299,994	\$17,261
Net income	42,764	60,894	103,632	778
Cash dividends received by Honda during the year	4,843	6,264	11,580	87

Sales to affiliates by the Company and its subsidiaries and sales among such affiliates are made on the same basis as sales to unaffiliated parties.

Honda's equity in undistributed income of affiliates at March 31, 2001 and 2002 included in retained earnings was ¥106,198 million and ¥129,444 million (\$971 million), respectively.

Honda's intercompany balances and transactions with affiliates at March 31, 2001 and 2002, and for each of the years in the three-year period ended March 31, 2002 are as follows:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Due from	¥ 9,968	¥15,895	\$119
Due to	89,782	95,600	717

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Purchases from	¥509,969	¥529,317	¥536,404	\$4,026
Sales to	75,172	101,743	131,389	986

6. Investments and Advances—Other

Investments and advances—other at March 31, 2001 and 2002 consisted of the following:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Marketable equity securities	¥108,080	¥ 79,804	\$ 599
Nonmarketable preferred stock—Mitsubishi Tokyo Financial Group, Inc. (a)	10,200	10,200	77
Guaranty deposits	32,528	30,679	230
Life insurance contracts	7,697	4,524	34
Advances	3,150	2,503	19
Other	13,907	17,826	133
	¥175,562	¥145,536	\$1,092

(a) On April 2, 2001, the shareholders of the Bank of Tokyo–Mitsubishi Ltd. (BTM) exchanged their equity shares in BTM for shares in a newly formed holding company, Mitsubishi Tokyo Financial Group Inc. (MTFG), resulting in BTM becoming a subsidiary of MTFG. Accordingly, the nonmarketable preferred shares of BTM held by the Company were exchanged for nonmarketable preferred shares in the new entity, MTFG.

Certain information with respect to available-for-sale securities, all of which are marketable equity securities at March 31, 2001 and 2002, is summarized below:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Cost	¥ 70,641	¥56,884	\$427
Fair value	108,080	79,804	599
Gross unrealized gains	50,780	36,637	275
Gross unrealized losses	13,341	13,717	103

7. Short-Term and Long-Term Debt

Short-term debt at March 31, 2001 and 2002 is as follows:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Short-term bank loans	¥344,566	¥ 313,635	\$2,354
Medium-term notes	370,805	391,756	2,940
Commercial paper	195,046	329,678	2,474
	¥910,417	¥1,035,069	\$7,768

The weighted average interest rates on short-term debt outstanding at March 31, 2001 and 2002 were 5.50% and 3.78%, respectively.

Long-term debt at March 31, 2001 and 2002 is as follows:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Honda Motor Co., Ltd.:			
Loans, maturing 2001–2003:			
Unsecured, principally from banks	¥ 30,255	¥ 314	\$ 3
	30,255	314	3
Subsidiaries:			
Commercial paper	207,533	223,194	1,675
Loans, maturing 2001–2020:			
Secured, principally from banks	5,736	5,832	44
Unsecured, principally from banks	154,095	76,279	572
1.31% Japanese yen unsecured bond due 2005	30,000	30,000	225
0.69% Japanese yen unsecured bond due 2006	—	60,000	450
0.81% Japanese yen unsecured bond due 2006	—	1,000	8
Medium-term notes, maturing 2001–2010	215,944	628,335	4,715
Less unamortized discount, net	909	326	2
	612,399	1,024,314	7,687
Total long-term debt	642,654	1,024,628	7,690
Less current portion	274,481	308,014	2,312
	¥368,173	¥ 716,614	\$5,378

The loans are either secured by property, plant and equipment or subject to collateralization upon request, and their interest rates range from 0.28% to 13.50% per annum at March 31, 2002. Property, plant and equipment with a net book value of approximately ¥12,240 million and ¥11,477 million (\$86 million) at March 31, 2001 and 2002, respectively, were subject to specific mortgages securing indebtedness.

At March 31, 2001 and 2002, U.S. dollar 1,675 million 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 was approximately 1.92% at March 31, 2002.

Medium-term notes are unsecured, and their interest rates range from 0.05% to 2.50% at March 31, 2002.

The following schedule shows the maturities of long-term debt for each of the five years following March 31, 2002 and thereafter:

Years ending March 31	Yen (millions)	U.S. dollars (millions) (note 2)
2003	¥ 308,014	\$2,312
2004	447,347	3,357
2005	168,246	1,263
2006	24,038	180
2007	71,275	535
After five years	5,708	43
	716,614	5,378
Total	¥1,024,628	\$7,690

The Company and certain of its subsidiaries have entered into currency swap and interest rate swap agreements for hedging currency and interest rate exposures resulting from the issuance of long-term debt. Fair value of contracts related to currency swap and interest rate swap are included in other assets/liabilities and/or other current assets/liabilities in the consolidated balance sheets, as appropriate (see note 14). Unless a right of setoff exists, the offsetting of assets and liabilities is not made in the consolidated balance sheets.

At March 31, 2002, Honda had unused line of credit facilities amounting to ¥593,947 million (\$4,457 million), of which ¥279,329 million (\$2,096 million) related to commercial paper programs and ¥314,618 million (\$2,361 million) related to medium-term notes programs. Honda is authorized to obtain financing at prevailing interest rates under these programs.

At March 31, 2002, Honda also had committed lines of credit amounting to ¥604,808 million (\$4,539 million), none of which was in use. The committed lines are used to back up the commercial paper programs. Borrowings under those committed lines of credit generally are available at the prime interest rate.

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 Honda must give additional security upon request of the trustee.

8. Other Liabilities

Other liabilities at March 31, 2001 and 2002 are summarized as follows:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Allowance for dealers and customers	¥ 56,074	¥115,789	\$ 869
Minority interest	32,058	35,978	270
Additional minimum pension liabilities (note 11)	174,871	354,772	2,662
Deferred income taxes	—	1,561	12
Other	44,685	32,081	241
	¥307,688	¥540,181	\$4,054

9. Income Taxes

Total income taxes for each of the years in the three-year period ended March 31, 2002 were allocated as follows:

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Income	¥170,434	¥178,439	¥231,150	\$1,735
Stockholders' equity—Accumulated other comprehensive income (loss) (note 13)	55,051	46,950	(80,772)	(606)
	¥225,485	¥225,389	¥150,378	\$1,129

The income before income taxes and equity in income of affiliates ("Income before income taxes") and income tax expense (benefit) for each of the years in the three-year period ended March 31, 2002 consisted of the following:

	Yen (millions)			
	Income before income taxes	Income taxes		Total
		Current	Deferred	
2000:				
Japanese	¥127,562	¥ 76,015	¥(22,160)	¥ 53,855
Foreign (a)	288,501	136,963	(20,384)	116,579
	¥416,063	¥212,978	¥(42,544)	¥170,434
2001:				
Japanese	¥133,166	¥ 65,444	¥ (4,697)	¥ 60,747
Foreign (a)	251,810	131,419	(13,727)	117,692
	¥384,976	¥196,863	¥(18,424)	¥178,439
2002:				
Japanese	¥161,330	¥ 92,672	¥(27,427)	¥ 65,245
Foreign (a)	390,012	130,392	35,513	165,905
	¥551,342	¥223,064	¥ 8,086	¥231,150

	U.S. dollars (millions) (note 2)			
	Income before income taxes	Income taxes		Total
		Current	Deferred	
2002:				
Japanese	\$1,211	\$ 695	\$(206)	\$ 489
Foreign (a)	2,927	979	267	1,246
	\$4,138	\$1,674	\$ 61	\$1,735

(a) "Foreign" includes income taxes provided on undistributed earnings of foreign subsidiaries and affiliates.

The significant components of deferred income tax expense (benefit) for each of the years in the three-year period ended March 31, 2002 are as follows:

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Deferred tax expense (exclusive of the effects of the other component listed below)	¥(41,699)	¥(16,803)	¥8,375	\$63
Decrease in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(845)	(1,621)	(289)	(2)
	¥(42,544)	¥(18,424)	¥8,086	\$61

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 for each of the years in the three-year period

ended March 31, 2002 of approximately 41%. The foreign subsidiaries are subject to taxes based on income at rates ranging from 25% to 41%.

The effective tax rate for Honda for each of the years in the three-year period ended March 31, 2002 differs from the normal Japanese income tax rate for the following reasons:

	2000	2001	2002
Normal income tax rate	41.0%	41.0%	41.0%
Valuation allowance provided for current year operating losses of subsidiaries	2.8	5.2	2.9
Difference in normal tax rates of foreign subsidiaries	(1.3)	(1.0)	(1.0)
Reversal of valuation allowance due to utilization of operating loss carryforwards	(0.1)	(0.1)	(0.2)
Other	(1.4)	1.3	(0.8)
Effective tax rate	41.0%	46.4%	41.9%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2001 and 2002 are presented below:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Deferred tax assets:			
Inventory valuation	¥ 62,535	¥ 63,190	\$ 474
Allowance for dealers and customers	87,014	104,624	785
Foreign tax credit	31,450	33,905	254
Operating loss carryforwards	36,295	68,440	514
Minimum pension liabilities adjustment	71,697	145,456	1,092
Accrued other pension liabilities	59,254	66,045	496
Other	90,174	119,805	899
Total gross deferred tax assets	438,419	601,465	4,514
Less valuation allowance	46,225	61,129	459
Net deferred tax assets	392,194	540,336	4,055
Deferred tax liabilities:			
Inventory valuation	(10,878)	(10,757)	(81)
Depreciation and amortization, excluding lease transactions	(7,301)	(23,639)	(177)
Lease transactions	(110,079)	(149,859)	(1,125)
Undistributed earnings of subsidiaries and affiliates	(41,914)	(52,857)	(397)
Net unrealized gains on marketable equity securities	(15,349)	(9,396)	(70)
Other	(10,425)	(24,894)	(187)
Total gross deferred tax liabilities	(195,946)	(271,402)	(2,037)
Net deferred tax asset	¥196,248	¥268,934	\$2,018

The valuation allowance for deferred tax assets at March 31, 2000 was ¥26,514 million. The net change in the total valuation allowance for the years ended March 31, 2001 and 2002 was an increase of ¥19,711 million and ¥14,904 million (\$112 million), 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, 2001 and 2002.

At March 31, 2002, certain of the Company's subsidiaries have operating loss carryforwards for income tax purposes of ¥178,427 million (\$1,339 million), 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 (millions) (note 2)
Within 1 year	¥ 4,402	\$ 33
1 to 5 years	20,460	154
5 to 15 years	6,585	49
Indefinite periods	146,980	1,103
	¥178,427	\$1,339

At March 31, 2001 and 2002, Honda did not recognize deferred tax liabilities of ¥5,987 million and ¥16,786 million (\$126 million), respectively, for certain portions of the undistributed earnings of the Company's subsidiaries because such portions were reinvested or were determined to be reinvested. At March 31, 2001 and 2002, the undistributed earnings not subject to deferred tax liabilities were ¥663,540 million and ¥686,434 million (\$5,151 million), respectively. Honda has recognized deferred tax liabilities for undistributed earnings for which decisions of reinvestment have not been made.

Deferred income taxes at March 31, 2001 and 2002 are reflected in the consolidated balance sheets under the following captions:

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Current assets—Deferred income taxes	¥151,722	¥182,788	\$1,372
Other assets	71,087	154,344	1,158
Other current liabilities	(26,561)	(66,637)	(500)
Other liabilities	—	(1,561)	(12)
Net deferred tax asset	¥196,248	¥268,934	\$2,018

10. Dividends and Legal Reserves

The Japanese Commercial Code provided 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. The Japanese Commercial Code, amended effective October 1, 2001, provides that earnings in an amount equal to at least 10% of appropriations of retained earnings that are paid in cash shall be appropriated as a legal reserve until an aggregated amount of capital surplus and the legal reserve equals 25% of stated capital. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

Cash dividends and appropriations to the legal reserves charged to retained earnings during the years in the three-year period ended March 31, 2002 represent dividends paid out during those years and the related appropriations to the legal reserves. Cash dividends per share for each of the years in the three-year period ended March 31, 2002 were ¥21, ¥23 and ¥25 (\$0.19), respectively. The accompanying consolidated financial statements do not include any provision for the dividend of ¥15 (\$0.11) per share aggregating ¥14,616 million (\$110 million) to be proposed in June 2002.

11. Pension and Other Postretirement 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 provided in accordance with management policy. 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.

Reconciliations of beginning and ending balances of the pension benefit obligations and the fair value of the plan assets are as follows:

	Yen (millions)			
	Japanese plans		Foreign plans	
	2001	2002	2001	2002
Change in benefit obligations:				
Benefit obligations at beginning of year	¥(1,240,448)	¥(1,174,669)	¥ (94,578)	¥(117,255)
Service cost	(44,311)	(39,506)	(9,034)	(10,434)
Interest cost	(37,213)	(35,240)	(7,293)	(9,149)
Plan participants' contributions	(8,778)	(6,212)	(429)	(612)
Actuarial gain (loss)	85,054	(131,523)	7,280	(14,235)
Benefits paid	16,617	21,456	704	1,310
Amendment	54,410	—	—	(143)
Foreign exchange translation	—	—	(13,905)	(10,654)
Benefit obligations at end of year	(1,174,669)	(1,365,694)	(117,255)	(161,172)
Change in plan assets:				
Fair value of plan assets at beginning of year	762,928	698,726	110,749	131,069
Actual return on plan assets	(103,357)	(35,919)	(3,332)	(7,592)
Employer contributions	46,994	45,363	7,647	13,377
Plan participants' contributions	8,778	6,212	429	612
Benefits paid	(16,617)	(21,456)	(704)	(1,310)
Foreign exchange translation	—	—	16,280	9,907
Fair value of plan assets at end of year	698,726	692,926	131,069	146,063
Funded status	(475,943)	(672,768)	13,814	(15,109)
Unrecognized actuarial loss (gain)	401,547	577,375	(16,904)	16,464
Unrecognized net transition obligations	9,772	8,831	148	551
Unrecognized prior service cost (benefit)	(79,844)	(74,469)	5,506	5,653
Net amount recognized	(144,468)	(161,031)	2,564	7,559
Adjustments to recognize additional minimum liabilities (note 8):				
Amount included in accumulated other comprehensive income (loss)	(174,871)	(354,772)	—	—
Prepaid (accrued) pension cost recognized in the consolidated balance sheets	¥ (319,339)	¥ (515,803)	¥ 2,564	¥ 7,559
Pension plans with accumulated benefit obligations in excess of plan assets:				
Projected benefit obligations	¥(1,171,212)	¥(1,361,801)	¥ (15,272)	¥ (19,620)
Accumulated benefit obligations	(1,014,820)	(1,205,883)	(13,479)	(17,322)
Fair value of plan assets	695,835	689,933	12,727	15,065

	U.S. dollars (millions) (note2)	
	Japanese plans 2002	Foreign plans 2002
Change in benefit obligations:		
Benefit obligations at beginning of year	\$ (8,816)	\$ (880)
Service cost	(296)	(78)
Interest cost	(264)	(69)
Plan participants' contributions	(47)	(4)
Actuarial gain (loss)	(987)	(107)
Benefits paid	161	10
Amendment	—	(1)
Foreign exchange translation	—	(80)
Benefit obligations at end of year	(10,249)	(1,209)
Change in plan assets:		
Fair value of plan assets at beginning of year	5,244	984
Actual return on plan assets	(270)	(57)
Employer contributions	340	100
Plan participants' contributions	47	5
Benefits paid	(161)	(10)
Foreign exchange translation	—	74
Fair value of plan assets at end of year	5,200	1,096
Funded status	(5,049)	(113)
Unrecognized actuarial loss (gain)	4,333	124
Unrecognized net transition obligations	66	4
Unrecognized prior service cost (benefit)	(558)	42
Net amount recognized	(1,208)	57
Adjustments to recognize additional minimum liabilities (note 8):		
Amount included in accumulated other comprehensive income (loss)	(2,662)	—
Prepaid (accrued) pension cost recognized in the consolidated balance sheets	\$ (3,870)	\$ 57
Pension plans with accumulated benefit obligations in excess of plan assets:		
Projected benefit obligations	\$(10,220)	\$ (147)
Accumulated benefit obligations	(9,050)	(130)
Fair value of plan assets	5,178	113

Pension expense for each of the years in the three-year period ended March 31, 2002 included the following:

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Japanese plans:				
Service cost-benefits earned during the year	¥48,254	¥44,311	¥39,506	\$296
Interest cost on projected benefit obligations	37,068	37,213	35,240	264
Expected return on plan assets	(24,423)	(27,808)	(30,083)	(225)
Net amortization and deferral	23,073	11,171	13,349	100
	¥83,972	¥64,887	¥58,012	\$435
Foreign plans:				
Service cost-benefits earned during the year	¥ 8,725	¥ 9,034	¥10,434	\$ 78
Interest cost on projected benefit obligations	6,206	7,293	9,149	69
Expected return on plan assets	(6,657)	(6,410)	(9,739)	(73)
Net amortization and deferral	501	(1,898)	(978)	(7)
	¥ 8,775	¥ 8,019	¥ 8,866	\$ 67

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

	2000	2001	2002
Japanese plans:			
At March 31:			
Discount rate	3.0%	3.0%	2.5%
Rate of salary increase	2.7%	2.8%	2.5%
Year ended March 31:			
Expected long-term rate of return	4.0%	4.0%	4.0%
Foreign plans:			
At March 31:			
Discount rate	5.5–8.0%	5.5–8.0%	5.5–7.5%
Rate of salary increase	3.8–6.0%	4.0–6.0%	4.0–6.0%
Year ended March 31:			
Expected long-term rate of return	6.3–9.0%	6.5–9.0%	6.5–9.0%

Certain of the Company's subsidiaries in North America provide certain health care and life insurance benefits to retired employees. Such benefits have no material effect on Honda's financial position and results of operations.

12. Supplemental Disclosures of Cash Flow Information

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Cash paid during the year for:				
Interest	¥ 78,512	¥106,446	¥105,614	\$ 793
Income taxes	231,277	211,549	200,453	1,504

13. Comprehensive Income

Comprehensive income consists of net income, change in adjustments from foreign currency translation, change in net unrealized gains on marketable equity securities, and change

in minimum pension liabilities adjustment, and is included in the consolidated statements of stockholders' equity.

Changes in accumulated other comprehensive income (loss) for each of the years in the three-year period ended March 31, 2002 are as follows:

	Yen (millions)			U.S. dollars (millions) (note 2)
	2000	2001	2002	2002
Adjustments from foreign currency translation:				
Balance at beginning of year	¥(419,134)	¥(580,676)	¥(419,482)	\$(3,148)
Adjustments for the year	(161,542)	161,194	119,401	896
Balance at end of year	(580,676)	(419,482)	(300,081)	(2,252)
Net unrealized gains on marketable equity securities:				
Balance at beginning of year	25,672	41,022	16,637	125
Realized (gain) loss on marketable equity securities	(1,577)	(5,398)	2,975	22
Increase (decrease) in net unrealized gains on marketable equity securities	16,927	(18,987)	(10,882)	(81)
Balance at end of year	41,022	16,637	8,730	66
Minimum pension liabilities adjustment:				
Balance at beginning of year	(105,720)	(34,962)	(81,682)	(613)
Adjustments for the year	70,758	(46,720)	(106,142)	(797)
Balance at end of year	(34,962)	(81,682)	(187,824)	(1,410)
Total accumulated other comprehensive income (loss):				
Balance at beginning of year	(499,182)	(574,616)	(484,527)	(3,636)
Adjustments for the year	(75,434)	90,089	5,352	40
Balance at end of year	¥(574,616)	¥(484,527)	¥(479,175)	\$(3,596)

The tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments are as follows:

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit (note 9)	Net-of-tax amount
2000:			
Adjustments from foreign currency translation	¥(166,327)	¥ 4,785	¥(161,542)
Unrealized gains (losses) on marketable equity securities:			
Unrealized holding gains (losses) arising during the year	28,689	(11,762)	16,927
Reclassification adjustments for gains realized in net income	(2,673)	1,096	(1,577)
Net unrealized gains (losses)	26,016	(10,666)	15,350
Minimum pension liabilities adjustment	119,928	(49,170)	70,758
Other comprehensive income (loss)	¥ (20,383)	¥(55,051)	¥ (75,434)
2001:			
Adjustments from foreign currency translation	¥ 257,557	¥(96,363)	¥ 161,194
Unrealized gains (losses) on marketable equity securities:			
Unrealized holding gains (losses) arising during the year	(32,182)	13,195	(18,987)
Reclassification adjustments for gains realized in net income	(9,150)	3,752	(5,398)
Net unrealized gains (losses)	(41,332)	16,947	(24,385)
Minimum pension liabilities adjustment	(79,186)	32,466	(46,720)
Other comprehensive income (loss)	¥ 137,039	¥(46,950)	¥ 90,089
2002:			
Adjustments from foreign currency translation	¥ 118,341	¥ 1,060	¥ 119,401
Unrealized gains (losses) on marketable equity securities:			
Unrealized holding gains (losses) arising during the year	(18,994)	8,112	(10,882)
Reclassification adjustments for losses realized in net income	5,134	(2,159)	2,975
Net unrealized gains (losses)	(13,860)	5,953	(7,907)
Minimum pension liabilities adjustment	(179,901)	73,759	(106,142)
Other comprehensive income (loss)	¥ (75,420)	¥ 80,772	¥ 5,352
2002:			
		U.S. dollars (millions) (note 2)	
	Before-tax amount	Tax (expense) or benefit (note 9)	Net-of-tax amount
2002:			
Adjustments from foreign currency translation	\$ 889	\$ 7	\$ 896
Unrealized gains (losses) on marketable equity securities:			
Unrealized holding gains (losses) arising during the year	(143)	62	(81)
Reclassification adjustments for losses realized in net income	38	(16)	22
Net unrealized gains (losses)	(105)	46	(59)
Minimum pension liabilities adjustment	(1,350)	553	(797)
Other comprehensive income (loss)	\$ (566)	\$606	\$ 40

14. Fair Value of Financial Instruments

The estimated fair values of significant financial instruments at March 31, 2001 and 2002 are as follows:

	Yen (millions)				U.S. dollars (millions) (note 2)	
	2001		2002		2002	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Finance subsidiaries—receivables (a)	¥1,286,935	¥1,277,795	¥1,567,614	¥1,566,851	\$11,764	\$11,759
Investments and advances—marketable equity securities	108,080	108,080	79,804	79,804	599	599
Debt	(1,553,071)	(1,568,921)	(2,059,697)	(2,064,112)	(15,458)	(15,491)
Foreign exchange instruments (b)						
Asset position	¥ 767	¥ 1,384	¥ 1,617	¥ 1,617	\$ 12	\$ 12
Liability position	(17,542)	(25,460)	(22,107)	(22,107)	(166)	(166)
Net	¥ (16,775)	¥ (24,076)	¥ (20,490)	¥ (20,490)	\$ (154)	\$ (154)
Interest rate instruments (c)						
Asset position	¥ —	¥ 23	¥ 5,940	¥ 5,940	\$ 44	\$ 44
Liability position	—	(24,265)	(22,835)	(22,835)	(171)	(171)
Net	¥ —	¥ (24,242)	¥ (16,895)	¥ (16,895)	\$ (127)	\$ (127)

(a) The carrying amounts of Finance subsidiaries—receivables at March 31, 2001 and 2002 in the table exclude ¥780,427 million and ¥1,236,334 million (\$9,279 million) of direct financing leases, net, classified as finance subsidiaries—receivables in the consolidated balance sheets, respectively.

(b) The fair values of foreign currency forward contracts, foreign currency option contracts and foreign currency swap agreements are included in other assets/liabilities and other current assets/liabilities in the consolidated balance sheets as follows (see note 7):

	Yen (millions)		U.S. dollars (millions) (note 2)
	2001	2002	2002
Other current assets	¥ 758	¥ 1,052	\$ 8
Other assets	9	565	4
Other current liabilities	(9,757)	(22,107)	(166)
Other liabilities	(7,785)	—	—
	¥(16,775)	¥(20,490)	\$ (154)

(c) The fair values of interest rate swap agreements are included in other assets/liabilities and other current liabilities in the consolidated balance sheets as follows (see note 7):

	Yen (millions)	U.S. dollars (millions) (note 2)
	2002	2002
Other assets	¥ 5,940	\$ 44
Other current liabilities	(22,777)	(171)
Other liabilities	(58)	(0)
	¥(16,895)	\$ (127)

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.

15. 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 currencies. 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 three–five 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 sheets.

The aforementioned instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Honda minimizes the risk exposure by limiting the counterparties to major international banks and

financial institutions meeting established credit guidelines. Management does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default. Honda generally does not require or place collateral for these financial instruments.

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, 2001 and 2002, the total amounts of foreign currency forward contracts, currency swap agreements and foreign currency option contracts outstanding were ¥543,623 million and ¥720,493 million (\$5,407 million), 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, 2001 and 2002, the notional principal amounts of interest rate swap agreements were ¥1,443,742 million and ¥1,845,695 million (\$13,851 million), respectively.

16. Commitments and Contingent Liabilities

At March 31, 2002, Honda had commitments for purchases of property, plant and equipment of approximately ¥18,304 million (\$137 million). Contingent liabilities for guarantees and similar activities of bank loans of employees, affiliates and other companies amounted to approximately ¥117,831 million (\$884 million).

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

personal injury lawsuits or claims, and other claims. Although the aggregate ultimate liability under these lawsuits and claims at March 31, 2002 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.

17. Leases

Honda has several operating leases, primarily for office and other facilities, and certain office equipment.

Future minimum lease payments under noncancelable operating leases that have initial or remaining lease terms in excess of one year at March 31, 2002 are as follows:

Years ending March 31	Yen (millions)	U.S. dollars (millions) (note 2)
2003	¥27,286	\$205
2004	19,610	147
2005	10,982	83
2006	7,642	57
2007	5,686	43
After five years	28,680	215
Total minimum lease payments	¥99,886	\$750

Rental expenses under operating leases for each of the years in the three-year period ended March 31, 2002 were ¥49,014 million, ¥49,400 million and ¥48,471 million (\$364 million), respectively.



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, 2001 and 2002, 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, 2002. 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 auditing standards generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America 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 of America.

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, 2001 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2002 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 the consolidated financial statements.

A large, handwritten signature of the KPMG firm, written in black ink.

Tokyo, Japan

April 26, 2002

SELECTED QUARTERLY FINANCIAL DATA (Unaudited and Not Reviewed)*

	Yen (millions except per share amounts)							
	Year ended March 31, 2001				Year ended March 31, 2002			
	I	II	III	IV	I	II	III	IV
Net sales and other operating revenue	¥1,549,474	¥1,502,444	¥1,576,106	¥1,835,806	¥1,760,435	¥1,744,561	¥1,756,412	¥2,101,030
Operating income	104,371	97,119	96,322	109,148	151,445	163,792	154,782	169,277
Income before income taxes	101,767	90,274	84,913	108,022	135,672	134,315	120,473	160,882
Net income	63,802	58,105	47,334	63,000	89,378	84,362	82,258	106,709
Net income per common share:								
Basic	¥65.48	¥59.63	¥48.58	¥64.65	¥91.72	¥86.58	¥84.42	¥109.51
Diluted	65.48	59.63	48.58	64.65	91.72	86.58	84.42	109.51
Net income per American share:†								
Basic	32.74	29.81	24.29	32.32	45.86	43.29	42.21	54.75
Diluted	32.74	29.81	24.29	32.32	45.86	43.29	42.21	54.75
Tokyo Stock Exchange: (TSE) (in yen)								
High	¥5,000	¥4,420	¥4,360	¥5,360	¥5,630	¥5,920	¥5,240	¥5,920
Low	3,380	3,480	3,510	4,160	4,670	3,090	3,830	4,810
New York Stock Exchange:† (NYSE) (in U.S. dollars)								
High	\$22.59	\$20.03	\$18.50	\$21.37	\$22.82	\$22.99	\$20.42	\$22.83
Low	16.21	16.71	16.46	17.98	19.15	13.69	16.60	18.12

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

† Honda's common stock-to-ADR exchange ratio was changed from two shares of common stock to one ADR, to one share of common stock to two ADRs, effective January 10, 2002. Per American share information has been restated for all periods presented to reflect this four-for-one ADR split.

NET SALES AND OPERATING INCOME BY BUSINESS SEGMENT*

Years ended March 31	Yen (millions)				
	1998	1999	2000	2001	2002
Motorcycle Business:					
Net sales (Sales to unaffiliated customers)	¥ 853,279	¥ 807,593	¥ 718,910	¥ 805,304	¥ 947,900
Operating income	101,922	82,350	47,264	56,478	69,656
Operating income/Net sales	11.9%	10.2%	6.6%	7.0%	7.3%
Automobile Business:					
Net sales (Sales to unaffiliated customers)	4,752,473	4,989,071	4,961,026	5,231,326	5,929,742
Operating income	320,469	427,039	348,061	320,035	520,510
Operating income/Net sales	6.7%	8.6%	7.0%	6.1%	8.8%
Financial Services:					
Net sales (Sales to unaffiliated customers)	139,582	162,007	137,128	169,293	201,906
Operating income	30,917	24,308	18,054	30,802	45,084
Operating income/Net sales	22.1%	15.0%	13.2%	18.2%	22.3%
Other Businesses:					
Net sales (Sales to unaffiliated customers)	254,404	272,370	281,776	257,907	282,890
Operating income	9,005	15,001	12,851	(355)	4,046
Operating income/Net sales	3.5%	5.5%	4.6%	(0.1%)	1.4%
Total:					
Net sales (Sales to unaffiliated customers)	¥5,999,738	¥6,231,041	¥6,098,840	¥6,463,830	¥7,362,438
Operating income	462,313	548,698	426,230	406,960	639,296
Operating income/Net sales	7.7%	8.8%	7.0%	6.3%	8.7%

* The business segment information has been prepared in accordance with the Ministerial Ordinance under the Securities and Exchange Law of Japan. Effective fiscal 2000, Honda changed its business segment categorization, whereby the all-terrain vehicle (ATV) business is now included in the Motorcycle Business, previously included in Other Businesses. All prior years' figures have been restated to reflect this change.