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First Quarter Report

Period Ended June 30, 2001



Consolidated Financial Summary (Unaudited)

Financial Highlights

Honda Motor Co., Ltd. and Subsidiaries
For the three months ended June 30, 2000 and 2001

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Net sales and other operating revenue	¥1,549,474	¥1,760,435	\$14,129
Operating income	104,371	151,445	1,215
Income before income taxes.....	101,767	135,672	1,089
Net income	63,802	89,378	717
	Yen		U.S. dollars
Basic net income per Common share	¥ 65.48	¥ 91.72	\$0.74
American share	130.96	183.44	1.47

Unit Sales Breakdown

	Thousands of units	
	2000	2001
MOTORCYCLES		
Japan	101 (—)*	109 (—)
North America	93 (48)	110 (52)
Europe	106 (2)	104 (2)
Others	926 (3)	1,047 (2)
Total	1,226 (53)	1,370 (56)

*Numbers in parentheses represent unit sales of all terrain vehicles (ATVs) included in the total.

AUTOMOBILES

Japan	180	207
North America	342	328
Europe	50	43
Others	64	60
Total	636	638

POWER PRODUCTS

Japan	43	38
North America	408	439
Europe	335	234
Others	243	230
Total	1,029	941

Explanatory note: The geographical breakdown of unit sales is based on the location of affiliated and unaffiliated customers.

Net Sales Breakdown

	Millions of yen	
	2000	2001
MOTORCYCLE BUSINESS		
Japan	¥ 25,334 (12.8%)	¥ 27,736 (12.3%)
North America	47,669 (24.1)	67,010 (29.8)
Europe	49,470 (25.0)	53,355 (23.7)
Others	75,358 (38.1)	76,590 (34.2)
Total	¥ 197,831 (100.0%)	¥ 224,691 (100.0%)
AUTOMOBILE BUSINESS		
Japan	¥ 361,216 (28.9%)	¥ 410,871 (28.9%)
North America	716,562 (57.3)	830,841 (58.4)
Europe	85,050 (6.8)	78,826 (5.5)
Others	86,643 (7.0)	101,276 (7.2)
Total	¥1,249,471 (100.0%)	¥1,421,814 (100.0%)
OTHERS		
Japan	¥ 26,735 (26.2%)	¥ 27,581 (24.2%)
North America	52,325 (51.2)	64,350 (56.5)
Europe	13,827 (13.5)	12,877 (11.3)
Others	9,285 (9.1)	9,122 (8.0)
Total	¥ 102,172 (100.0%)	¥ 113,930 (100.0%)
TOTAL		
Japan	¥ 413,285 (26.7%)	¥ 466,188 (26.5%)
North America	816,556 (52.7)	962,201 (54.7)
Europe	148,347 (9.6)	145,058 (8.2)
Others	171,286 (11.0)	186,988 (10.6)
Total	¥1,549,474 (100.0%)	¥1,760,435 (100.0%)

Explanatory note: The geographical breakdown of net sales is based on the location of affiliated and unaffiliated customers.

To Our Shareholders

■ Performance Highlights (First Quarter Results)

Honda's consolidated net income for the fiscal first quarter ended June 30, 2001, totaled ¥89.3 billion (\$717 million), an increase of 40.1% from the same period in 2000. Basic net income per common share for the quarter amounted to ¥91.72 (\$0.74), compared to ¥65.48 for the same period in 2000. Each of Honda's American Depositary Shares represents two Common Shares.

Consolidated net sales and other operating revenue ("revenue") for the quarter amounted to ¥1,760.4 billion (\$14,129 million), an increase of 13.6% from the same period in 2000.

This increase in revenue was primarily due to increased unit sales in motorcycles together with currency translation effects, which had a positive impact on foreign currency-denominated revenue from Honda's overseas subsidiaries, translated into yen.

Honda estimates that had the exchange rate of yen remained unchanged from the same period in 2000, revenue for the quarter would have increased by approximately 4.9%.

Consolidated operating income for the fiscal first quarter totaled ¥151.4 billion (\$1,215 million), an increase of 45.1% compared to the same period in 2000. This increase in operating income was primarily due to an increase in revenue, a positive impact of the depreciation of the yen and Honda's ongoing cost reduction efforts, which offset increases in selling, general and administrative expenses and research and development expenses.

Consolidated income before income taxes for the quarter totaled ¥135.6 billion (\$1,089 million), an increase of 33.3% from the same period in 2000.

■ Review of Operations

With respect to Honda's sales in the fiscal first quarter by business category, motorcycle unit sales increased by 11.7%, to 1,370,000 units, and revenue increased 13.6%, to ¥224.6 billion (\$1,803 million). This increase in unit sales was due primarily to higher sales in Asia outside of Japan and in Latin America.

Honda's unit sales of automobiles increased by 0.3%, to 638,000 units, due primarily to strong sales in Japan following the introduction of the *Stream*, a new minivan and the remodeled *Step WGN*. Revenue increased 13.8%, to ¥1,421.8 billion (\$11,411 million), during the quarter.

Unit sales of power products totaled 941,000 units, a decrease of 8.6% compared to the same period in 2000. Lower sales of general-purpose engines in Europe were the major factor in this decrease in unit sales. Revenue from other businesses, including the power product business and financial services, increased by 11.5%, to ¥113.9 billion (\$914 million), due mainly to higher revenue from its finance subsidiaries.

September 2001



Hiroyuki Yoshino
President and Chief Executive Officer

North America

■ 2002 Acura RSX Boasts Technology, Performance and Refinement

Acura's stable of class-leading luxury performance vehicles gets a powerful shot of adrenaline with the arrival of the much anticipated 2002 Acura *RSX* sports coupe, the all-new replacement for the Acura *Integra*. Coming on the heels of the popular RL, CL, TL and MDX, the *RSX* epitomizes Acura's commitment to exhilarating performance, luxury and style.

The new *RSX* is available in two versions, the sporty *RSX* and the high-performance *RSX Type S*. Both models are powered by the latest evolution of Acura's legendary VTEC technology—the advanced i-VTEC (intelligent valve-control system).

To deliver a race-bred driving experience, the *RSX* is equipped with a 16-valve, DOHC 2.0-liter, four-cylinder engine that produces an impressive 160 horsepower and 141 lb./ft. of torque.

Remarkably, given their considerable power, both *RSX* engines meet stringent Low Emissions Vehicle-II (LEV-II) standards and are designed to run for 100,000 miles before the first scheduled tune-up.

To meet the demands of a true driving enthusiast, chassis engineers developed new suspension and steering systems for exceptional handling precision, outstanding cornering grip and a smooth, controlled ride.

In front, the *RSX* employs a newly designed strut suspension that provides superior suspension geometry and control, while at the rear, it features a compact double-wishbone system that helps deliver quick, confident handling and a smooth, compliant ride. Gas-pressurized shock absorbers precisely control suspension stroke, while front and rear stabilizer bars reduce body roll. Standard four-wheel disc brakes with a three-channel anti-lock braking system (ABS) help to ensure crisp brake performance and secure stopping power.

The exterior styling of the *RSX* communicates a message of power and precision, while inside, the *RSX* features an exceptionally dynamic and driver-oriented cockpit design—large-diameter, metallic-face gauges; a thick, sporty, leather-wrapped steering wheel; and ample head, shoulder, hip and

leg room. Standard amenities on all models of *RSX* include an automatic climate control system, power moonroof, high-output audio system with in-dash CD player, keyless entry system with anti-theft engine immobilizer, power mirrors and power windows.

For more information about Acura vehicles, please visit www.acura.com.

Japan

■ Honda Launches New Small Fit



The new Honda Fit

On June 21, 2001, Honda Motor Co., Ltd., introduced a new subcompact car to the Japanese market, built on its space-efficient global small platform and showcasing some of the Company's latest advances in automotive engineering. This new model, called the *Fit*, is equipped with an i-DSI (intelligent dual and sequential ignition engine) that delivers the ultimate in combustion efficiency and world-beating fuel economy of 23 km/l. Other attractive features include a spacious interior, variable seating arrangements and innovative, original styling. The 1.3L *Fit* is available at Honda automobile dealers across Japan.

In developing the *Fit*, Honda has succeeded in meeting a number of performance goals. The new *Fit* boasts the world's highest levels of safety and environment friendliness, while delivering superb handling, fuel economy, distinctive styling and driving pleasure. Honda has raised the bar on the kind of performance expected in a subcompact car, doing its

utmost to meet all of its customers' requirements in a single vehicle. This is the ultimate goal of the "Personal MAX" concept based on which the *Fit* was designed.

The newly developed global small platform is the key technology around which the *Fit* is designed. Honda engineers have located the gas tank centrally on the platform—a unique layout which, coupled with G-control technology, achieves a greater level of crashworthiness. Also, the shortened front end and more compact suspension system allow the floor to be lowered, creating an unprecedented amount of cabin space for such a small vehicle.

The inclusion of dual door sills that shut out exterior noise and a variety of storage spaces has helped achieve a supremely quiet, comfortable and spacious interior.

Fit is the first in Honda's new SMALL MAX vehicle lineup which employs the global small platform, the new i-series engines and other groundbreaking technologies to create a new generation of automobiles that bring the customer more automotive value than ever before.

Europe

■ Birth of a Car Plant

Honda's second British car plant based at Swindon in Wiltshire has been completed on schedule, underlining the Company's commitment to car manufacturing in the United Kingdom. Honda's Swindon facility now includes an engine plant built in 1989, the original car plant opened in 1992 and the new £130 million No. 2 Car Plant. Preparations for the final recruitment stage are under way, leading to the employment of a total of 4,000 people at the facility. Some low-volume production of the new 5-door *Civic* has already started; however, the official opening will take place in September, when the plant will reach full-shift production rate.

Completion of the second plant brings Honda's total investment to date in its European car manufacturing facility to £1.15 billion, two thirds of its total investment in Europe and a sum which has been entirely funded by Honda.

Working in partnership with suppliers and supported by local R&D operations in the United Kingdom and Germany, Honda's facility is meeting the demands of global customers both in quality and design. The plant uses some of the

world's most advanced production systems, such as the advanced New Manufacturing System (NMS), distilled from Honda's manufacturing know-how in Japan, North America and the United Kingdom, and has the flexibility to build a range of models.

The new plant will increase annual production capacity at Swindon by 100,000 units, resulting in a total of 250,000 units when combined with the 150,000-unit No. 1 Car Plant. The Company plans to attain full rate of production in both plants by the end of 2002. The combined capacity from the two car plants will enable Swindon to become part of Honda's Global Supply Network, exporting models to both North America and Japan, as well as mainland Europe.



No.2 Car Plant at Swindon

Consolidated Balance Sheets

Honda Motor Co., Ltd. and Subsidiaries
June 30, 2000, and March 31 and June 30, 2001

	Millions of yen		
	June 30, 2000 (Unaudited)	March 31, 2001 (Audited)	June 30, 2001 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents.....	¥ 382,170	¥ 417,519	¥ 389,847
Trade accounts and notes receivables	354,508	440,802	401,975
Finance subsidiaries—receivables, net.....	762,221	762,368	750,656
Inventories	559,875	620,754	638,945
Deferred income taxes	155,034	151,722	163,829
Other current assets	189,454	205,771	178,836
Total current assets	<u>2,403,262</u>	<u>2,598,936</u>	<u>2,524,088</u>
Finance subsidiaries—receivables, net	977,501	1,304,994	1,567,212
Investments and advances	372,200	376,187	382,699
Property, plant and equipment, at cost:			
Land	291,217	299,984	302,567
Buildings	785,976	831,868	836,612
Machinery and equipment	1,737,693	1,887,630	1,898,938
Construction in progress	77,628	99,552	116,018
	<u>2,892,514</u>	<u>3,119,034</u>	<u>3,154,135</u>
Less accumulated depreciation	1,767,529	1,864,411	1,894,913
Net property, plant and equipment	<u>1,124,985</u>	<u>1,254,623</u>	<u>1,259,222</u>
Other assets	65,528	132,669	155,293
Total assets	<u>¥4,943,476</u>	<u>¥5,667,409</u>	<u>¥5,888,514</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term debt	¥ 620,658	¥ 910,417	¥1,073,015
Current portion of long-term debt	336,797	274,481	289,919
Trade payables	649,653	820,254	742,225
Accrued expenses	481,252	539,348	556,995
Income taxes payable	62,724	38,633	70,046
Other current liabilities.....	132,763	178,124	138,107
Total current liabilities	<u>2,283,847</u>	<u>2,761,257</u>	<u>2,870,307</u>
Long-term debt	487,125	368,173	386,778
Other liabilities	197,255	307,688	308,744
Total liabilities	<u>¥2,968,227</u>	<u>¥3,437,118</u>	<u>¥3,565,829</u>
Stockholders' equity:			
Common stock, authorized 3,600,000,000 shares, par value ¥50 issued 974,414,215 shares in June 1999 and March and June 2000	86,067	86,067	86,067
Capital surplus	172,529	172,529	172,529
Legal reserves	27,765	27,929	28,377
Retained earnings	2,270,737	2,428,293	2,505,530
Adjustments from foreign currency translation	(579,636)	(419,482)	(405,981)
Net unrealized gains on marketable equity securities.....	32,749	16,637	17,845
Minimum pension liabilities adjustment	(34,962)	(81,682)	(81,682)
Accumulated other comprehensive income (loss)	(581,849)	(484,527)	(469,818)
Total stockholders' equity	<u>¥1,975,249</u>	<u>¥2,230,291</u>	<u>¥2,322,685</u>
Total liabilities and stockholders' equity	<u>¥4,943,476</u>	<u>¥5,667,409</u>	<u>¥5,888,514</u>

Consolidated Statements of Income and Retained Earnings (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries
For the three months ended June 30, 2000 and 2001

	Millions of yen	
	Three months ended June 30, 2000	Three months ended June 30, 2001
Net sales and other operating revenue	¥1,549,474	¥1,760,435
Operating costs and expenses:		
Cost of sales	1,084,538	1,220,245
Selling, general and administrative	280,439	294,620
Research and development	80,126	94,125
Operating income	104,371	151,445
Other income:		
Interest	2,644	2,284
Other	2,543	3,078
Other expenses:		
Interest	5,103	5,015
Other	2,688	16,120
Income before income taxes and equity in income of affiliates	101,767	135,672
Income taxes	43,244	55,057
Income before equity in income of affiliates	58,523	80,615
Equity in income of affiliates	5,279	8,763
Net income	63,802	89,378
Retained earnings:		
Balance at beginning of period	2,218,848	2,428,293
Cash dividends paid	(11,693)	(11,693)
Transfer to legal reserves	(220)	(448)
Balance at end of period	¥2,270,737	¥2,505,530
	Yen	
Basic net income per		
Common share	¥ 65.48	¥ 91.72
American share	130.96	183.44

Investor Information

Explanatory Notes:

1. The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States, since the Company has issued American Depositary Receipts listed on the New York Stock Exchange and files reports with the U.S. Securities and Exchange Commission.
2. The average exchange rates for the fiscal first quarter ended June 30, 2001, were ¥122.71=US\$1 and ¥107.22=€1. The average exchange rates for the corresponding period last year were ¥106.69=US\$1 and ¥99.70=€1.
3. United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥124.60=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 June 29, 2001.
4. One American depositary share represents two common shares.
5. The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No.130, "Reporting Comprehensive Income". The following table represents components of the Company's comprehensive income. Other comprehensive income (loss) consists of changes in adjustments from foreign currency translation, net unrealized gains on marketable equity securities and minimum pension liabilities adjustment.
(Millions of yen)
6. On April 1, 2001, the Company adopted 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."

	Three months ended June 30, 2000	Three months ended June 30, 2001
Net income	¥63,802	¥ 89,378
Other comprehensive income (loss)	(7,233)	14,709
Comprehensive income	56,569	104,087

Transfer Agent for Common Stock
The Chuo Mitsui Trust and Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku,
Tokyo 105-8574, Japan

**Depositary and Transfer Agent
for American Depositary Receipts**
Morgan Guaranty Trust Company of New York
60 Wall Street,
New York, NY 10260-0060, U.S.A.

Stock Exchange Listings in Japan
Tokyo, Osaka, Nagoya, Sapporo and Fukuoka

Stock Exchange Listings Overseas
New York, London, Paris and Swiss stock exchanges

**Total Shares of Common Stock Issued
and Outstanding**
974,414,215 (as of June 30, 2001)

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