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**Second Quarter Report**

Period Ended September 30, 2001



# Consolidated Financial Summary (Unaudited)

## Financial Highlights

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

	Millions of yen				Millions of U.S. dollars	
	Three months		Six months		Three months	Six months
	2000	2001	2000	2001	2001	2001
Net sales and other operating revenue.....	¥1,502,444	<b>¥1,744,561</b>	¥3,051,918	<b>¥3,504,996</b>	<b>\$14,611</b>	<b>\$29,355</b>
Operating income.....	97,119	<b>163,792</b>	201,490	<b>315,237</b>	<b>1,372</b>	<b>2,640</b>
Income before income taxes.....	90,274	<b>134,315</b>	192,041	<b>269,987</b>	<b>1,125</b>	<b>2,261</b>
Net income.....	58,105	<b>84,362</b>	121,907	<b>173,740</b>	<b>707</b>	<b>1,455</b>
	Yen				U.S. dollars	
Basic net income per						
Common share.....	¥ 59.63	<b>¥ 86.58</b>	¥125.11	<b>¥178.30</b>	<b>\$0.73</b>	<b>\$1.49</b>
American share.....	119.26	<b>173.16</b>	250.22	<b>356.60</b>	<b>1.46</b>	<b>2.98</b>

Unit Sales Breakdown	Thousands of units							
	Three months		Six months					
	2000	2001	2000	2001				
<b>MOTORCYCLES</b>								
Japan.....	114	(—)*	<b>107</b>	(—)*	215	(—)*	<b>216</b>	(—)*
North America.....	137	(84)	<b>144</b>	<b>(75)</b>	230	(132)	<b>254</b>	<b>(127)</b>
Europe.....	66	(1)	<b>58</b>	<b>(1)</b>	172	(3)	<b>162</b>	<b>(3)</b>
Others.....	1,002	(3)	<b>1,127</b>	<b>(3)</b>	1,928	(6)	<b>2,174</b>	<b>(5)</b>
Total.....	<b>1,319</b>	<b>(88)</b>	<b>1,436</b>	<b>(79)</b>	2,545	(141)	<b>2,806</b>	<b>(135)</b>
<b>AUTOMOBILES</b>								
Japan.....	184		<b>214</b>		364		<b>421</b>	
North America.....	306		<b>327</b>		648		<b>655</b>	
Europe.....	46		<b>41</b>		96		<b>84</b>	
Others.....	70		<b>68</b>		134		<b>128</b>	
Total.....	<b>606</b>		<b>650</b>		1,242		<b>1,288</b>	
<b>POWER PRODUCTS</b>								
Japan.....	42		<b>109</b>		85		<b>191</b>	
North America.....	270		<b>303</b>		678		<b>736</b>	
Europe.....	229		<b>143</b>		564		<b>375</b>	
Others.....	253		<b>214</b>		496		<b>408</b>	
Total.....	<b>794</b>		<b>769</b>		1,823		<b>1,710</b>	

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

### Explanatory notes:

1. The geographical breakdown of unit sales is based on the location of affiliated and unaffiliated customers.
2. Previously, domestic sales of general-purpose engines to customers who will install them in products that are subsequently exported were recorded as overseas sales of power products. However, owing to various factors, including changes in transaction formats and contract terms, as of the term under review, such sales will be recorded as domestic sales of power products. Unit sales of such general-purpose engines for the fiscal second quarter and the fiscal first half under review amounted to 71,000 units and 114,000 units, respectively.

Millions of yen

## Net Sales Breakdown

	Three months		Six months	
	2000	2001	2000	2001
<b>MOTORCYCLE BUSINESS</b>				
Japan .....	¥ 25,747 ( 13.3%)	¥ 26,114 ( 11.9%)	¥ 51,081 ( 13.0%)	¥ 53,850 ( 12.1%)
North America .....	61,939 ( 31.9%)	83,374 ( 38.1%)	109,608 ( 28.0%)	150,384 ( 33.9%)
Europe .....	26,932 ( 13.9%)	28,305 ( 12.9%)	76,402 ( 19.5%)	81,660 ( 18.4%)
Others .....	79,449 ( 40.9%)	80,953 ( 37.1%)	154,807 ( 39.5%)	157,543 ( 35.6%)
Total .....	¥ 194,067 (100.0%)	¥ 218,746 (100.0%)	¥ 391,898 (100.0%)	¥ 443,437 (100.0%)
<b>AUTOMOBILE BUSINESS</b>				
Japan .....	¥ 364,824 ( 30.2%)	¥ 405,124 ( 28.6%)	¥ 726,040 ( 29.5%)	¥ 815,995 ( 28.7%)
North America .....	669,596 ( 55.4%)	821,564 ( 58.0%)	1,386,158 ( 56.4%)	1,652,405 ( 58.2%)
Europe .....	71,166 ( 5.9%)	79,812 ( 5.6%)	156,216 ( 6.4%)	158,638 ( 5.6%)
Others .....	102,218 ( 8.5%)	111,193 ( 7.8%)	188,861 ( 7.7%)	212,469 ( 7.5%)
Total .....	¥1,207,804 (100.0%)	¥1,417,693 (100.0%)	¥2,457,275 (100.0%)	¥2,839,507 (100.0%)
<b>OTHERS</b>				
Japan .....	¥ 28,353 ( 28.2%)	¥ 28,518 ( 26.4%)	¥ 55,088 ( 27.2%)	¥ 56,995 ( 25.7%)
North America .....	51,289 ( 51.0%)	64,319 ( 59.5%)	103,614 ( 51.1%)	128,501 ( 57.9%)
Europe .....	11,871 ( 11.8%)	8,729 ( 8.1%)	25,698 ( 12.7%)	21,549 ( 9.7%)
Others .....	9,060 ( 9.0%)	6,556 ( 6.0%)	18,345 ( 9.0%)	15,007 ( 6.7%)
Total .....	¥ 100,573 (100.0%)	¥ 108,122 (100.0%)	¥ 202,745 (100.0%)	¥ 222,052 (100.0%)
<b>TOTAL</b>				
Japan .....	¥ 418,924 ( 27.9%)	¥ 459,756 ( 26.4%)	¥ 832,209 ( 27.3%)	¥ 926,840 ( 26.4%)
North America .....	782,824 ( 52.1%)	969,257 ( 55.6%)	1,599,380 ( 52.4%)	1,931,290 ( 55.1%)
Europe .....	109,969 ( 7.3%)	116,846 ( 6.7%)	258,316 ( 8.5%)	261,847 ( 7.5%)
Others .....	190,727 ( 12.7%)	198,702 ( 11.3%)	362,013 ( 11.8%)	385,019 ( 11.0%)
Total .....	¥1,502,444 (100.0%)	¥1,744,561 (100.0%)	¥3,051,918 (100.0%)	¥3,504,996 (100.0%)

## Explanatory notes:

1. The geographical breakdown of net sales is based on the location of affiliated and unaffiliated customers.
2. Net sales of others includes revenue from sales of power products and related parts, leisure businesses, trading and finance subsidiaries.
3. Previously, revenue from domestic sales of general-purpose engines to customers who will install them in products that are subsequently exported were recorded as overseas revenue of power products. However, owing to various factors, including changes in transaction formats and contract terms, as of the term under review, such revenue will be recorded in domestic revenue of power products. Revenue from such sales for the fiscal second quarter and the fiscal first half under review amounted to ¥1,655 million and ¥2,553 million, respectively.

## To Our Shareholders

### ■ Second Quarter Results

Honda's consolidated net income for the fiscal second quarter, ended September 30, 2001, totaled ¥84.3 billion (\$707 million), an increase of 45.2% from the same period in 2000. Basic net income per common share for the quarter amounted to ¥86.58 (\$0.73), compared to ¥59.63 for the same period in 2000. Each of Honda's American Depositary shares represents two common shares.

Consolidated net sales and other operating revenue (herein referred to as "revenue") for the fiscal second quarter amounted to ¥1,744.5 billion (\$14,611 million), an increase of 16.1% over the corresponding period in 2000. This increase in revenue was primarily due to increased unit sales in motorcycles and automobiles and positive currency translation effects, which impacted 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 approximately 7.4%.

Consolidated operating income for the fiscal second quarter totaled ¥163.7 billion (\$1,372 million), an increase of 68.7% compared to the corresponding period in 2000. This increase in operating income was primarily due to an increase in revenue, the 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 ¥134.3 billion (\$1,125 million), an increase of 48.8% from the corresponding period in 2000.

With respect to Honda's sales in the fiscal second quarter by business segment, motorcycle unit sales

increased 8.9%, to 1,436,000 units, and revenue increased 12.7%, to ¥218.7 billion (\$1,832 million). These increases in unit sales and revenue were due primarily to higher sales in Indonesia and India, as well as Brazil.

Honda's unit sales of automobiles increased 7.3%, to 650,000 units, due to robust sales in Japan and North America. In Japan, strong sales of the *Fit*, a new compact car, and the *Stream* minivan contributed to this increase. In North America, favorable sales of the *Civic* and Acura *MDX* contributed to boosted unit sales. Revenue increased 17.4%, to ¥1,417.6 billion (\$11,873 million), during the quarter.

Unit sales of power products totaled 769,000 units, a decrease of 3.1% compared to the corresponding period in 2000. Lower sales of general-purpose engines in Europe were the major factor for this decrease in unit sales. Revenue from other businesses, including the power product business and financial services business, increased 7.5%, to ¥108.1 billion (\$906 million), due mainly to higher revenue from Honda's finance subsidiaries.

### ■ First Half-Year Results

Honda's consolidated net income for the first six months, ended September 30, 2001, totaled ¥173.7 billion (\$1,455 million), an increase of 42.5% from the previous year. Basic income per common share for the fiscal first half amounted to ¥178.30 (\$1.49), compared to ¥125.11 of the corresponding period a year ago.

Unit sales in motorcycles and automobiles increased and consolidated net sales and other operating revenue (herein referred to as "revenue") for the six months amounted to ¥3,504.9 billion (\$29,355 million), an increase of 14.8% from last year. Revenue

included the positive effect of currency translation. Honda estimates that had the exchange rate of the yen remained unchanged from the previous year, revenue for the year would have increased approximately 6.1%.

Consolidated operating income for the fiscal first half totaled ¥315.2 billion (\$2,640 million), an increase of 56.5% compared to the corresponding period last year. This increase in operating income was primarily due to an increase in revenue, the 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 fiscal first half totaled ¥269.9 billion (\$2,261 million), an increase of 40.6% compared to the previous year.

With respect to Honda's sales for the fiscal first half by business segment, motorcycle unit sales increased 10.3%, to 2,806,000 units, and revenue increased 13.2%, to ¥443.4 billion (\$3,714 million). Favorable sales in Indonesia and India, as well as Brazil, contributed to this increase.

Both Honda's unit sales and revenue of automobiles for the fiscal first half increased 3.7%, to 1,288,000 units, and 15.6%, to ¥2,839.5 billion (\$23,871 million), respectively. Strong sales of the *Fit* and *Step WGN* in Japan, together with the *Civic* and Acura *MDX* in North America, were the major contributing factors to this increase in unit sales.

Unit sales of power products totaled 1,710,000 units, representing a decrease of 6.2% compared to the previous year. Lower sales of general-purpose engines in Europe were the major factor in this decrease in unit sales, while revenue from other businesses, including the power product business and financial services

business, increased 9.5%, to ¥222.0 billion (\$1,860 million), due mainly to higher revenue from Honda's finance subsidiaries.

November 2001



Hiroyuki Yoshino  
President and Chief Executive Officer

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### North America

#### ■ Honda Creates New IMA System For 2003 *Civic Hybrid*



*New IMA system*

Honda announced several new technological advancements that further improve the efficiency of its IMA (Integrated Motor Assist) system, a unique hybrid system that combines a small internal combustion engine with an electric motor to provide outstanding performance and fuel economy. The IMA system will be installed in an all-new *Civic Hybrid* model, to be released in December in Japan and in the United States next spring.

The engine in the new IMA system incorporates Honda's state-of-the-art i-DSI (Dual Sequential Ignition) lean-burn combustion technology, along with a newly developed cylinder idling system. This system adapts Honda's VTEC variable valve control system to significantly increase the amount of electrical energy recovered during deceleration. These new features contribute significantly to improved fuel economy.

Other technological advances provide improvements to the motor assist system as well as PCU (Power Control Unit) efficiency. Combined with Honda's CVT (Continuously Variable Transmission), this new

system provides a combination of excellent drivability and superb gas mileage. Expected to achieve approximately 50 miles per gallon, the *Civic Hybrid* will rank at the top of its class for mass-produced gasoline-powered vehicles. It is also expected to earn an ULEV (Ultra Low Emission Vehicle) emission rating.

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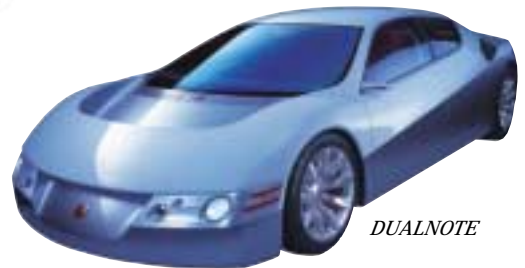
### Japan

Honda Motor Co., Ltd. presented the outline of its automobile and motorcycle exhibitions at the Honda booth in the 35th Tokyo Motor Show, held in Makuhari Messe from October 27–November 7.

Honda has established the global brand slogan of "The Power of Dreams," which identifies its corporate dedication to the continuous challenge of making dreams come true. Under this slogan, Honda has selected the theme of "FUN MAX!—Take FUN to the MAX!" for the automotive exhibition at the show, which includes a wide variety of innovative vehicles.



*X-AXIS*



*DUALNOTE*

*Exhibitions at the 35th Tokyo Motor Show*

The motorcycle exhibition has the theme of “Have Wings?” and has been set up to present the two worlds of motorcycles—sport motorcycles that epitomize the fun of riding and two-wheeled vehicles for city commuters’ new style and enjoyable lifestyle.

Another characteristic Honda theme—environmental and safety issues—is also featured in the exhibition, which includes conceptual study models and presentations of state-of-the-art technological solutions for maximizing safety and minimizing the impact on the environment while still retaining the spirit of fun and exhilaration connected with driving and riding.

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## Europe

■ The *Jazz*—The new small car from Honda. The ingenuity of its packaging and the efficiency of its engines make the all-new *Jazz* from Honda one of the most significant small car debuts in recent years.

At 3.8m in length, the 5-door *Jazz*, with its attractive monoform styling, falls at the upper end of the B-segment, yet such features as a unique, centrally mounted fuel tank ensure a roomy interior more like that of a C-segment contender. As well as comfortable accommodation for up to five occupants, the *Jazz* also offers a revolutionary rear-seat design of unprecedented flexibility that can be used to create either a totally flat load floor or a second, independent load area; it is also extremely simple to use.

The spacious interior is complemented by a pair of advanced i-DSI engines that use twin spark plug technology and compact combustion chambers to achieve a blend of lively performance, exceptional frugality and compact dimensions. Currently, only provisional fuel consumption figures are available, but tests suggest a combined cycle figure of just

5.3l/100km for the 1.2 model and 5.5 l/100km for the 1.4 model. Both the 78 PS 1.2 and 83 PS 1.4 engines conform to the EU2005 emission regulations with CO<sub>2</sub> emission levels of 126g/km for the 1.2 and 131g/km for the 1.4 engine. These levels are comparable to those of most recent TDI (Turbo Direct Injection) diesel engines.

The *Jazz*—or *Fit* in the Japanese market, where it is already on sale—is expected to make a significant contribution to Honda’s European sales when it enters the market here in early 2002. The *Jazz*, which made its European debut at September’s Frankfurt Motor Show, will be built at Honda’s Suzuka plant in Japan.



*The Jazz*

# Consolidated Balance Sheets

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

	Millions of yen		
	Sept. 30, 2000 (Unaudited)	Mar. 31, 2001 (Audited)	Sept. 30, 2001 (Unaudited)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 444,535	¥ 417,519	¥ 465,706
Trade accounts and notes receivable, net of allowance.....	346,244	440,802	368,947
Finance subsidiaries—receivables, net.....	693,139	762,368	767,479
Inventories.....	559,539	620,754	640,223
Deferred income taxes.....	161,792	151,722	180,741
Other current assets.....	175,997	205,771	178,952
<b>Total current assets</b> .....	<u>2,381,246</u>	<u>2,598,936</u>	<u>2,602,048</u>
<b>Finance subsidiaries—receivables, net</b> .....	1,146,886	1,304,994	1,564,031
<b>Investments and advances</b> .....	401,586	376,187	364,978
<b>Property, plant and equipment, at cost:</b>			
Land.....	291,113	299,984	304,136
Buildings.....	792,155	831,868	839,359
Machinery and equipment.....	1,762,220	1,887,630	1,883,224
Construction in progress.....	92,229	99,552	145,418
	2,937,717	3,119,034	3,172,137
Less accumulated depreciation.....	1,791,435	1,864,411	1,894,853
<b>Net property, plant and equipment</b> .....	<u>1,146,282</u>	<u>1,254,623</u>	<u>1,277,284</u>
<b>Other assets</b> .....	72,012	132,669	174,190
<b>Total assets</b> .....	<u>¥5,148,012</u>	<u>¥5,667,409</u>	<u>¥5,982,531</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term debt.....	¥ 797,870	¥ 910,417	¥1,068,122
Current portion of long-term debt.....	312,429	274,481	361,388
Trade payables.....	644,323	820,254	723,156
Accrued expenses.....	514,562	539,348	574,890
Income taxes payable.....	61,869	38,633	110,823
Other current liabilities.....	119,495	178,124	136,550
<b>Total current liabilities</b> .....	<u>2,450,548</u>	<u>2,761,257</u>	<u>2,974,929</u>
<b>Long-term debt</b> .....	449,553	368,173	344,271
<b>Other liabilities</b> .....	205,484	307,688	323,792
<b>Total liabilities</b> .....	<u>¥3,105,585</u>	<u>¥3,437,118</u>	<u>¥3,642,992</u>
<b>Stockholders' equity:</b>			
Common stock, authorized 3,600,000,000 shares, par value ¥50; issued 974,414,215 shares in September 1999, March 2000 and September 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.....	2,328,842	2,428,293	2,589,892
Adjustments from foreign currency translation.....	(570,825)	(419,482)	(459,243)
Net unrealized gains on marketable equity securities.....	33,011	16,637	3,599
Minimum pension liabilities adjustments.....	(34,962)	(81,682)	(81,682)
Accumulated other comprehensive income (loss).....	(572,776)	(484,527)	(537,326)
<b>Total stockholders' equity</b> .....	<u>¥2,042,427</u>	<u>¥2,230,291</u>	<u>¥2,339,539</u>
<b>Total liabilities and stockholders' equity</b> .....	<u>¥5,148,012</u>	<u>¥5,667,409</u>	<u>¥5,982,531</u>



# Consolidated Statements of Cash Flows

Honda Motor Co., Ltd. and Subsidiaries  
For the six months ended September 30, 2000 and 2001

	Millions of yen	
	2000	2001
<b>Cash flows from operating activities:</b>		
Net income.....	¥121,907	¥173,740
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation .....	78,172	89,858
Deferred income taxes .....	(35,718)	(44,278)
Equity in income of affiliates.....	(11,439)	(17,079)
Loss on derivative instruments.....	—	30,576
Decrease (increase) in:		
Trade accounts and notes receivable.....	31,125	61,630
Inventories.....	1,202	(36,773)
Increase (decrease) in trade payables.....	(29,452)	(81,018)
Other, net .....	64,006	91,675
Net cash provided by operating activities.....	<u>219,803</u>	<u>268,331</u>
<b>Cash flows from investing activities:</b>		
Decrease (increase) in investments and advances.....	(22,781)	4,082
Capital expenditures.....	(122,267)	(133,092)
Proceeds from sales of property, plant and equipment.....	6,075	6,320
Decrease (increase) in finance subsidiaries—receivables .....	(214,957)	(353,738)
Net cash used in investing activities.....	<u>(353,930)</u>	<u>(476,428)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term debt .....	319,160	196,418
Proceeds from long-term debt.....	82,941	220,501
Repayment of long-term debt.....	(241,691)	(148,345)
Cash dividends paid.....	(11,693)	(11,693)
Increase (decrease) in commercial paper classified as long-term debt .....	494	391
Net cash provided by financing activities.....	<u>149,211</u>	<u>257,272</u>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<u>(1,136)</u>	<u>(988)</u>
<b>Net change in cash and cash equivalents .....</b>	<u>13,948</u>	<u>48,187</u>
<b>Cash and cash equivalents at beginning of year .....</b>	<u>430,587</u>	<u>417,519</u>
<b>Cash and cash equivalents at end of year .....</b>	<u>¥444,535</u>	<u>¥465,706</u>

# Consolidated Balance Sheets

## Divided into Non-financial services businesses and Finance subsidiaries (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries  
The fiscal first six months ended September 30, 2001

<b>Assets</b>	Millions of yen	% of total
<b>Non-financial services businesses</b>		
Current assets .....	<b>¥2,438,920</b>	<b>40.8%</b>
Cash and cash equivalents .....	<b>447,330</b>	
Trade accounts and notes receivable .....	<b>372,216</b>	
Inventories.....	<b>641,140</b>	
Other current assets.....	<b>978,234</b>	
Investments and advances.....	<b>464,326</b>	<b>7.8</b>
Property, plant and equipment, at cost.....	<b>1,254,713</b>	<b>21.0</b>
Other assets.....	<b>143,931</b>	<b>2.3</b>
Total assets.....	<b>4,301,890</b>	<b>71.9</b>
<b>Finance subsidiaries</b>		
Finance subsidiaries—short-term receivables, net.....	<b>768,294</b>	<b>12.8</b>
Finance subsidiaries—long-term receivables, net.....	<b>1,567,666</b>	<b>26.2</b>
Other assets.....	<b>99,245</b>	<b>1.7</b>
Total assets.....	<b>2,435,205</b>	<b>40.7</b>
Eliminations among subsidiaries .....	<b>(754,564)</b>	<b>(12.6)</b>
<b>Total assets.....</b>	<b>¥5,982,531</b>	<b>100.0%</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Non-financial services businesses</b>		
Current liabilities .....	<b>¥1,720,868</b>	<b>28.8%</b>
Short-term debt .....	<b>347,693</b>	
Current portion of long-term debt .....	<b>42,360</b>	
Trade payables.....	<b>728,283</b>	
Accrued expenses.....	<b>485,153</b>	
Other current liabilities.....	<b>117,379</b>	
Long-term debt.....	<b>34,398</b>	<b>0.6</b>
Other liabilities.....	<b>323,575</b>	<b>5.3</b>
Total liabilities.....	<b>2,078,841</b>	<b>34.7</b>
<b>Finance subsidiaries</b>		
Short-term debt.....	<b>1,360,687</b>	<b>22.7</b>
Current portion of long-term debt.....	<b>319,028</b>	<b>5.3</b>
Long-term debt.....	<b>313,805</b>	<b>5.2</b>
Other liabilities.....	<b>225,292</b>	<b>3.9</b>
Total liabilities.....	<b>2,218,812</b>	<b>37.1</b>
Eliminations among subsidiaries .....	<b>(654,661)</b>	<b>(10.9)</b>
<b>Total liabilities.....</b>	<b>¥3,642,992</b>	<b>60.9%</b>
Common stock .....	<b>86,067</b>	<b>1.4</b>
Capital surplus .....	<b>172,529</b>	<b>2.9</b>
Legal reserves.....	<b>28,377</b>	<b>0.5</b>
Retained earnings .....	<b>2,589,892</b>	<b>43.3</b>
Accumulated other comprehensive income (loss).....	<b>(537,326)</b>	<b>(9.0)</b>
<b>Total stockholders' equity.....</b>	<b>¥2,339,539</b>	<b>39.1%</b>
<b>Total liabilities and stockholders' equity.....</b>	<b>¥5,982,531</b>	<b>100.0%</b>

# Consolidated Statements of Cash Flows

## Divided into Non-financial services businesses and Finance subsidiaries (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries  
For the six months ended September 30, 2001

	Millions of yen	
	Non-financial services businesses	Finance subsidiaries
<b>Cash flows from operating activities:</b>		
Net income.....	¥176,728	¥ (2,763)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	85,901	3,957
Deferred income taxes.....	(25,543)	(18,735)
Equity in income of affiliates.....	(17,079)	—
Loss on derivative instruments.....	1,662	28,914
Decrease (increase) in trade accounts and notes receivable.....	61,071	—
Decrease (increase) in inventories.....	(36,773)	—
Increase (decrease) in trade payables.....	(80,651)	—
*Other, net.....	(4,369)	14,024
Net cash provided by operating activities.....	<u>160,947</u>	<u>25,397</u>
<b>Cash flows from investing activities:</b>		
Decrease (increase) in investments and advances.....	3,460	33
Capital expenditures.....	(126,874)	(6,218)
Proceeds from sales of property, plant and equipment.....	4,983	1,337
Decrease (increase) in finance subsidiaries—receivables.....	—	(352,923)
Net cash used in investing activities.....	<u>(118,431)</u>	<u>(357,771)</u>
<b>Free cash flow (Cash flows from operating and investing activities).....</b>	<b>42,516</b>	<b>(332,374)</b>
<b>Free cash flow of Non-financial services businesses, excluding the increase in loans (amounting to ¥81,986 million) to Finance subsidiaries (Note).....</b>	<b>124,502</b>	<b>—</b>
<b>Cash flows from financing activities:</b>		
*Increase (decrease) in short-term debt.....	27,546	267,499
*Proceeds from long-term debt.....	7,385	213,116
*Repayment of long-term debt.....	(6,643)	(158,343)
Cash dividends paid.....	(11,724)	(194)
Increase (decrease) in commercial paper classified as long-term debt.....	—	391
Net cash provided by financing activities.....	<u>16,564</u>	<u>322,469</u>
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>(697)</b>	<b>(291)</b>
<b>Net change in cash and cash equivalents.....</b>	<b>58,383</b>	<b>(10,196)</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>388,947</b>	<b>28,572</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>¥447,330</b>	<b>¥ 18,376</b>

Note: Non-financial services businesses loans to Finance subsidiaries. These cash flows were included in the items of "Other, net" of Non-financial services businesses, and "Increase (decrease) in short-term debt," "Proceeds from long-term debt" and "Repayment of long-term debt" of Finance subsidiaries (marked by \*). Free cash flow of Non-financial services businesses, excluding the increase in loans to Finance subsidiaries, are stated for your information.

# Segment Information (Unaudited)

## Business Segment Information

For the six months ended September 30, 2001

	Millions of yen						
	Motorcycle Business	Automobile Business	Financial Services	Other Businesses	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers .....	¥443,437	¥2,839,507	¥95,731	¥126,321	¥3,504,996	¥ —	¥3,504,996
Intersegment sales .....	—	—	2,993	5,056	8,049	(8,049)	—
Total .....	¥443,437	¥2,839,507	¥98,724	¥131,377	¥3,513,045	¥(8,049)	¥3,504,996
Cost of sales, SGA and R&D expenses .....	414,166	2,571,522	79,189	132,931	3,197,808	(8,049)	3,189,759
Operating income (loss).....	¥ 29,271	¥ 267,985	¥19,535	¥ (1,554)	¥ 315,237	¥ 0	¥ 315,237

For the six months ended September 30, 2000

	Millions of yen						
	Motorcycle Business	Automobile Business	Financial Services	Other Businesses	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers .....	¥391,898	¥2,457,275	¥79,546	¥123,199	¥3,051,918	¥ —	¥3,051,918
Intersegment sales .....	—	—	3,455	4,174	7,629	(7,629)	—
Total .....	¥391,898	¥2,457,275	¥83,001	¥127,373	¥3,059,547	¥(7,629)	¥3,051,918
Cost of sales, SGA and R&D expenses .....	366,421	2,297,430	66,934	127,272	2,858,057	(7,629)	2,850,428
Operating income (loss).....	¥ 25,477	¥ 159,845	¥16,067	¥ 101	¥ 201,490	¥ —	¥ 201,490

### Explanatory notes:

#### 1. Segmentation of Business

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.

#### 2. Principal products of each segment:

Business	Sales	Principal Products
Motorcycle	Motorcycles, all-terrain vehicles (ATVs) and relevant parts	Large motorcycles, mid-size motorcycles, motorized bicycles and ATVs
Automobile	Automobiles and relevant parts	Compact cars, sub-compact cars and minivehicles
Finance Services	Finance and insurance services	N/A
Other	Power products and relevant parts, and others	Power tillers, generators, general-purpose engines and lawn mowers

## Geographical Segment Information

For the six months ended September 30, 2001

	Millions of yen						
	Japan	North America	Europe	Others	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers.....	<b>¥1,023,198</b>	<b>¥1,938,500</b>	<b>¥269,242</b>	<b>¥274,056</b>	<b>¥3,504,996</b>	<b>¥ —</b>	<b>¥3,504,996</b>
Transfers between geographical segments.....	<b>821,468</b>	<b>74,805</b>	<b>8,779</b>	<b>6,693</b>	<b>911,745</b>	<b>(911,745)</b>	<b>—</b>
Total.....	<b>¥1,844,666</b>	<b>¥2,013,305</b>	<b>¥278,021</b>	<b>¥280,749</b>	<b>¥4,416,741</b>	<b>¥(911,745)</b>	<b>¥3,504,996</b>
Cost of sales, SGA and R&D expenses.....	<b>1,716,117</b>	<b>1,814,283</b>	<b>298,729</b>	<b>252,834</b>	<b>4,081,963</b>	<b>(892,204)</b>	<b>3,189,759</b>
Operating income (loss).....	<b>¥ 128,549</b>	<b>¥ 199,022</b>	<b>¥(20,708)</b>	<b>¥ 27,915</b>	<b>¥ 334,778</b>	<b>¥ (19,541)</b>	<b>¥ 315,237</b>

For the six months ended September 30, 2000

	Millions of yen						
	Japan	North America	Europe	Others	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers.....	¥ 935,904	¥1,603,113	¥257,372	¥255,529	¥3,051,918	¥ —	¥3,051,918
Transfers between geographical segments.....	830,921	54,171	9,634	5,923	900,649	(900,649)	—
Total.....	¥1,766,825	¥1,657,284	¥267,006	¥261,452	¥3,952,567	¥(900,649)	¥3,051,918
Cost of sales, SGA and R&D expenses.....	1,701,032	1,530,776	285,409	235,305	3,752,522	(902,094)	2,850,428
Operating income (loss).....	¥ 65,793	¥ 126,508	¥(18,403)	¥ 26,147	¥ 200,045	¥ 1,445	¥ 201,490

Explanatory note: Geographical segmentation is based on the location where sales originated.

## Overseas Sales

For the six months ended September 30, 2000 and 2001

	Millions of yen							
	2000				2001			
	North America	Europe	Others	Total	North America	Europe	Others	Total
Overseas sales.....	¥1,599,380	¥258,316	¥362,013	¥2,219,709	<b>¥1,931,290</b>	<b>¥261,847</b>	<b>¥385,019</b>	<b>¥2,578,156</b>
Consolidated sales.....				¥3,051,918				<b>¥3,504,996</b>
Overseas sales ratio to consolidated sales.....	52.4%	8.5%	11.8%	72.7%	<b>55.1%</b>	<b>7.5%</b>	<b>11.0%</b>	<b>73.6%</b>

## 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, except all segment information which is prepared in accordance with a Ministerial Ordinance under the Securities and Exchange Law of Japan.
2. The average exchange rates for the fiscal second quarter, ended September 30, 2001, were ¥121.72=U.S.\$1 and ¥108.31=€1. The average exchange rates for the corresponding period last year were ¥107.65=U.S.\$1 and ¥97.56=€1. The average exchange rates for the fiscal first half, ended September 30, 2001, were ¥122.21=U.S.\$1 and ¥107.77=€1, as compared with ¥107.17=U.S.\$1 and ¥98.63=€1 for the corresponding period last year.
3. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥119.40=U.S.\$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 September 28, 2001.
4. One American Depositary share represents two common shares.
5. The Company has 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	
	2000	2001
For the three months ended Sept. 30		
Net income.....	¥ 58,105	¥ <b>84,362</b>
Other comprehensive income (loss).....	9,073	<b>(67,508)</b>
Comprehensive income (loss).....	¥ 67,178	¥ <b>16,854</b>
	Millions of yen	
	2000	2001
For the six months ended Sept. 30		
Net income.....	¥121,907	¥ <b>173,740</b>
Other comprehensive income (loss).....	1,840	<b>(52,799)</b>
Comprehensive income.....	¥123,747	¥ <b>120,941</b>

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."

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Tokyo 105-8574, Japan

Depository 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 September 30, 2001)

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