



Annual Report 2010

Honda Motor Co., Ltd.
Year Ended March 31, 2010



Corporate Profile

Honda Motor Co., Ltd., operates under the basic principles of “Respect for the Individual” and “The Three Joys”—expressed as “The Joy of Buying,” “The Joy of Selling” and “The Joy of Creating.” “Respect for the Individual” reflects our desire to respect the unique character and ability of each individual person, trusting each other as equal partners in order to do our best in every situation. Based on this, “The Three Joys” express our belief and desire that each person working in or coming into contact with our company, directly or through our products, should share a sense of joy through that experience.

In line with these basic principles, since its establishment in 1948, Honda has remained on the leading edge by creating new value and providing products of the highest quality at a

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The Power of Dreams

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To Our Shareholders

We would like to express our gratitude to you, our shareholders, for your ongoing support. We also want to thank the many people who have supported Honda's growth over the years, including, first and foremost, our customers, as well as our business partners and the communities around the world where we are privileged to do business.



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Review of Operations

Motorcycle Business



Automobile Business



Power Product and Other Businesses



Financial Services Business



reasonable price, for worldwide customer satisfaction. In addition, the Company has conducted its activities with a commitment to protecting the environment and enhancing safety in a mobile society.

The Company has grown to become the world's largest motorcycle manufacturer and one of the leading automakers. With a global network of 390* subsidiaries and 102* affiliates accounted for under the equity method, Honda develops, manufactures and markets a wide variety of products, to earn the Company an outstanding reputation from customers worldwide.

*As of March 31, 2010

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Preparing for the Future

Honda aims to achieve global growth by further encouraging and strengthening innovation and creativity and creating quality products that please customers and exceed their expectations.

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Investor Information

Introducing Honda's Activities and Publications

CSR Report

This report is not published in printed form, but is available on the Internet at the following URL:

<http://www.honda.co.jp/csr/>

Environmental Report

Available at the following URL:

<http://www.honda.co.jp/environment/publications/index.html>

Philanthropy Report

This report is not published in printed form, but is available on the Internet at the following URL:

<http://www.honda.co.jp/philanthropy/>

Cover:

CR-Z

The all-new hybrid vehicle that combines a 1.5-liter *i-VTEC* engine and Honda's proprietary Integrated Motor Assist (IMA) system, and creates fusion between futuristic and dynamic styling and exhilarating driving, along with outstanding fuel economy of 25 km/L.*

* Fuel economy of continuously variable transmission (CVT) version measured in 10-15 mode (Japan)

Caution with Respect to Forward-Looking Statements

This annual report contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on management's assumptions and beliefs, taking into account information currently available to it. Therefore, please be advised that Honda's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in Honda's principal markets; foreign exchange rates between the Japanese yen and the U.S. dollar, the Euro and other major currencies; and extensive environmental and other governmental regulations, as well as other factors detailed from time to time.



The Power of Dreams

Dreams inspire us to create innovative products that enhance mobility and benefit society. To meet the particular needs of customers in different regions around the world, we base our sales networks, research & development centers and manufacturing facilities in each region. Furthermore, as a socially responsible corporate citizen, we strive to address important environmental and safety issues.

Summary of Operating Results by Business

Percentage of
Net Sales by
Business

Net Sales/Operating Income (Loss)

Years ended March 31

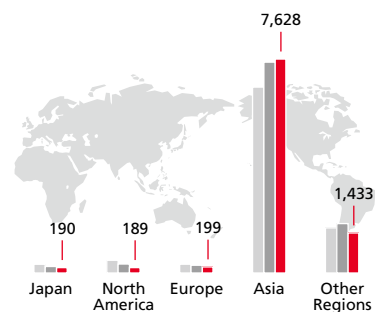
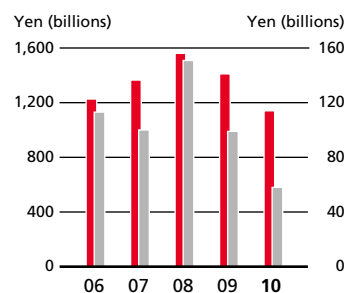
Unit Sales by Region (Thousands)

Years ended March 31

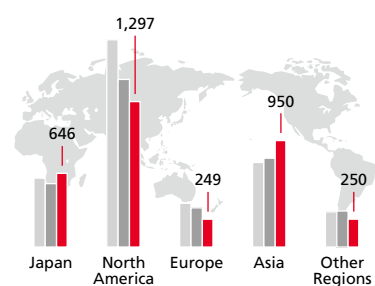
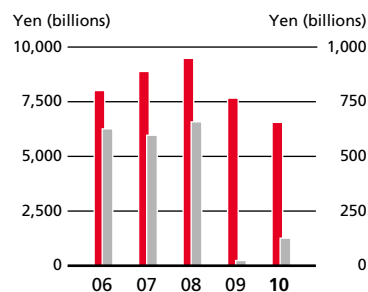
■ Net Sales (left scale) ■ Operating Income (right scale)

■ 2008 ■ 2009 ■ 2010

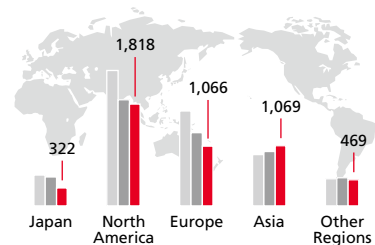
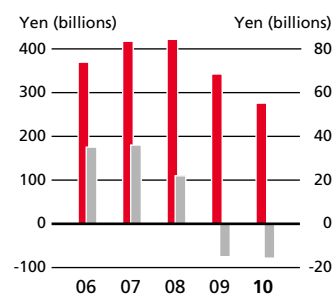
Motorcycle Business



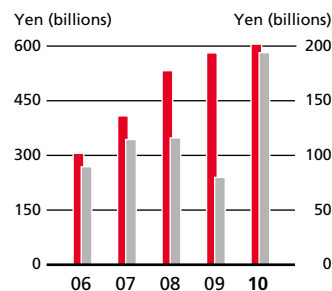
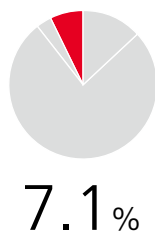
Automobile Business



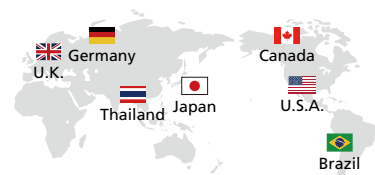
Power Product and Other Businesses



Financial Services Business



Locations



Financial Highlights

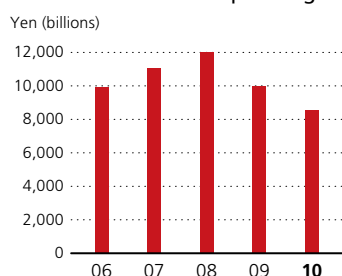
Financial Data

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

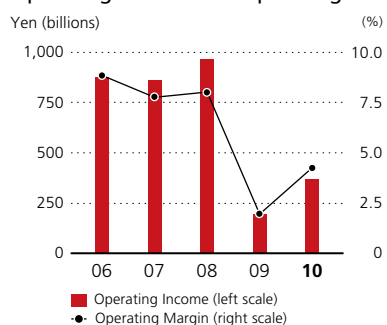
	Yen (millions except per share data)			U.S. dollars (millions except per share data)
	2008	2009	2010	2010
Net sales and other operating revenue	¥12,002,834	¥10,011,241	¥ 8,579,174	\$ 92,210
Operating income	953,109	189,643	363,775	3,910
Income before income taxes and equity in income of affiliates	895,841	161,734	336,198	3,613
Equity in income of affiliates	118,942	99,034	93,282	1,003
Net income attributable to Honda Motor Co., Ltd.	600,039	137,005	268,400	2,885
Cash dividends paid during the period	152,590	139,724	61,696	663
Research and development	587,959	563,197	463,354	4,980
Total assets	12,615,543	11,818,917	11,629,115	124,990
Total Honda Motor Co., Ltd. shareholders' equity	4,550,479	4,007,288	4,328,640	46,525
Capital expenditures (excluding purchase of operating lease assets)	654,030	633,913	348,981	3,751
Depreciation (excluding property on operating leases)	417,393	441,868	401,743	4,318
Per share data				
Net income attributable to Honda Motor Co., Ltd.	¥ 330.54	¥ 75.50	¥ 147.91	\$ 1.59
Dividends paid	84	77	34	0.37
Total Honda Motor Co., Ltd. shareholders' equity	2,507.79	2,208.35	2,385.45	25.64

Note: United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥93.04=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 March 31, 2010. No representation is made that yen amounts could have been, or could be, converted into U.S. dollars at that rate or any other rate on this or any other data or at all.

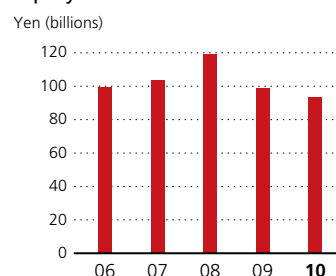
Net Sales and Other Operating Revenue



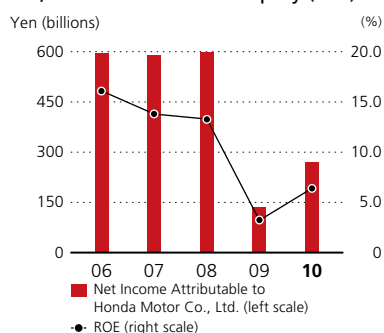
Operating Income and Operating Margin



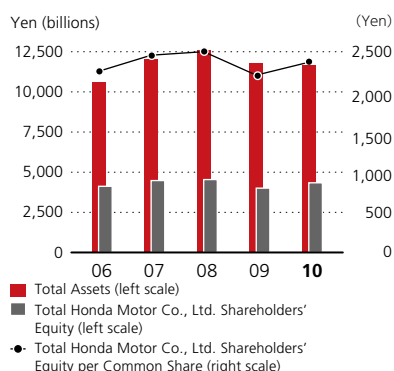
Equity in Income of Affiliates



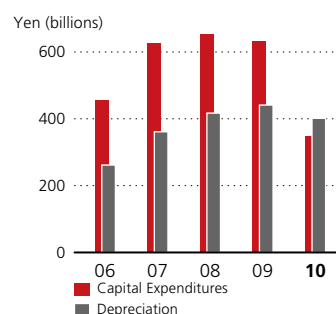
Net Income Attributable to Honda Motor Co., Ltd. and Return on Equity (ROE)



Total Assets, Total Honda Motor Co., Ltd. Shareholders' Equity and Total Honda Motor Co., Ltd. Shareholders' Equity per Common Share



Capital Expenditures and Depreciation (Excluding Property on Operating Leases)



Operating Data

Years ended March 31

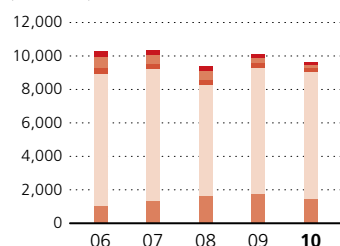
Unit Sales Breakdown (Thousands)	Motorcycles			Automobiles			Power Products		
	2009	2010	Change	2009	2010	Change	2009	2010	Change
Japan	232	190	(18.1)%	556	646	16.2%	516	322	(37.6)%
North America	320	189	(40.9)	1,496	1,297	(13.3)	1,893	1,818	(4.0)
Europe	276	199	(27.9)	350	249	(28.9)	1,306	1,066	(18.4)
Asia	7,523	7,628	1.4	793	950	19.8	970	1,069	10.2
Other Regions	1,763	1,433	(18.7)	322	250	(22.4)	502	469	(6.6)
Total	10,114	9,639	(4.7)%	3,517	3,392	(3.6)%	5,187	4,744	(8.5)%

Net Sales Breakdown Yen (millions)	Motorcycle Business			Automobile Business			Financial Services Business			Power Product and Other Businesses		
	2009	2010	Change	2009	2010	Change	2009	2010	Change	2009	2010	Change
Japan	¥ 81,822	¥ 70,461	(13.9)%	¥1,225,384	¥1,383,855	12.9%	¥ 24,083	¥ 24,635	2.3%	¥115,252	¥ 98,367	(14.7)%
North America	182,284	103,956	(43.0)	3,723,877	3,013,432	(19.1)	527,905	553,169	4.8	80,124	65,890	(17.8)
Europe	178,621	124,665	(30.2)	923,580	575,326	(37.7)	12,685	10,428	(17.8)	71,126	54,366	(23.6)
Asia	460,412	461,067	0.1	1,079,585	1,041,258	(3.6)	4,736	4,318	(8.8)	50,739	36,754	(27.6)
Other Regions	508,372	380,143	(25.2)	721,978	540,977	(25.1)	12,852	13,802	7.4	25,824	22,305	(13.6)
Total	¥1,411,511	¥ 1,140,292	(19.2)%	¥7,674,404	¥ 6,554,848	(14.6)%	¥582,261	¥ 606,352	4.1%	¥343,065	¥ 277,682	(19.1)%

Unit Sales

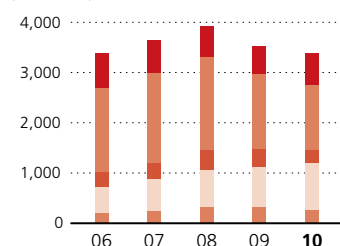
Motorcycles

(Thousands)



Automobiles

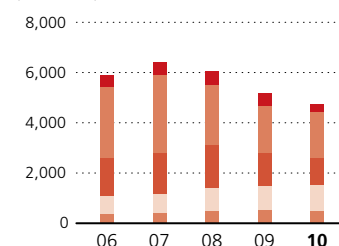
(Thousands)



■ Japan ■ North America ■ Europe ■ Asia ■ Other Regions

Power Products

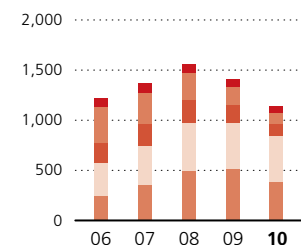
(Thousands)



Net Sales

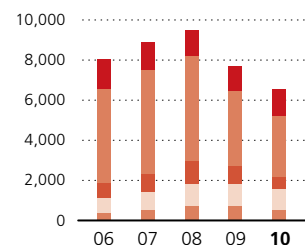
Motorcycle Business

Yen (billions)



Automobile Business

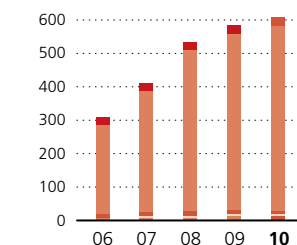
Yen (billions)



■ Japan ■ North America ■ Europe ■ Asia ■ Other Regions

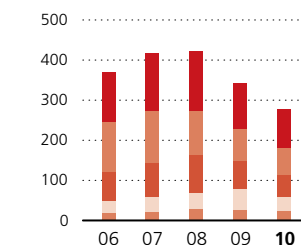
Financial Services Business


Yen (billions)



Power Product and Other Businesses

Yen (billions)





To Our Shareholders

We would like to express our gratitude to you, our shareholders, for your ongoing support. We also want to thank the many people who have supported Honda's growth over the years, including, first and foremost, our customers, as well as our business partners and the communities around the world where we are privileged to do business.

Concerning the economic environment surrounding Honda, economic conditions in the United States showed moderate recovery, as evidenced by improvement in consumer spending, a bottoming out of private capital investment and other developments, despite concerns about the continuation of the credit contraction, deterioration in the employment situation and other factors. The economies of Europe also bottomed out, despite concerns such as economic stagnation as a result of the credit contraction, a sales slump following the end of measures supporting new car purchases and a deterioration in employment conditions. Also, in Asia, the Chinese economy recovered and the outlook called for further expansion. Similarly, in India, economic conditions recovered, and the economies of other

countries in the region generally are reporting recovery. In Japan, the economy showed a trend toward improvement, especially in consumer spending, although conditions continued to be tough, with unemployment rates remaining high and other factors.

Under these business conditions, Honda's consolidated net sales and other operating revenue (the "Revenue") for the fiscal year ended March 31, 2010 amounted to ¥8,579.1 billion, a decline from the previous fiscal year, mainly due to negative currency translation effects and decreased sales in automobile business. Net income attributable to Honda Motor Co., Ltd. increased to ¥268.4 billion, and basic net income attributable to Honda Motor Co., Ltd. per common share rose to ¥147.91.



Motorcycle Business

Total unit sales of motorcycles declined from the previous fiscal year, despite increases in Asia, because of lower unit sales in Japan, North America, Europe and Other Regions, including South America.

In Asia, where market growth is continuing, demand in the first half of the calendar year 2009 was influenced by the global economic downturn, but in the second half, demand showed recovery throughout the region. Honda's total unit sales in Asia rose along with expanded sales of the *Activa* and the new *CB Twister* in India as well as higher sales of the *Wave 110i AT* and the new *PCX* in Thailand.

In contrast, in North America, compared to last year, unit sales decreased for mid-size models, principally in the 750cc class, as well as all types of scooters and ATVs, especially in the United States. Also, unit sales declined in Other Regions, including South America, mainly in the Brazilian market, because of the tightening of loan standards for motorcycles in the wake of the financial crisis.

Automobile Business

Although unit sales increased in Japan and the rest of Asia, total sales were below the level of the previous fiscal year because of declines in North America, Europe and Other Regions, including South America.

In Japan, during the first half of the fiscal year, operating conditions were difficult because of the weakness in corporate business activities as a result of the global downturn and stagnant consumer spending. However, in the latter half of the fiscal year, based on the positive effects of measures to stimulate demand, including tax reductions and subsidies for eco-friendly automobiles, sales of automobiles moved toward recovery. Sales of Honda's *Insight*, *Fit*, and *StepWGN* held firm, and unit sales rose. Additionally, in Asia outside Japan, several key factors spurred an increase in auto sales, including the significant growth of business in China, and the smash success of the new *City* in Thailand, India and other markets.

At the same time, in North America, while sales of the *CR-V*, the new-model *Accord Crosstour* and other light truck models, including the brand-new *Acura ZDX*, expanded, Honda's unit sales declined because of the overall shrinkage in the market. In Europe, industry demand expanded in some countries as a result of the adoption of government incentives to encourage purchases of new cars; however, Honda's unit sales decreased due to increased competition and other factors.

Power Product and Other Businesses

Total unit sales of power products decreased from the level of the previous fiscal year, despite increased sales in Asia outside Japan. This decline was due to lower sales in Japan, North America, Europe and Other Regions, including South America. In Asia, unit sales of engines and pumps for use in agricultural machinery as well as sales of trimmers expanded because of the effects of agricultural-support policies adopted by some countries and the effects of weather conditions. On the other hand, in Japan, North America and Europe, unit sales of engines for OEM use declined, while in Other Regions, including South America, sales of pumps and general-purpose engines decreased, thus leading to an overall decline in unit sales.



Initiatives Going Forward

At present, Honda is going through a period of major change in its business environment. Amid these challenging conditions, it will be necessary for Honda to move even faster in its corporate activities to meet the expectations of its customers and to attain its objective of being a company that society wants to exist. To accelerate our activities, I think it is important for us to have a firm understanding of the magnitude of the changes that are taking place and to focus our efforts on major issues while we accurately assess the market conditions we are confronting. In particular, we must move forward aggressively with initiatives in the areas of responding to environmental issues and pursuing opportunities in emerging markets. Both of these are expected to present major opportunities for future growth. To overcome the tough operating environment we face and attain new growth, our key words will be "simplicity," "concentration" and "speed," and we will continue to strengthen the core characteristics that make Honda unique.

Environmental Initiatives

In February 2010, we launched the brand-new *CR-Z* hybrid vehicle. The *CR-Z* is equipped with a three-mode drive system that enables motorists to select the driving mode that best suits various driving conditions and driving styles and to pursue both the joys of driving and eco-friendly performance. An automobile should be a source of pleasure, and we think automobiles need to have a unique personality that makes people want to drive them. As an automobile that helps motorists pursue the joy of driving, we believe the *CR-Z* expands the possibilities of the hybrid vehicle concept and will contribute to the wider ownership of hybrid vehicles. Later this year, we plan to launch a hybrid-model *Fit*, and we are working to further strengthen our lineup by focusing on the development of medium and large-sized hybrid automobiles.

In the motorcycle business, in December of this year, we are planning to begin lease sales of the *EV-neo* electric scooter for business use in Japan. Since this new scooter is powered by an electric motor, it emits no CO₂ emissions at all and thus features superior environmental





Initiatives in Emerging Markets

performance. Also, since the electric power source is a lithium-ion battery, the *EV-neo* can be recharged quickly for extended riding using household electric power. Based on the use of motorcycles, a two-wheeled vehicle achieves high performance with currently available electric drive technology. We will move ahead proactively with marketing activities for the *EV-neo* aimed at expanding the sales and ownership of this new eco-friendly transport vehicle.

We are also taking active initiatives in the energy management field, including energy generation through the development and marketing of compact household co-generation units and next-generation, thin-film solar cells.

Looking to the future, as environment-related technologies become significantly more important, Honda will strengthen its lineup of hybrid vehicles; develop new technologies for electric drivetrains, including batteries; and make further advances in fuel cell electric vehicles. We will also take initiatives in developing high-efficiency energy management products and aim to be a leader in the environmental technology field.



Although automobile markets have diminished in size in the industrialized countries following the onset of the financial crisis, markets in the emerging economies have continued to expand. Among these, in India, the potential market has expanded from the more affluent to the middle class, and this is stimulating growth in demand. Honda introduced a new small concept car at the Auto Expo 2010 in New Delhi in January of this year, with an eye toward launching the vehicle in 2011. This small car is being developed to meet the needs of customers in such markets as India, and, to offer it at a more attractive price, Honda is taking a broad range of initiatives, including intensifying local procurement capabilities.

Honda has amassed tremendous know-how in the development, parts procurement and production of two-wheeled vehicles in Asia. Thus far, Honda has grown its automobile production operations in emerging nations by applying know-how based on its experience in industrialized countries. Going forward, we believe it will be important for Honda to utilize the development, procurement and production know-how we have gained in Asia to manufacture automotive products that meet customer needs. In this way, we can develop markets in today's emerging economies and the next-generation markets of the future. In the newly emerging markets also, Honda will aim to manufacture products that offer new value to its customers.



Development of New Production Systems

Honda, thus far, has adopted a policy of manufacturing its products close to the customer, and, especially in the case of automobiles, it has structured a flexible manufacturing system centered on Japan that enables it to react to changes in demand in countries around the world. As its business operations in regions outside Japan have expanded, Honda has strengthened its regional production capabilities. Looking to the future, Honda will promote a complementary global production system that can respond to changes in demand and fluctuations in currency exchange rates while better focusing each plant on the production of products that draw on their

unique expertise. Under this system, Honda will work to offer products at more attractive prices and strengthen its business position.

Since its founding, Honda has set high goals and aggressively taken on the challenge to reach them. This is one characteristic that makes Honda the company it is, and it has enabled Honda to respond to the expectations of its customers. In these difficult economic times, I believe Honda's challenging spirit is precisely what is needed. Honda will continue to move ahead with active initiatives to offer new value to its customers.





Returning Profit to Shareholders

Honda strives to conduct its business from a global perspective and to increase its corporate value. We consider the allocation of profits to shareholders to be one of our most important management responsibilities. Our basic policy for dividends is to make distributions after taking into account our long-term consolidated earnings performance. Honda also acquires its own shares with optimal timing with the goal of improving the efficiency of its capital structure.

For fiscal 2010, Honda set a year-end cash dividend of ¥12 per share, bringing total cash dividends for the fiscal year to ¥38 per share. This dividend comprised ¥8 per share for the first quarter, ¥8 per share also for the second quarter, ¥10 per share for the third quarter and the year-end dividend of ¥12 per share.

For the fiscal year ending March 31, 2011, we are scheduled to pay quarterly dividends of ¥12 per share, or ¥48 per share for the full year, which will be ¥10 higher than in fiscal 2010. We will continue to do our utmost to meet the expectations of our shareholders.

Honda is a company where each and every member of management and the organization works to realize the dream of providing joy to Honda customers by setting challenging objectives focused on innovation and creating new value. We call this “The Power of Dreams.”

Our overriding desire is to be a company that society wants to exist. In the years to come, as in years past, we will continue to meet the challenges of innovation and creativity to give our customers enjoyment, inspiration and satisfaction, while responding to the expectations of society, including reducing the impact of our products and operations to the global environment.

We look forward to the continued understanding and support of our shareholders and other investors for the long term.

June 24, 2010

Takanobu Ito
President & Chief Executive Officer

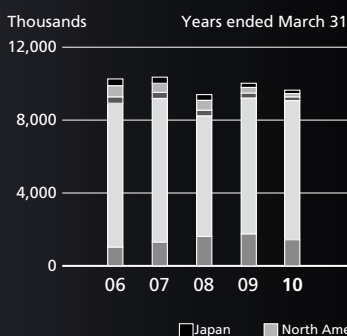
Motorcycle Business



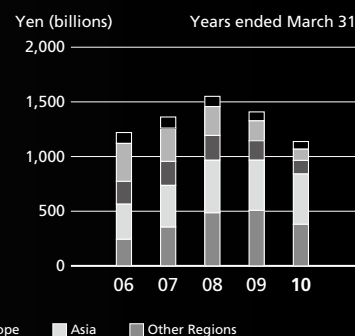
Percentage of Net Sales by Business



Unit Sales



Net Sales



Unit Sales	Thousands	2009	2010	% change
Japan		232	190	(18.1)%
North America		320	189	(40.9)
Europe		276	199	(27.9)
Asia		7,523	7,628	1.4
Other Regions		1,763	1,433	(18.7)
Total		10,114	9,639	(4.7)%
Net Sales	Yen (millions)	2009	2010	% change
Japan	¥	81,822	70,461	(13.9)%
North America		182,284	103,956	(43.0)
Europe		178,621	124,665	(30.2)
Asia		460,412	461,067	0.1
Other Regions		508,372	380,143	(25.2)
Total		¥1,411,511	¥1,140,292	(19.2)%

Years ended March 31



Honda's total unit sales of motorcycles, all-terrain vehicles (ATVs) and personal watercraft (PWC) totaled 9,639 thousand units, decreased by 4.7% from the previous fiscal year. Unit sales in Japan totaled 190 thousand units, decreased by 18.1%. Overseas unit sales totaled 9,449 thousand units, decreased by 4.4%, due mainly to decreased unit sales in Other Regions, including South America, and North America although sales in Asia outside Japan increased. Revenue decreased ¥271.2 billion, or 19.2%, to ¥1,140.2 billion, due mainly to the decline in unit sales and unfavorable foreign currency translation effects. Honda estimates that, had the exchange rate remained unchanged from the previous year, net sales for the year would have decreased by approximately 10.0%, or about ¥141.2 billion. Operating income decreased ¥41.0 billion, or 41.1%, to ¥58.8 billion, despite declines in SG&A expenses and R&D costs, mainly because of the decline in net sales and unfavorable foreign currency effects.

Motorcycle Business

Japan

Total industry demand for motorcycles in Japan in fiscal 2010 was approximately 410,000 units*¹, about 25% lower than in the previous fiscal year. This decline in demand was mainly due to the effects of the economic downturn, regulations on emission limits, demographic factors such as the decline in the number of younger people, the decline in the number of people who acquire motorcycle driving licenses and the shortage of motorcycle parking spaces in city areas.

Amid these difficult operating conditions, in June 2009, Honda strengthened its lineup by launching its *Super Cub 110* business model, which is both economic and practically useful. Also, in March 2010, Honda launched its *CB1100* Type I large sport bike adding functional elegance, which is equipped with a newly developed air-cooled four-cylinder engine. In addition, in March 2010, Honda introduced its *PCX* in Japan, and it received a highly favorable reception. Only three weeks after the launch, orders for 8,000 units had been received, which was more than 90% of the annual sales goal. A strategic global model, *PCX* is a 125cc scooter featuring a global standard design for major components, which enhances cost-competitiveness and production efficiency. The *PCX* is also the first scooter to be introduced in Japan in the 125cc class equipped with an idling-stop system*².

Despite expansion in sales of new models, unit sales in Japan decreased 18.1%, to 190,000 units, due to more intense competition and other factors.

*1: Source: Japan Automobile Manufacturers Association (JAMA)

*2: According to Honda research.



Forza (Japan)



CB1100 (Japan)



Super Cub 110 (Japan)



VTR (Europe)

Europe

Total demand for motorcycles in Europe* during calendar 2009 declined approximately 16%, to about 1.05 million units. Although demand in some countries rose because of government incentives to support the purchase of new motorcycles and changes in the driver's license system, overall demand fell because of the impact of the economic downturn throughout Europe.

Amid this business environment, in May 2009, Honda introduced its *VTR250* naked-type leisure bike with a slimmer body and featuring easy handling. Also, in January 2010, Honda introduced the *VFR1200F*, a large sports tourer with a V4-stroke engine, which combines a sporty performance with high-quality riding comfort.

In fiscal 2010, the full-year contribution of the *CBF125*, which was launched in the previous fiscal year, the new *CBF1000* naked-type leisure bike, the new *VRF1200F* and other models had a positive effect; nevertheless, the number of large scooters and other products declined. As a consequence, total unit sales in Europe decreased 27.9% from the previous fiscal year, to 199,000 units.

* According to Honda research. The motorcycle market includes 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium and Austria.

North America

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States* during calendar 2009 declined 37% from the previous year, to approximately 840,000 units. This decline was due to the continuing credit contraction, deterioration in employment conditions and shrinkage in leisure-related expenditures.

Amid this business environment, in April 2009, Honda launched the large cruiser model *Fury*, re-creating the classic chopper style with a very low seat height and long front-end but in a modern, dependable bike.

Unit sales in North America decreased 40.9% from the previous fiscal year, to 189,000 units. Although sales of new models held strong, sales of medium-sized bikes, principally in the 750cc class, and scooters declined in reaction to the previous year's demand increase caused by high gasoline prices, and as a result, Honda's motorcycle unit sales declined 47.9%, to about 98,000 units. In the ATV category, although demand for utility ATVs remained firm, total unit sales of ATVs and other products decreased 31.1%, to about 91,000 units.

* Source: MIC (Motorcycle Industry Council)



Fury (North America)

Motorcycle Business

Asia

Demand for motorcycles is continuing to expand in Asia, where they are an essential means of transportation. In calendar 2009, despite the negative impact of the global economic downturn in the first half of the year, demand recovered during the second half and total demand for motorcycles*¹ rose about 6% over the previous year, to approximately 40.2 million units.

By country, sales in India rose about 19%, to approximately 8.8 million units; sales in Indonesia decreased roughly 8%, to about 6 million units; and sales in Thailand dropped approximately 10%, to about 1.5 million units.

Amid these business conditions, in India, Honda introduced the all-new *Activa* 110cc scooter. Also, in February 2010, Honda launched its *CB Twister*, a fuel-efficient 110cc motorcycle, which is targeted at younger riders and follows the trends in European large-bike design. In India, 100cc-to-110cc motorcycles account for about half of the total market, and the *CB Twister* is expected to show a strong sales performance.

In October 2009, Honda began production and sales in Thailand of its strategic global model, *PCX*, which is a 125cc-class scooter featuring a global standard design for major components, which enhances cost-competitiveness and production efficiency.

In addition, in the *Wave* series, which is a major Honda model in Asia and is currently marketed mainly in ASEAN countries, Honda introduced a full model change version of its *Wave 110 RSX* in Vietnam in October 2009, giving it a sportier design for added appeal to the target market of younger

customers. In Thailand, Honda launched the *Wave 110i AT* Cub-style scooter in February 2010, which is outfitted with the new type CV-matic automatic transmission and features both practicality and convenience.

Honda's unit sales in Asia*² for the fiscal year under review rose 1.4% over the previous fiscal year, to 7,628,000 units. This increase was due to favorable expansion in sales of new models and growth in sales, principally in India, Vietnam, and certain other countries.

In production activities, in India, consolidated subsidiary Honda Motorcycle & Scooter India Private Limited made the decision to build a second production plant to respond to rapidly growing demand in that country. Along with the expansion in capacity of its existing plant, the second plant is scheduled to go into operation in the latter half of 2011, and this will bring this company's total annual production capacity to 2.2 million units. In addition, Honda Vietnam Co., Ltd. (HVN) plans to expand the annual production capacity of its motorcycle production plant by 500,000 units in order to meet rapidly growing demand in Vietnam. With this newly planned expansion, HVN's total motorcycle production capacity will be 2 million units annually within the latter half of 2011.

*1: According to Honda research. The motorcycle registration market includes eight countries in this region: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

*2: This total includes sales of finished products of Honda and its consolidated subsidiaries and sales of knocked down kits to Honda's affiliated companies accounted for under the equity method for use in local production by such companies.



CB Twister (India)



Wave 110i AT (Thailand)

Other Regions

In Brazil, the principal market within Other Regions, total demand in calendar 2009 decreased about 16%, to approximately 1.61 million units,* because of the tightening of loan conditions for motorcycles in the wake of the global financial crisis and other factors.

Amid these conditions, in Brazil, Honda introduced an upgraded version of its *CB300R* in June 2009, offering advanced design and enhanced riding performance. Also, in November, Honda launched its *NXR 150 BROS MIX*, which is equipped with the Mix Fuel Injection System that makes it possible to use various combinations of ethanol and gasoline flexibly. Installing this Mix Fuel Injection System leads to reduce CO₂ emissions while also contributing to reducing fuel costs. This is Honda's second model incorporating this system, which was first introduced on the *CG150 TITAN MIX*.

In Other Regions (including Latin America, the Middle East, Africa and Oceania), unit sales decreased 18.7%, compared with the previous fiscal year, to 1,433,000 million units, despite the positive effects of introducing the *CB300R* and *CG150 Fan* motorcycles in Brazil.

*Source: ABRACICLO (the Brazilian Association of Motorcycle, Moped and Bicycle Manufacturers)



NXR 150 BROS MIX (Brazil)

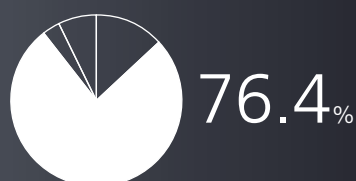


CB300R (Brazil)

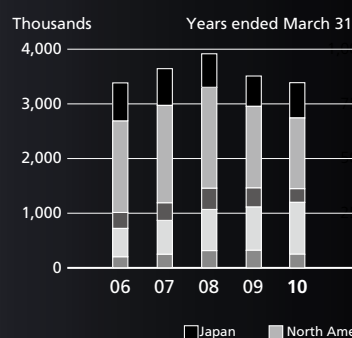
Automobile Business



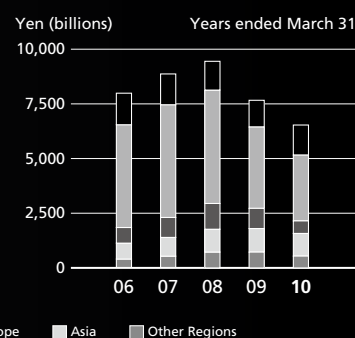
Percentage of Net Sales by Business



Unit Sales



Net Sales



Unit Sales Thousands	2009	2010	% change
Japan	556	646	16.2%
North America	1,496	1,297	(13.3)
Europe	350	249	(28.9)
Asia	793	950	19.8
Other Regions	322	250	(22.4)
Total	3,517	3,392	(3.6)%
Net Sales Yen (millions)	2009	2010	% change
Japan	¥1,225,384	¥1,383,855	12.9%
North America	3,723,877	3,013,432	(19.1)
Europe	923,580	575,326	(37.7)
Asia	1,079,585	1,041,258	(3.6)
Other Regions	721,978	540,977	(25.1)
Total	¥7,674,404	¥6,554,848	(14.6)%

Years ended March 31



Honda's unit sales of automobiles totaled 3,392 thousand units, decreased by 3.6% from the previous fiscal year. Unit sales in Japan totaled 646 thousand units, increased 16.2% over the previous year. Overseas unit sales totaled 2,746 thousand units, decreased by 7.3%, mainly due to declined unit sales in North America and Europe although unit sales rose in Asia outside Japan. Revenue from external customers decreased ¥1,119.5 billion, or 14.6%, to ¥6,554.8 billion from the previous fiscal year, due primarily to the decline in unit sales and unfavorable currency translation effects. Honda estimates that, had the exchange rate remained unchanged from the previous year, net sales for the year would have decreased by approximately 8.1%, or about ¥625.1 billion.

Operating income increased ¥102.2 billion, or 416.5%, to ¥126.7 billion, mainly due to decreased SG&A and R&D expenses and continuing cost reduction efforts, despite decreased revenue and unfavorable currency impact.

Automobile Business

Japan

Total automobile demand in Japan* for the fiscal year rose approximately 4% over the previous fiscal year, to about 4,880,000 units. In the first half of the fiscal year, automobile demand experienced a severe downturn because of weakness in business and operating conditions due to the global economic downturn and stagnant consumer spending. During the latter half of the fiscal year, however, the positive effects of government incentives to provide tax reduction and subsidies for purchasing eco-cars in order to stimulate demand emerged, and automobile sales began to recover.

Amid these operating environment, in October 2009, Honda introduced the all-new *StepWGN* in October 2009, which features Honda's original low-floor, low-center-of-gravity platform with a spacious interior and excellent fuel economy. Also, in November 2009, Honda launched the new *Civic Type R EURO* with its distinctive, stylish form and excellent driving performance. Then, in December 2009, Honda introduced the

all-new *Acty* truck mini-vehicle, which now offers a wider cabin and an improved minimum turning radius. In February 2010, Honda launched its brand-new *CR-Z* hybrid vehicle, which combines an advanced and dynamic design with a nimble and exhilarating riding performance and superior fuel economy.

Honda's unit sales in Japan rose 16.2% over the previous fiscal year, to 646 thousand units, driven mainly by robust sales of the *Insight*, *Fit*, *StepWGN* and *Freed* as well as other new models.

In the area of production, the number of units manufactured in Japan during the fiscal year under review decreased 21.5%, to 902 thousand units, mainly because of the decline in the number of cars exported.

*Source: JAMA (Japan Automobile Manufacturers Association: The number of regular vehicle registrations (661cc or higher) and mini-vehicles (660cc or lower))

Civic TYPE R EURO (Japan)



StepWGN (Japan)



Accord Crosstour (North America)

North America

In calendar 2009, total demand in the United States* fell approximately 21% from the previous year, to about 10,400,000 units. This was because of lackluster consumer spending caused by the continuing credit contraction and the deterioration in employment conditions.

Under these market conditions, in November 2009, Honda introduced its new *Accord Crosstour*, which is a high-performance sedan, powered by a Honda V6 engine, and offers strong utility car features, including more storage capacity beneath the floor in the rear section. Also, in December, Honda launched the newly developed *Acura ZDX*, a sport coupe with flowing roofline styling. The *Acura ZDX* comes with an all-new six-speed automatic transmission, and combines a powerful ride with excellent fuel economy.

Unit sales of the *Civic* and *Fit* core passenger models increased because of government incentives in the first half of the fiscal year. Also, during the latter half, sales of light truck models such as the *CR-V* rose, reflecting stability in gasoline prices and moderate improvement in economic conditions. However, Honda automobile sales in North America for the fiscal year decreased 13.3%, to 1,297,000 units, because of the overall shrinkage in market demand.

In the area of production, based on its policy of "producing where the demand is," Honda became the first Japanese automobile manufacturer to begin production in the United States, in 1982. In 2009, the number of Honda cars sold in the United States that were manufactured in North America rose to approximately 84%, the highest percentage over the past 27 years.

*Source: Ward's Auto

Odyssey (North America)



Launch scheduled for fall 2010

Jazz (Europe)



Europe

During calendar 2009, total demand in Europe*¹ decreased approximately 2%, to about 14,480,000 units. Demand in major European markets, including Germany and France, expanded as the governments of these countries adopted measures to encourage purchases of new cars. On the other hand, demand in the U.K. and Spain, where such measures were adopted from the middle of the year, failed to cover the drop in demand in the first half of the year, and remained below the prior year. Moreover, demand in Russia*² dropped about 50%, to approximately 1,470,000 vehicles.

Amid this business environment, Honda's unit sales in Europe during the fiscal year declined 28.9% from the previous fiscal year, to 249,000 units.

In production activities, Honda began the production of its *Jazz* in Europe (sold under the *Fit* name in Japan). This vehicle offers top-class fuel economy, a superior ride and high-level safety features.

*1: Source: Association des Constructeurs Européens d'Automobiles (the European automobile association) (Passenger cars, figures include 27 EU countries and 3 European Free Trade Association (EFTA) countries.)

*2: Source: Association of European Business (AEB)

Asia

In Asia, total demand in principal countries*¹ in calendar 2009 increased to approximately 19,480,000. This gain was due to expansion in demand, principally in China, the adoption of measures by governments in the region to encourage new vehicle purchases and other factors.

Amid this operating environment, in June 2009, Honda began production and sales of the *Freed* compact mini-van, which offers a spacious interior, and commenced the marketing of these units in Indonesia. Sales began not only in Indonesia but also in Singapore and Thailand. Also, in India, Honda began marketing of the *Jazz*, which combines an excellent overall package with low fuel consumption and advanced styling, in June 2009. In China, manufacturing and sales of the *Spirior*, a premium quality, sporty sedan featuring a nimble and pleasant ride, began in September 2009 at a Honda affiliated company.



Jazz (India)



City FFV (South America)

During fiscal 2010, total unit sales in Asia outside Japan rose 19.8% from the previous fiscal year, to 950,000 units. This growth was supported by robust sales of the *City* in Thailand, India and elsewhere, the new *Freed* in Indonesia as well as the *City*, *CR-V* and the new *Spirior* in China.

In production, to meet rapidly rising demand for automobiles in China, Honda decided to build a second plant at Dongfeng Honda Automobile Co., Ltd.,*² which will bring total production capacity at that company to 300,000 units a year in the latter half of calendar 2012. In addition, Guangqi Honda Automobile Co., Ltd.*^{2,3} is scheduled to expand its annual production capacity from 360,000 units to 480,000 units by the latter half of calendar 2011.

*1: According to Honda research. This total includes 11 countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Singapore, Taiwan, South Korea, India, Pakistan and China.

*2: Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd. are both manufacturing and sales joint ventures accounted for under the equity method.

*3: Guangqi Honda Automobile Co., Ltd. changed its name from Guangzhou Honda Automobile Co., Ltd. effective June, 2009.

Other Regions

Total demand for automobiles in Brazil, the principal market among the Other Regions, increased about 13% in calendar 2009, to approximately 3,010,000 units.*¹ On the other hand, demand in Australia decreased about 7%, to approximately 940,000 units.*²

Amid this operating environment, in Brazil, in July 2009, Honda introduced its new *City FFV* (a flexible-fuel vehicle that can use any percentage combination of ethanol and gasoline as fuel).

Total unit sales in Other Regions declined 22.4% from the previous fiscal year, to 250,000 units. Although unit sales were increased by the new *City* sales in Brazil, this increase was more than offset by declines in unit sales in Australia, the Middle East and elsewhere.

*1: Source: ANFAVEA (Associação Nacional dos Fabricantes de Veículos Automotores) (the Brazilian automobile association) (includes passenger vehicles and light commercial vehicles)

*2: FCAI: Federal Chamber of Automotive Industries (the Australian automobile association)



Signing ceremony for Dongfeng Honda's second plant



Spirior (China)

Power Product and Other Businesses

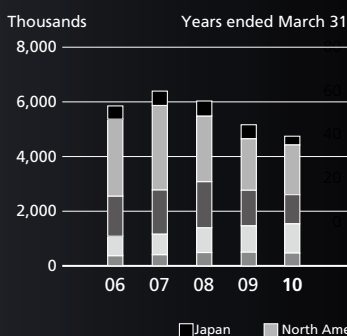


Percentage of Net Sales by Business

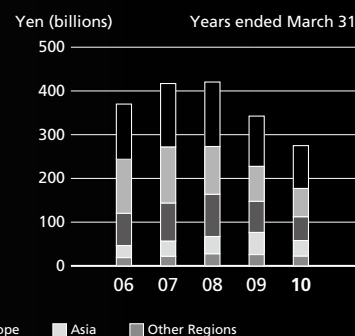


3.2%

Unit Sales



Net Sales



Unit Sales	Thousands	2009	2010	% change
Japan		516	322	(37.6)%
North America		1,893	1,818	(4.0)
Europe		1,306	1,066	(18.4)
Asia		970	1,069	10.2
Other Regions		502	469	(6.6)
Total		5,187	4,744	(8.5)%
Net Sales	Yen (millions)	2009	2010	% change
Japan		¥115,252	¥ 98,367	(14.7)%
North America		80,124	65,890	(17.8)
Europe		71,126	54,366	(23.6)
Asia		50,739	36,754	(27.6)
Other Regions		25,824	22,305	(13.6)
Total		¥343,065	¥277,682	(19.1)%

Years ended March 31



Honda's unit sales of power products totaled 4,744,000 units, decreased by 8.5% from the previous fiscal year. Unit sales in Japan totaled 322,000 units, decreased by 37.6%. Overseas unit sales declined 5.3%, to 4,422,000 units, as a result of lower unit sales in Europe and North America, which more than offset increased unit sales in Asia. Revenue from external customers decreased ¥65.3 billion, or 19.1%, to ¥277.6 billion, mainly due to the decline in the number of units sold and unfavorable foreign currency translation effects. Honda estimates that, had the exchange rate remained unchanged from the previous year, net sales for the year would have decreased by about 15.2%, or approximately ¥52.2 billion.

Honda reported an operating loss of ¥16.7 billion, a decrease of ¥1.2 billion from the previous fiscal year, due mainly to decreased revenue, despite decreased SG&A and R&D expenses.

Power Product and Other Businesses

Power Product Business

In the power product business in Japan, Honda manufactures the V-twin general-purpose engine series (GX630, GX660 and GX690),*¹ which offers low fuel consumption costs and low emissions. Honda now markets this series throughout the world.

In addition, in Japan, Honda produces the EU26i*² handy-type electric power generators that are based on sinewave inverter technology and provide a high-quality source of energy, while also being light, compact and quiet. Honda has now launched sales of the EU26i around the world and is working to expand the market by selling not only to professional users but also to households for use in leisure pursuits, for times of emergencies and for other applications.

In the outboard motor field, in Japan, Honda manufactures the BF60, which is a medium-sized, four-stroke outboard engine with excellent acceleration and low emissions. Honda has now introduced this product to markets around the world.

*1: Sold locally under the names GX630R, GX660R and GX690R, respectively, in North America, Europe and Australia.

*2: Sold locally in North America as EU3000i Handi and elsewhere around the world (outside Japan) as EU30i.



ENEPO



BF60

Japan

Unit sales in Japan were down 37.6% compared with the previous year, to 322,000 units. Despite increases in unit sales of tillers and snow removal equipment, overall unit sales decreased because of lower sales of engines for use in original equipment manufacturers (OEMs) and other products.

Following the introduction in March 2009 of *Pianta FV200*, a gas-powered mini tiller, in May 2010, Honda launched the *ENEPO EU9iGB* electric generator, which uses household butane gas canisters, which are easy to purchase and use, as its source of energy. Honda is working to expand sales of the *ENEPO* through its motorcycle and automobile sales network, to households for use in leisure pursuits and as a backup power source during power outages.

North America

Unit sales in North America decreased 4.0% from the previous fiscal year, to 1,818,000 units. Although sales of lawn mowers and general-purpose engines for use in OEM lawn mowers increased due to an increase in do-it-yourself spending in reaction to the economic downturn along with unseasonably good weather in the western part of the region and other factors, sales of engines for use in OEM construction machinery and other equipment declined.

Europe

In Europe, unit sales declined 18.4% from the previous fiscal year, to 1,066,000 units, due to lower sales of general-purpose engines for OEM use in construction machinery and electric power generators accompanying the economic downturn.



Thin-film solar cells for household use



Thin-film solar cells at the Hanshin Koshien Stadium

Asia

In Asia outside of Japan, unit sales increased 10.2%, to 1,069,000 units. Although sales of electric power generators slowed because of the effects of the economic downturn, demand for agricultural equipment increased as governments provided support to farm households, including rice price supports. Sales of engines and water pumps for use in agricultural equipment and sales of brush cutters also expanded also because of the effects of weather conditions and other factors.

Other Regions

In Other Regions, unit sales decreased 6.6% from the previous year, to 469,000 units, because of lower sales of pumps and general-purpose engines in the Middle East.

Solar Cell Business

In October 2007, consolidated subsidiary Honda Soltec Co., Ltd. began the production of thin-film solar cells for household use and, as of March 31, 2010, had completed the installation of these units for about 1,400 households. In addition, beginning in October 2008, Honda Soltec entered the public-sector and industrial markets for these products, and accomplishments have included the installation of Honda Soltec thin-film solar cells on the infield stand roof of the Hanshin Koshien Stadium, as part of a renovation project in March 2010. (The infield stand roof is nicknamed "*Ginsan*," meaning "silver umbrella.")

Aviation Business

In January 2010, subsidiary Honda Aircraft Company, Inc. began construction on its plant at the Piedmont Triad International Airport in Greensboro, North Carolina, in the United States. Honda Aircraft has begun to take orders for HondaJet aircraft not only in the United States but also in Canada, Mexico and Europe and is aiming to deliver its first aircraft in 2012.

Also, Honda Aero, Inc., which is responsible for Honda's aircraft engine business, has built a plant near the airport in Burlington, North Carolina. This company is scheduled to begin production of its *HF120* turbofan jet engines in 2012.



HF120 compact turbofan engine (aircraft engine)



HondaJet

Financial Services Business

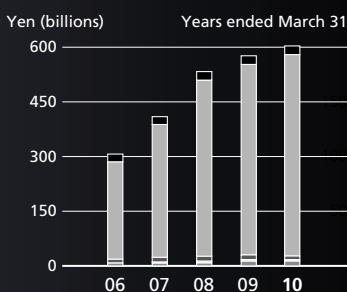


Percentage of Net Sales by Business



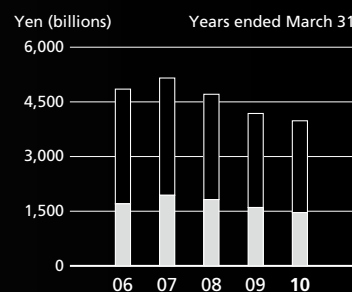
7.1 %

Unit Sales



Japan North America Europe Asia Other Regions

Finance Subsidiaries—Receivables, Net



Non-current Current

Net Sales	Yen (millions)	2009	2010	% change
Japan		¥ 24,083	¥ 24,635	2.3%
North America		527,905	553,169	4.8
Europe		12,685	10,428	(17.8)
Asia		4,736	4,318	(8.8)
Other Regions		12,852	13,802	7.4
Total		¥582,261	¥606,352	4.1%

Years ended March 31

Finance Subsidiaries— Receivables, Net	Yen (millions)	2009	2010	% change
Non-current		¥2,571,152	¥2,518,948	(2.0)%
Current		1,596,642	1,462,040	(8.4)
Total		¥4,167,794	¥3,980,988	(4.5)%

Years ended March 31

Note: The finance subsidiaries—receivables category above includes items that have been reclassified as trade receivables and other assets.



Acura MDX (North America)



Acura ZDX (North America)



Acura TL (North America)

To support the sale of its products, Honda provides retail lending and leasing services (including loans, operating leases and direct finance leases) to customers and financing to dealers (wholesale finance) through its finance subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany, Brazil, Thailand and elsewhere.

The total amount of finance subsidiaries—receivables and property on operating leases of finance subsidiaries amounted to ¥4,769.6 billion at the end of the fiscal year under review, which was 1.9% lower than at the end of the previous fiscal year. Honda estimates that, had the exchange rate remained unchanged from the previous year, total amount of finance subsidiaries—receivables and property on operating leases of finance subsidiaries would have increased about 0.1%.

Revenue from external customers in the financial services business increased ¥24.0 billion, or 4.1%, to ¥606.3 billion. Honda estimates that, had the exchange rate remained unchanged from the previous year, revenue would have increased about ¥71.9 billion, or 12.4% from the prior year.

Operating income for the fiscal year under review increased ¥114.2 billion, or 141.6%, to ¥194.9 billion, because of declines in provisions for credit losses and losses on lease residual values and a decrease in funding costs.

Honda's finance subsidiaries in North America have historically accounted for all leases as direct financing leases. However, starting in the fiscal year ended March 31, 2007, some of the leases that do not qualify for direct financing lease accounting treatment are accounted for as operating leases. Generally, direct financing lease revenues and interest income consist of the recognition of finance lease revenue at the inception of the lease arrangement and subsequent recognition of the interest income component of total lease payments using the effective interest method. In comparison, operating lease revenues include the recognition of the gross lease payment amounts on a straight line basis over the term of the lease arrangement, and operating lease vehicles are depreciated to their estimated residual value on a straight line basis over the term of the lease. It is not anticipated that the differences in accounting for operating leases and direct financing leases will have a material net impact on Honda's results of operations overall; however, operating lease revenues and the associated depreciation of leased assets do result in differing presentation and timing compared to those of direct financing leases.

Preparing for the Future

Honda aims to achieve global growth by further encouraging and strengthening innovation and creativity and creating quality products that please customers and exceed their expectations.

Therefore, in order to improve the competitiveness of its products, Honda will endeavor to enhance its R&D, production and sales capabilities. Furthermore, Honda will continue to enhance its social reputation in the community through Company-wide activities. Honda recognizes that further enhancing the following specific areas is essential to its success:

1. Research and Development

In connection with its efforts to develop the most effective safety and environmental technologies, Honda will continue to be innovative in advanced technology and products. Honda aims to create and introduce new value-added products to quickly respond to specific needs in various markets around the world. Honda will also continue its efforts to conduct research on experimental technologies for the future.

2. Production Efficiency

Honda will establish and enhance efficient and flexible production systems at its global production bases and supply high-quality products, with the aim of meeting the needs of its customers in each region.

3. Sales Efficiency

Honda will remain proactive in its efforts to expand product lines through the innovative use of IT and will show its continued commitment to different customers throughout the world by upgrading its sales and service structure.

4. Product Quality

In response to increasing customer demand, Honda will upgrade its quality control by enhancing the functions of and coordination among the development, purchasing, production, sales and service departments.

5. Safety Technologies

Honda is working to develop safety technologies that enhance accident prediction and prevention, technologies to help reduce the risk of injuries to passengers and pedestrians from car accidents, and technologies that enhance compatibility between large and small vehicles, as well as expand its lineup of products incorporating such technologies. Honda will reinforce and continue to advance its contribution to traffic safety in motorized societies in Japan and abroad. Honda also intends to remain active in a variety of traffic safety programs, including advanced driving and motorcycling training programs provided by local dealerships.

6. The Environment

Honda will step up its efforts to create better, cleaner and more fuel-efficient engine technologies and to further improve recyclables throughout its product lines. Honda will also work to advance fuel cell technology and steadily promote its new solar cell business. In addition, Honda will further its efforts to minimize its environmental impact. To this end, Honda sets global targets to reduce the environmental burden as measured by the Life Cycle Assessment,* in all areas of business, spanning production, logistics and sales.

* Life Cycle Assessment: A comprehensive system for quantifying the impact Honda's products have on the environment at the different stages in their life cycles, from material procurement and energy consumption to waste disposal.

7. Continuing to Enhance Honda's Social Reputation and Communication with the Community

In addition to continuing to provide products incorporating Honda's advanced safety and environmental technologies, Honda will continue striving to enhance its social reputation by, among other things, strengthening its corporate governance, compliance and risk management as well as participating in community activities and making philanthropic contributions.

To this end, Honda will focus its limited Company resources on necessary areas and undertake the following challenges for the purpose of improving business results.

- Creation of fuel-efficient products that reduce our environmental footprint
- Further advancement of our motorcycle business
- Advancement of our global production system and capabilities

Through these Company-wide activities, Honda will strive to become a company whose presence is welcomed by our shareholders, customers and society.

Risks Relating to Honda's Industry

1. *Honda may be adversely affected by market conditions*

Honda conducts its operations in Japan and throughout the world, including North America, Europe and Asia. A sustained loss of consumer confidence in these markets, which may be caused by continued economic slowdown, recession, changes in consumer preferences, rising fuel prices, financial crisis or other factors, could trigger a decline in demand for automobiles, motorcycles and power products that may adversely affect Honda's results of operations.

2. *Prices for automobiles, motorcycles and power products can be volatile*

Prices for automobiles, motorcycles and power products in certain markets may experience sharp changes over short periods of time. This volatility is

caused by many factors, including fierce competition, which is increasing; short-term fluctuations in demand from underlying economic conditions; changes in tariffs, import regulations and other taxes; shortages of certain supplies; high material prices; and sales incentives by Honda or other manufacturers or dealers. There can be no assurance that such price volatility will not continue or intensify or that price volatility will not occur in markets that to date have not experienced such volatility. Overcapacity within the industry has increased and will likely continue to increase if the economic downturn continues in Honda's major markets or worldwide, leading, potentially, to further increased price pressure. Price volatility in any or all of Honda's markets could adversely affect Honda's results of operations in a particular period.

Risks Relating to Honda's Business Generally

Currency and Interest Rate Risks

1. *Honda's operations are subject to currency fluctuations*

Honda has manufacturing operations throughout the world, including Japan, and exports products and components to various countries. Honda purchases materials and sells its products in foreign currencies. Therefore, currency fluctuations may affect Honda's pricing of products sold and materials purchased. Accordingly, currency fluctuations have an effect on Honda's results of operations and financial condition, as well as Honda's competitiveness, which will over time affect its results. Since Honda exports many products and components from Japan and generates a substantial portion of its revenues in currencies other than the Japanese yen, Honda's results of operations would be adversely affected by an appreciation of the Japanese yen against other currencies, in particular the U.S. dollar.

2. *Honda's hedging of currency and interest rate risk exposes Honda to other risks*

Although it is impossible to hedge against all currency or interest rate risk, Honda uses derivative financial instruments in order to reduce the substantial effects of currency fluctuations and interest rate exposure on our cash flow and financial condition. These instruments include foreign currency forward contracts, currency swap agreements and currency option contracts, as well as interest rate swap agreements. Honda has entered into, and expects to continue to enter into, such hedging arrangements. As with all hedging instruments, there are risks associated with the use of such instruments. While limiting to some degree our risk fluctuations in currency exchange and interest rates by utilizing such hedging instruments, Honda potentially forgoes benefits that might result from other fluctuations in currency exchange and interest rates. Honda is also exposed to the risk that its counterparties to hedging contracts will default on their obligations. Honda manages exposure to counterparty credit risk by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. However, any default by such counterparties might have an adverse effect on Honda.

Legal and Regulatory Risks

1. *The automobile, motorcycle and power product industries are subject to extensive environmental and other governmental regulations, including with respect to global climate changes*

Regulations regarding vehicle emission levels, fuel economy, noise, safety and hazardous substances, as well as levels of pollutants from production plants, are extensive within the automobile, motorcycle and power product industries. These regulations are subject to change, and are often made more restrictive, particularly in recent years, due to an increasing concern with respect to possible global climate changes. The costs to comply with these regulations can be significant to Honda's operations.

2. *Honda is reliant on the protection and preservation of its intellectual property*

Honda owns or otherwise has rights in a number of patents and trademarks relating to the products it manufactures, which have been obtained over a period of years. These patents and trademarks have been of value in the growth of Honda's business and may continue to be of value in the future. Honda does not regard any of its businesses as being dependent upon any single patent or related group of patents. However, an inability to protect this intellectual property generally, or the illegal breach of some or a large group of Honda's intellectual property rights, would have an adverse effect on Honda's operations.

3. *Honda is subject to legal proceedings*

Honda is subject to a number of suits, investigations and/or proceedings under relevant laws and regulations of various jurisdictions. A negative outcome in one or more of these pending legal proceedings could adversely affect Honda's business, financial condition or results of operations.

Risk Factors

Risks Relating to Honda's Operations

1. *Honda's financial services business conducts business under highly competitive conditions in an industry with inherent risks*

Honda's financial services business offers various financing plans designed to increase the opportunity for sales of its products and to generate financing income. However, customers can also obtain financing for the lease or purchase of Honda's products through a variety of other sources that compete with our financing services, including commercial banks and finance and leasing companies. The financial services offered by us also involve credit risk as well as risks relating to lease residual values, cost of capital and access to funding. Competition for customers and/or these risks may affect Honda's results of operations in the future.

2. *Honda relies on various suppliers for the provision of certain raw material and components*

Honda purchases raw materials, and certain components and parts, from numerous external suppliers, and relies on some key suppliers for some items and the raw materials for manufacturing of its products. Honda's ability to continue to obtain these supplies in an efficient and cost-effective manner is subject to a number of factors, some of which are not within Honda's control. These factors include the ability of its suppliers to provide a continued source of supply and Honda's ability to compete with other users in obtaining the supplies. Loss of a key supplier in particular may affect our production and increase our costs.

3. *Honda conducts its operations in various regions of the world*

Honda conducts its businesses worldwide, and in several countries, Honda conducts businesses through joint ventures with local entities, in part due to the legal and other requirements of those countries. These businesses are subject to various regulations, including the legal and other requirements of each country. If these regulations or the business conditions or policies of these local entities change, it may have an adverse effect on Honda's business, financial condition or results of operations.

4. *Honda may be adversely affected by wars, use of force by foreign countries, terrorism, multinational conflicts, natural disasters, epidemics and labor strikes*

Honda conducts its businesses worldwide, and its operations may variously be subject to wars, use of force by foreign countries, terrorism, multinational conflicts, natural disasters, epidemics, labor strikes and other events beyond our control that may delay or disrupt Honda's local operations in the affected regions, including the purchase of raw materials and parts, the manufacture, sales and distribution of products and the provision of services. Delays or disruptions in one region may in turn affect our global operations. If such delay or disruption occurs and continues for a long period of time, Honda's business, financial condition or results of operations may be adversely affected.

5. *Honda may be adversely affected by inadvertent disclosure of confidential information*

Although Honda maintains internal controls through established procedures to keep confidential information, including personal information of its customers and relating parties, such information may be inadvertently disclosed. If this occurs, Honda may be subject to, and may be adversely affected by, claims for damages from the customers or parties affected. Also, inadvertent disclosure of confidential business or technical information to third parties may result in a loss of Honda's competitiveness.

6. *Risk related to pension and other postretirement benefits*

Honda has pension plans and provides other post-retirement benefits. The amounts of pension benefits, lump-sum payments and other post-retirement benefits 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. Benefit obligations and pension costs are based on assumptions of many factors, including the discount rate, the rate of salary increase and the expected long-term rate of return on plan assets. Differences in actual expenses and costs or changes in assumptions could affect Honda's pension costs and benefit obligations, including Honda's cash requirements to fund such obligations, which could materially affect our financial condition and results of operations.

7. *As a holder of ADSs, you will have fewer rights than a shareholder has and you will have to act through the depositary to exercise those rights*

The rights of shareholders under Japanese law to take various actions, including exercising voting rights inherent to their shares, receiving dividends and distributions, bringing derivative actions, examining a company's accounting books and records, and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the Shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited Shares. The depositary will make efforts to vote the Shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights through the depositary.

8. *Rights of shareholders under Japanese law may be more limited than under the law of other jurisdictions*

Our Articles of Incorporation, Regulations of the Board of Directors, Regulations of the Board of Corporate Auditors and the Japanese Company Law govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties, and shareholders' rights may be different from those that would apply if we were a U.S. company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a U.S. corporation. In addition, Japanese courts may not be willing to enforce liabilities against us in actions brought in Japan that are based upon the securities laws of the United States or any U.S. state.

9. *Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of our Common Stock at a particular price on any particular trading day, or at all*

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

Corporate Governance

Companies listed on the New York Stock Exchange (the “NYSE”) must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual.

However, listed companies that are foreign private issuers, such as Honda, are permitted to follow home-country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Honda.

Corporate Governance Practices Followed by NYSE-Listed U.S. Companies	Corporate Governance Practices Followed by Honda
An NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.	For Japanese companies that employ a corporate governance system based on a board of corporate auditors (the “board of corporate auditors system”), including Honda, Japan’s Company Law has no independence requirement with respect to directors. The task of overseeing management and, together with the accounting audit firm, accounting is assigned to the corporate auditors, who are separate from the company’s management and meet certain independence requirements under Japan’s Company Law. In the case of Japanese companies that employ the board of corporate auditors system, including Honda, at least half of the corporate auditors must be “outside” corporate auditors who must meet additional independence requirements under Japan’s Company Law. An outside corporate auditor is defined as a corporate auditor who has not served as a director, accounting councilor, executive officer, manager, or any other employee of the company or any of its subsidiaries. Currently, Honda has three outside corporate auditors which constitute 60% of Honda’s five corporate auditors.
An NYSE-listed U.S. company must have an audit committee composed entirely of independent directors, and the audit committee must have at least three members.	Like a majority of Japanese listed companies, Honda employs the board of corporate auditors system as described above. Under this system, the board of corporate auditors is a legally separate and independent body from the board of directors. The main function of the board of corporate auditors is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company: to monitor the performance of the directors, and review and express an opinion on the method of auditing by the company’s accounting audit firm and on such accounting audit firm’s audit reports, for the protection of the company’s shareholders. Japanese companies that employ the board of corporate auditors system, including Honda, are required to have at least three corporate auditors. Currently, Honda has five corporate auditors. Each corporate auditor has a four-year term. In contrast, the term of each director of Honda is one year. With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Honda relies on an exemption under that rule which is available to foreign private issuers with boards of corporate auditors meeting certain criteria.
An NYSE-listed U.S. company must have a nominating/corporate governance committee composed entirely of independent directors.	Honda’s directors are elected at a meeting of shareholders. Its Board of Directors does not have the power to fill vacancies thereon. Honda’s corporate auditors are also elected at a meeting of shareholders. A proposal by Honda’s Board of Directors to elect a corporate auditor must be approved by a resolution of its Board of Corporate Auditors. The Board of Corporate Auditors is empowered to request that Honda’s directors submit a proposal for election of a corporate auditor to a meeting of shareholders. The corporate auditors have the right to state their opinion concerning election of a corporate auditor at the meeting of shareholders.
An NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors.	Maximum total amounts of compensation for Honda’s directors and corporate auditors are proposed to, and voted on, by a meeting of shareholders. Once the proposals for such maximum total amounts of compensation are approved at the meeting of shareholders, each of the Board of Directors and Board of Corporate Auditors determines the compensation amount for each member within the respective maximum total amounts.
An NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.	Currently, Honda does not adopt stock option compensation plans. If Honda were to adopt such a plan, Honda must obtain shareholder approval for stock options only if the stock options are issued with specifically favorable conditions or price concerning the issuance and exercise of the stock options.

Board of Directors, Corporate Auditors and Operating Officers



Front row:

President and
Representative Director

Takanobu Ito

Executive Vice President and
Representative Director

Koichi Kondo

Back row:

Senior Managing Director

Tetsuo Iwamura

Senior Managing Director

Shigeru Takagi

Senior Managing Director

Akio Hamada

Senior Managing Director

Tatsuhiro Oyama

Directors

President and Representative Director	Takanobu Ito	
Executive Vice President and Representative Director	Koichi Kondo	Compliance Officer Government & Industrial Affairs
Senior Managing Director	Shigeru Takagi	Chief Operating Officer for Regional Operations (Europe, the Middle & Near East and Africa) President and Director of Honda Motor Europe Limited
Senior Managing Director	Akio Hamada	Chief Operating Officer for Production Operations Risk Management Officer General Supervisor, Quality General Supervisor, Information Systems
Senior Managing Director	Tetsuo Iwamura	Chief Operating Officer for Regional Operations (North America) President and Director of Honda North America, Inc. President and Director of American Honda Motor Co., Inc.
Senior Managing Director	Tatsuhiro Oyama	Chief Operating Officer for Motorcycle Operations Chief Officer of Driving Safety Promotion Center
Managing Director	Fumihiko Ike	Chief Operating Officer for Regional Operations (Asia & Oceania) President and Director of Asian Honda Motor Co., Ltd.
Managing Director	Masaya Yamashita	Chief Operating Officer for Purchasing Operations
Managing Director	Tomohiko Kawanabe	President and Director of Honda R&D Co., Ltd.
Director	Kensaku Hogen	
Director	Nobuo Kuroyanagi	
Director and Advisor	Takeo Fukui	
Director	Hiroshi Kobayashi	Chief Operating Officer for Regional Sales Operations (Japan)
Director	Sho Minekawa	Chief Operating Officer for Regional Operations (Latin America) President and Director of Honda South America Ltda. President and Director of Moto Honda da Amazonia Ltda. President and Director of Honda Automoveis do Brasil Ltda.
Director	Takuji Yamada	Chief Operating Officer for Power Product Operations
Director	Yoichi Hojo	Chief Operating Officer for Business Management Operations
Director	Tsuneo Tanai	Chief Operating Officer for Automobile Operations
Director	Masahiro Yoshida	Chief Operating Officer for Business Support Operations
Director	Seiji Kuraishi	Chief Operating Officer for Regional Operations (China) President of Honda Motor (China) Investment Corporation, Limited
Director	Hiroyuki Yamada	Chief Operating Officer for Customer Service Operations

Note: Mr. Kensaku Hogen and Mr. Nobuo Kuroyanagi satisfy the required conditions for the outside director provided for in Article 2, Paragraph 1, Item 15 of the Company Law.

Corporate Auditors

Corporate Auditor (Full-time)	Toru Onda	
Corporate Auditor (Full-time)	Hideki Okada	
Corporate Auditor	Koukei Higuchi	Advisor of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Corporate Auditor	Fumihiko Saito	Representative of the Saito Law Office
Corporate Auditor	Yuji Matsuda	President and Director of Mitsubishi UFJ Trust Investment Technology Institute Co., Ltd.

Note: Corporate Auditors Mr. Koukei Higuchi, Mr. Fumihiko Saito and Mr. Yuji Matsuda are outside corporate auditors as provided for in Article 2, Paragraph 1, Item 16 of the Company Law.

Board of Directors, Corporate Auditors and Operating Officers

Operating Officers

Managing Officer	Suguru Kanazawa	Executive Vice President and Director of Honda Motor Europe Limited President and Director of Honda of the U.K. Manufacturing Ltd.
Managing Officer	Hideobu Iwata	President and Director of Honda of America Mfg., Inc.
Managing Officer	Manabu Nishimae	CIS countries, the Middle & Near East and Africa for Regional Operations (Europe, the Middle & Near East and Africa)
Managing Officer	Koichi Fukuo	Quality, Certification & Regulation Compliance
Operating Officer	Masahiro Takedagawa	President and Director of Honda Canada Inc.
Operating Officer	Yoshiyuki Matsumoto	General Manager of Suzuka Factory of Production Operations
Operating Officer	Eiji Okawara	President and Director of Honda Engineering Co., Ltd.
Operating Officer	Ko Katayama	General Manager of Saitama Factory of Production Operations
Operating Officer	Takashi Nagai	President and Director of Honda S&A Cars India Limited President and Director of Honda Motor India Private Ltd.
Operating Officer	Katsushi Watanabe	General Manager of Kumamoto Factory of Production Operations
Operating Officer	Toshiaki Mikoshiba	President and Director of Honda Motor RUS LLC
Operating Officer	Yoshi Yamane	Production Operations Production for Regional Operations (China)
Operating Officer	Takashi Sekiguchi	Executive Vice President and Director of American Honda Motor Co., Inc.
Operating Officer	Takahiro Hachigo	General Manager of Automobile Purchasing Division 2 in Purchasing Operations
Operating Officer	Hiroshi Sasamoto	Manufacturing of Honda Canada Inc.
Operating Officer	Chitoshi Yokota	Automobile Products for Automobile Operations
Operating Officer	Michimasa Fujino	President and Director of Honda Aircraft Company, Inc.

Note: The Company has introduced an operating officer system to strengthen operations in regions and local workplaces, and implement quick and appropriate decisions.

Financial Section

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Financial Review

Operating and Financial Review

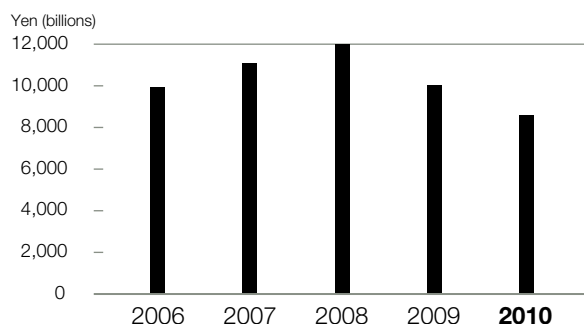
Net Sales and Other Operating Revenue

Honda's consolidated net sales and other operating revenue (hereafter, "net sales") for the fiscal year ended March 31, 2010, decreased ¥1,432.0 billion, or 14.3%, to ¥8,579.1 billion from the fiscal year ended March 31, 2009, due mainly to negative foreign currency translation effects and decreased net sales in automobile business. Honda estimates that, by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, net sales for the year would have decreased by approximately ¥746.7 billion, or 7.5%, compared to the decrease as reported of ¥1,432.0 billion, which includes negative foreign currency translation effects.

Net sales in Japan increased ¥130.7 billion, or 9.0%, to ¥1,577.3 billion from the previous fiscal year and overseas net sales decreased ¥1,562.8 billion, or 18.2%, to ¥7,001.8 billion from the previous fiscal year.

Net Sales and Other Operating Revenue

Years ended March 31



Operating Costs and Expenses

Operating costs and expenses decreased ¥1,606.1 billion, or 16.4%, to ¥8,215.3 billion from the previous fiscal year. Cost of sales decreased ¥1,004.8 billion, or 13.5%, to ¥6,414.7 billion from the previous fiscal year, due mainly to a decrease in costs attributable to the decreased net sales, positive foreign currency effects and continuing cost reduction. Selling, general and administrative expenses decreased ¥501.4 billion, or 27.3%, to ¥1,337.3 billion from the previous fiscal year, due mainly to positive foreign currency effects, a decrease in provisions for credit losses and losses on lease residual values in financial services business and the impact of expenses in the previous year which related to withdrawal from some racing activities and cancellations of development of new models. R&D expenses decreased by ¥99.8 billion, or 17.7%, to ¥463.3 billion from the previous fiscal year, due mainly to improving development efficiency, while improving safety and environmental technologies and enhancing of the attractiveness of the products.

Operating Income

Operating income increased ¥174.1 billion, or 91.8%, to ¥363.7 billion from the previous fiscal year, due mainly to decreased selling,

general and administrative expenses and R&D expenses and continuing cost reduction, which was partially offset by a decrease in income attributable to the decreased net sales, negative foreign currency effects and an increase in fixed costs per unit as a result of reduced production. Excluding negative foreign currency effects of ¥167.5 billion, Honda estimates operating income increased ¥341.7 billion.

With respect to the discussion above of the changes, management identified the factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. "Foreign currency effects" consist of "translation adjustments", which come from the translation of the currency of foreign subsidiaries' financial statements into Japanese yen, and "foreign currency adjustments", which result from foreign-currency-denominated sales. With respect to "foreign currency adjustments", management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Canadian dollar, Euro, British pound, Brazilian real and Japanese yen, at the level of the Company and its material consolidated subsidiaries.

Income before Income Taxes and Equity in Income of Affiliates

Income before income taxes and equity in income of affiliates increased ¥174.4 billion, or 107.9%, to ¥336.1 billion. Main factors of this increase except factors relating operating income are as follows:

Unrealized gains and losses related to derivative instruments had a positive impact of ¥22.2 billion. Other income (expenses) excluding unrealized gains and losses related to derivative instruments had a negative impact of ¥21.9 billion, due mainly to a decrease in foreign currency transaction gains, which was partially offset by a decrease of impairment losses on investment securities.

Income Tax Expense

Income tax expense increased ¥37.0 billion, or 33.7%, to ¥146.8 billion from the previous fiscal year. The effective tax rate decreased 24.2 percentage points to 43.7% from the previous fiscal year. The decrease in the effective tax rate was due to (1) a decrease in tax expenses of ¥21.2 billion related to the dividend and royalty income from foreign subsidiaries and affiliates, net of foreign tax credit, because the Company did not utilize indirect foreign tax credit in the prior fiscal year due to lower taxable income and (2) a decrease in the valuation allowance of ¥7.0 billion recorded during the fiscal year ended March 31, 2010.

Equity in Income of Affiliates

Equity in income of affiliates decreased ¥5.7 billion, or 5.8%, to ¥93.2 billion, due mainly to an increase in expenses and tax expense at affiliates in certain countries in Asia, which was partially offset by a decrease in expenses at certain affiliates in Japan.

Net Income

Net income increased ¥131.6 billion, or 87.2%, to ¥282.6 billion from the previous fiscal year.

Net Income Attributable to Noncontrolling Interests

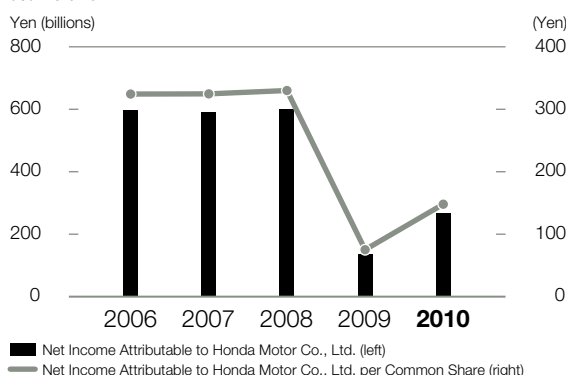
Net income attributable to noncontrolling interests increased ¥0.2 billion, or 2.0%, to ¥14.2 billion from the previous fiscal year.

Net Income Attributable to Honda Motor Co., Ltd.

Net income attributable to Honda Motor Co., Ltd. increased ¥131.3 billion, or 95.9%, to ¥268.4 billion from the previous fiscal year.

Net Income Attributable to Honda Motor Co., Ltd. and Net Income Attributable to Honda Motor Co., Ltd. per Common Share

Years ended March 31



Business Segments

Motorcycle Business

Honda's unit sales of motorcycles, all-terrain vehicles (ATVs) and personal watercraft (PWC) totaled 9,639 thousand units, decreased by 4.7% from the previous fiscal year. Unit sales in Japan totaled 190 thousand units, decreased by 18.1%. Overseas unit sales totaled 9,449 thousand units, decreased by 4.4%, due mainly to a decrease in unit sales in Other Regions, including South America, and North America, which was partially offset by an increase in unit sales in Asia.

Revenue from external customers decreased ¥271.2 billion, or 19.2%, to ¥1,140.2 billion from the previous fiscal year, due mainly to decreased unit sales and the negative foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, net sales for the year would have decreased by approximately ¥141.2 billion, or 10.0%, compared to the decrease as reported of ¥271.2 billion, which includes negative foreign currency translation effects.

Operating costs and expenses decreased ¥230.1 billion, or 17.5%, to ¥1,081.4 billion from the previous fiscal year. Cost of sales decreased by ¥149.1 billion, or 15.3%, to ¥826.7 billion, due mainly to a decrease in costs attributable to the decreased net sales and

the positive foreign currency effects. Selling, general and administrative expenses decreased by ¥60.2 billion, or 24.1%, to ¥189.9 billion. R&D expenses decreased by ¥20.7 billion, or 24.3%, to ¥64.7 billion, from ¥85.5 billion.

Operating income decreased ¥41.0 billion, or 41.1%, to ¥58.8 billion from the previous fiscal year, due mainly to a decrease in income attributable to the decreased net sales and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses and R&D expenses.

Automobile Business

Honda's unit sales of automobiles totaled 3,392 thousand units, decreased by 3.6% from the previous fiscal year. Unit sales in Japan totaled 646 thousand units, increased by 16.2%. Overseas unit sales totaled 2,746 thousand units, decreased by 7.3%, due mainly to a decrease in unit sales in North America and Europe, which was partially offset by an increase in unit sales in Asia.

Revenue from external customers decreased ¥1,119.5 billion, or 14.6%, to ¥6,554.8 billion from the previous fiscal year, due mainly to decreased unit sales and the negative foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, net sales for the year would have decreased by approximately ¥625.1 billion, or 8.1%, compared to the decrease as reported of ¥1,119.5 billion, which includes negative foreign currency translation effects.

Operating costs and expenses decreased ¥1,221.7 billion, or 16.0%, to ¥6,428.0 billion from the previous fiscal year. Cost of sales decreased by ¥790.4 billion, or 13.5%, to ¥5,066.5 billion, due mainly to a decrease in costs attributable to the decreased net sales, the positive foreign currency effects and continuing cost reduction. Selling, general and administrative expenses decreased by ¥354.9 billion, or 26.3%, to ¥992.1 billion, due mainly to the impact of expenses in the previous year which related to withdrawal from some racing activities and cancellations of development of new models and the positive foreign currency effects. R&D expenses decreased by ¥76.3 billion, or 17.1%, to ¥369.3 billion, from ¥445.7 billion, due mainly to improving development efficiency, while improving safety and environmental technologies and enhancing of the attractiveness of the products.

Operating income increased ¥102.2 billion, or 416.5%, to ¥126.7 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses and R&D expenses and continuing cost reduction, which was partially offset by a decrease in income attributable to the decreased net sales and negative foreign currency effects.

Power Product and Other Businesses

Honda's unit sales of power products totaled 4,744 thousand units, decreased by 8.5% from the previous fiscal year. Unit sales in Japan totaled 322 thousand units, decreased by 37.6%. Overseas unit sales totaled 4,422 thousand units, decreased by 5.3%, due mainly to decreased unit sales in Europe and North America, which was partially offset by increased unit sales in Asia.

Revenue from external customers decreased ¥65.3 billion, or 19.1%, to ¥277.6 billion from the previous fiscal year, due mainly to the decreased unit sales of power products and negative foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, net sales for the year would have decreased by approximately ¥52.2 billion, or 15.2%, compared to the decrease as reported of ¥65.3 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales decreased ¥64.2 billion, or 17.4%, to ¥304.6 billion from the previous fiscal year.

Operating costs and expenses decreased ¥63.0 billion, or 16.4%, to ¥321.3 billion from the previous fiscal year. Cost of sales decreased by ¥46.1 billion, or 16.2%, to ¥239.3 billion, due mainly to a decrease in costs attributable to the decreased net sales. Selling, general and administrative expenses decreased by ¥14.1 billion, or 21.2%, to ¥52.7 billion. R&D expenses decreased by ¥2.7 billion, or 8.6%, to ¥29.2 billion, from ¥31.9 billion.

Operating loss increased ¥1.2 billion, to ¥16.7 billion from the previous fiscal year, due mainly to a decrease in income attributable to the decreased net sales, which was partially offset by decreased selling, general and administrative expenses and R&D expenses.

Financial Services Business

To support the sale of its products, Honda provides retail lending and leasing to customers and wholesale financing to dealers through our finance subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany, Brazil, Thailand and other countries.

Total amount of finance subsidiaries—receivables and property on operating leases of finance subsidiaries decreased by ¥90.4 billion, or 1.9%, to ¥4,769.6 billion from the previous fiscal year. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, total amount of finance subsidiaries—receivables and property on operating leases of finance subsidiaries as of the end of the year would have increased by approximately ¥5.9 billion, or 0.1%, compared to the decrease as reported of ¥90.4 billion, which includes negative foreign currency translation effects.

Revenue from external customers in a financial services business increased ¥24.0 billion, or 4.1%, to ¥606.3 billion from the previous fiscal year. Honda estimates that, by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, revenue for the year would have increased by approximately ¥71.9 billion, or 12.4%, compared to the increase as reported of ¥24.0 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales increased ¥22.2 billion, or 3.7%, to ¥618.8 billion from the previous fiscal year.

Operating costs and expenses decreased ¥91.9 billion, or 17.8%, to ¥423.9 billion from the previous fiscal year. Cost of sales decreased ¥19.7 billion, or 5.8%, to ¥321.4 billion from the previous fiscal year, due mainly to a decrease in funding costs. Selling, general and administrative expenses decreased ¥72.1 billion, or 41.3%, to

¥102.4 billion from the previous fiscal year, due mainly to a decrease in provisions for credit losses and losses on lease residual values.

Operating income increased ¥114.2 billion, or 141.6%, to ¥194.9 billion from the previous fiscal year, due mainly to a decrease in provisions for credit losses and losses on lease residual values and a decrease in funding costs.

Our finance subsidiaries in North America have historically accounted for all leases as direct financing leases. However, starting in the fiscal year ended March 31, 2007, some of the leases which do not qualify for direct financing leases accounting treatment are accounted for as operating leases. Generally, direct financing lease revenues and interest income consist of the recognition of finance lease revenue at inception of the lease arrangement and subsequent recognition of the interest income component of total lease payments using the effective interest method. In comparison, operating lease revenues include the recognition of the gross lease payment amounts on a straight-line basis over the term of the lease arrangement, and operating lease vehicles are depreciated to their estimated residual value on a straight-line basis over the term of the lease. It is not anticipated that the differences in accounting for operating leases and direct financing leases will have a material net impact on Honda's results of operations overall, however, operating lease revenues and associated depreciation of leased assets do result in differing presentation and timing compared to those of direct financing leases.

Geographical Information

Japan

In Japan, revenue from domestic and export sales decreased ¥856.8 billion, or 20.6%, to ¥3,305.7 billion from the previous fiscal year, due mainly to a decrease in export sales in automobile business. The operating loss decreased ¥132.4 billion, to ¥29.1 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses and R&D expenses and continuing cost reductions, which was partially offset by a decrease in income attributable to the decreased revenue and negative foreign currency effects.

North America

In North America, which mainly consists of the United States, revenue decreased ¥870.9 billion, or 18.2%, to ¥3,908.2 billion from the previous fiscal year, due mainly to a decrease in revenue in automobile business and negative foreign currency translation effects. Operating income increased ¥156.6 billion, or 196.6%, to ¥236.3 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses, including a decrease in provisions for credit losses and losses on lease residual values and continuing cost reductions, which was partially offset by a decrease in income attributable to the decreased revenue and an increase in fixed costs per unit as a result of reduced production.

Europe

In Europe, revenue decreased ¥453.4 billion, or 35.5%, to ¥825.4 billion from the previous fiscal year, due mainly to a decrease in revenue in the automobile business and negative foreign currency translation effects. Operating loss was ¥10.8 billion, a decrease of ¥21.0 billion of operating income from the previous fiscal year, due mainly to a decrease in income attributable to the decreased revenue and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses.

Asia

In Asia, revenue decreased ¥89.6 billion, or 5.6%, to ¥1,518.5 billion from the previous fiscal year, due mainly to negative foreign currency translation effects, which was partially offset by an increase in revenue in motorcycle business. Operating income increased ¥9.4 billion, or 9.1%, to ¥113.0 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses and an increase in income attributable to the increased revenue, which was partially offset by negative foreign currency effects.

Other Regions

In Other Regions, revenue decreased ¥247.7 billion, or 21.7%, to ¥896.4 billion from the previous fiscal year, due mainly to a decrease in negative foreign currency translation effects and a decrease in revenue in motorcycle and automobile businesses. Operating income decreased ¥89.2 billion, or 66.1%, to ¥45.8 billion from the previous fiscal year, due mainly to a decrease in income attributable to a decrease in revenue and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses.

Research and Development

Honda and its consolidated subsidiaries use the most advanced technologies to conduct R&D activities aimed at creating distinctive products that are internationally competitive. The Group's main R&D divisions operate independently as subsidiaries, allowing technicians to pursue their tasks with significant freedom. Product-related R&D is spearheaded by Honda R&D Co., Ltd.; Honda R&D Americas, Inc. in the United States; and Honda R&D Europe (Deutschland) GmbH in Germany. R&D on production technologies centers around Honda Engineering Co., Ltd. in Japan and Honda Engineering North America, Inc. All of these entities work in close association with our other entities and businesses in their respective regions.

Total consolidated R&D expenses for the year ended March 31, 2010 amounted to ¥463.3 billion. Total consolidated R&D expenses for the year ended March 31, 2009 amounted to ¥563.1 billion.

Motorcycle Business

In the motorcycle business, Honda is committed to developing products with new value-added features that meet the needs of

customers around the world and to implementing the timely local development of products suited to specific regions at its overseas locations. Along with these activities, we are focusing on developing technologies that address safety and environmental issues.

Major developments in Japan in fiscal 2010 included the development of the world's first dual clutch transmission that converts a multispeed motorcycle transmission to fully automatic operation and gives both sportier riding performance and better fuel economy. In addition, in Japan and North America, by separating the swinger arm and final gear and adopting the Honda original floating final gear, which is the first of its kind in the world, we were able to launch the *VT1300CX* large cruiser model motorcycle (sold under the name *Fury* in North America). This new model takes the combination of stable driving performance and a beautiful design to new heights. Also, in Japan as well as North America, Europe, Oceania, and elsewhere, we launched the *VFR1200F* large sports tourer motorcycle incorporating a throttle-by-wire system, which is optimal for a wide range of driving scenes, equipped for the first time on Honda motorcycles with a newly developed, fully electronically operated throttle valve. In addition, in Japan and Thailand, we introduced the 125cc class *PCX* scooter, which is the first of its kind in the world to incorporate an ACG starter that offers a quieter engine start-up. The *PCX* scooter is also the first domestic scooter in its class to have an idling stop system that automatically cuts off the engine temporarily when stopping at traffic signals and in other situations. Additionally, in Thailand, we developed a new-type CV-matic automatic transmission, which can be combined with Cub-type engines, and installed it on the newly launched *WAVE 100iAT* Cub-type bike.

R&D expenses in this segment in fiscal 2010 were ¥64.7 billion. R&D expenses in this segment in fiscal 2009 were ¥85.5 billion, which reflects a correction from the amount previously disclosed. No revisions have been made to the prior year's consolidated financial statements or to the notes thereto.

Automobile Business

In the Automobile Business segment, we have substantially strengthened our drive to develop innovative and creative technologies as well as offer products with new value-added that exceed the expectations of our customers. We are also actively developing technologies that provide advanced safety performance and address environmental issues.

Major achievements in Japan during fiscal 2010 included a full model change on the *STEPWGN*. The new model lineup provides the largest possible interior space in the 2,000cc-or-lower five series number plate as well as greatly improved flexibility through the inclusion of a space for folding and storing the third row of seats under the floor, the first time for this feature to be made available on this vehicle class. The *STEPWGN* also delivers the top fuel economy performance in its class. We also made a full model change in the *ACTY* truck, improving its turning ratio and cornering performance. The new *ACTY* model features a bigger cabin, is easier to mount and

dismount, and gives a more comfortable ride. We have also expanded the use of galvanized sheet iron in the new *ACTY*'s design to improve the vehicle's resistance to corrosion. Also, we introduced a new sports-type hybrid car, the *CR-Z*, which combines the fun of driving with top-class fuel economy. The *CR-Z* is the first hybrid car in the world to offer a six-speed manual transmission, and it combines Honda's 1.5-liter *i-VTEC* engine with Honda's original integrated motor assist (IMA) hybrid system. The *CR-Z* offers a three-mode driving system to suit driver preferences and meet the needs of a broad range of driving scenes and styles. Moreover, in North America, we newly launched the *Accord Crosstour*, which combines excellent fuel economy through incorporation of variable cylinder management and a high degree of utility in use. We also introduced the *Acura ZDX*, which offers both our newly developed, six-speed automatic transmission for a powerful ride and top-class fuel economy.

R&D expenses in this segment in fiscal 2010 were ¥369.3 billion. R&D expenses in this segment in fiscal 2009 were ¥445.7 billion, which reflects a correction from the amount previously disclosed. No revisions have been made to the prior year's consolidated financial statements or to the notes thereto.

Power Product and Other Businesses

In the Power Product Business, we are working to develop products that contribute to customers' lifestyles, while strengthening our lineup of offerings that address environmental issues.

Principal developments in this segment in Japan included the announcement of our *ENEPO EU9iGB* electric generators, which are powered by household LPG butane gas canisters. This fuel input method makes it easier for users to purchase fuel and use these generators as well as store the generator units for long periods without being concerned about fuel clogging. These generators also have large wheels, which make them easier to move, as well as fold-up handles, making them easier to put away and store. Also in Japan, we introduced the *UMR425* backpack-style brush cutter, which retains the ease of use on slopes and in narrow spaces of portable brush cutters but helps to reduce accidents in farming work by allowing the immediate release of the device's belt at the touch of a button. In addition, we implemented the global launch of the *EU26i* handy electric power generator. This generator is based on Honda's original sine-wave inverter technology and supplies electricity comparable in quality and reliability to commercially generated power, but is also light, compact and relatively quiet (This product is sold under the name *EU3000i Handi* in North America and in other areas as the *EU30i*). R&D expenses in this segment in fiscal 2010 were ¥29.2 billion. R&D expenses in this segment in fiscal 2009 were ¥31.9 billion, which reflects a correction from the amount previously disclosed. No revisions have been made to the prior year's consolidated financial statements or to the notes thereto.

Fundamental Research

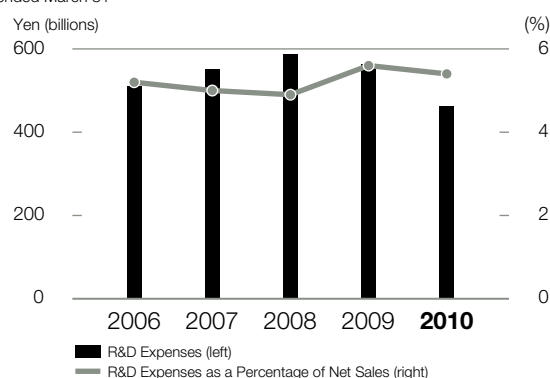
In fundamental research, Honda is pursuing steady and broad-ranging research activities into technologies that may lead to the development of innovative, future products.

Principal fundamental research initiatives include the public announcement of the *U3-X* test-model personal mobility unit. This compact, one-wheel personal mobility device combines the balance control technology developed for Honda's *ASIMO* bipedal humanoid robot with the Honda Omni Traction Drive System, which is the first device of its kind in the world that can move not only back and forth but also right and left as well as at any angle. Looking ahead, we will continue R&D in this area, including the verification of the device in practical situations. In addition, Honda has announced success in synthesizing high-purity metal carbon nanotube compounds through joint research conducted by Honda Research Institute USA, Inc., Purdue University (in Indiana) and the University of Louisville (in Kentucky). This breakthrough is expected to open up new possibilities for the development of high-performance, high-efficiency, compact materials and compound materials that will find application in energy storage, solar batteries, fuel cells, power transmission systems, automobiles, aircraft, and other areas. We are moving ahead with R&D to make commercial use of these carbon nanotube compounds possible.

Expenses incurred in fundamental research are distributed among Honda's business segments.

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

Years ended March 31



Capital Expenditures

Capital expenditures in fiscal 2010 were applied to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

	Fiscal years ended March 31,		
	2009	2010	Increase (Decrease)
		Yen (millions)	
Motorcycle Business	¥ 90,401	¥ 38,332	¥ (52,069)
Automobile Business	490,760	267,257	(223,503)
Financial Services Business	669,178	544,425	(124,753)
Financial Services Business (Excluding Property on Operating Leases)	1,050	398	(652)
Power Product and Other Businesses	16,920	23,748	6,828
Total	¥1,267,259	¥873,762	¥(393,497)
Total (Excluding Property on Operating Leases)	¥ 599,131	¥329,735	¥(269,396)

Note: Intangible assets are not included in the table above.

In the motorcycle business, we made capital expenditures of ¥38,332 million in the fiscal year ended March 31, 2010. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

In the automobile business, we made capital expenditures of ¥267,257 million in the fiscal year ended March 31, 2010. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities. A new engine plant in Ogawa-machi Hiki-gun, Saitama, Japan completed construction of its facilities for the production of engines in September 2009.

In the financial services business segment, capital expenditures excluding property on operating leases amounted to ¥398 million in the fiscal year ended March 31, 2010, while capital expenditures for property on operating leases were ¥544,027 million. Capital expenditures in power products and other businesses in the fiscal year ended March 31, 2010, totaling ¥23,748 million, were deployed to upgrade, streamline and modernize manufacturing facilities for power products, and to improve R&D facilities for power products.

Plans after Fiscal 2010

We set out our original capital expenditure plans for the period from the fiscal year ended March 31, 2010 during the preceding fiscal year. We have subsequently modified these plans as follows:

The planned timing of the start of operation in the latter half of 2009 on the new auto plant of Honda Motor de Argentina S.A., which is one of the Company's consolidated subsidiaries, in Buenos Aires, Argentina has changed to in the first half of 2011. The investment amount is approximately ¥16,000 million.

Managements mainly consider economic trends of each region, demand trends, situation of competitors and our business strategy, such as introduction plans of new models, in determining the future of these projects.

Total capital expenditures for the year amounted to ¥873.7 billion, down ¥393.4 billion from the previous year. Also, total capital expenditures, excluding property on operating leases, for the year amounted to ¥329.7 billion, down ¥269.3 billion from the previous year. Spending by business segment is shown below.

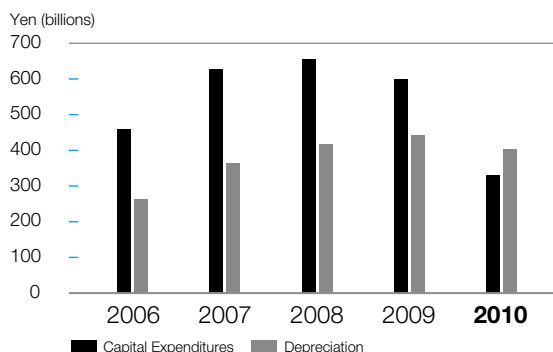
The estimated amounts of capital expenditures for fiscal year ending March 31, 2011 are shown below.

	Fiscal year ending March 31, 2011
	Yen (millions)
Motorcycle Business	¥ 43,900
Automobile Business	324,200
Financial Services Business	500
Power Product and Other Businesses	11,400
Total	¥380,000

Note: The estimated amount of capital expenditures for Financial Services Business in the above table does not include property on operating leases.
Intangible assets are not included in the table above.

Capital Expenditures and Depreciation

Years ended March 31



Liquidity and Capital Resources

Overview of Capital Requirements, Sources and Uses

The policy of Honda is to support its business activities by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet.

Honda's main business is the manufacturing and sale of motorcycles, automobiles and power products. To support this business, it also provides retail financing and automobile leasing services for customers, as well as wholesale financing services for dealers.

Honda requires operating capital mainly to purchase parts and raw materials required for production, as well as to maintain inventory of finished products and cover receivables from dealers and for providing financial services. Honda also requires funds for capital expenditures, mainly to introduce new models, upgrade, rationalize and renew production facilities, as well as to expand and reinforce sales and R&D facilities.

Honda meets its operating capital requirements primarily through cash generated by operations, bank loans and the issuance of corporate bonds. The year-end balance of liabilities associated with the Company and its subsidiaries' funding for non-financial services businesses was ¥410.3 billion as of March 31, 2010. In addition, the Company's finance subsidiaries fund financial programs for customers and dealers primarily from medium-term notes, commercial paper, corporate bonds, bank loans, securitization of finance receivables and intercompany loans. The year-end balance of liabilities associated with these finance subsidiaries' funding for financial services business was ¥4,243.7 billion as of March 31, 2010.

Cash Flows

Consolidated cash and cash equivalents for the year ended March 31, 2010 increased by ¥429.5 billion from March 31, 2009, to ¥1,119.9 billion. The reasons for the increases or decreases for each cash flow activity are as follows:

Net cash provided by operating activities amounted to ¥1,544.2 billion of cash inflows. Cash inflows from operating activities increased by ¥1,160.5 billion compared with the previous fiscal year, due mainly to decreased payments for parts and raw materials primarily due to a decrease in automobile production and decreased payments for operating expenses, which was partially offset by a decrease in cash received from customers, primarily due to lower unit sales in the automobile business.

Net cash used in investing activities amounted to ¥595.7 billion of cash outflows, due mainly to the acquisitions of finance subsidiaries—receivables, the purchase of operating lease assets and capital expenditures, which was partially offset by collections of finance subsidiaries—receivables and proceeds from sales of operating lease assets. Cash outflows from investing activities decreased by ¥537.6 billion compared with the previous fiscal year, due mainly to a decrease in acquisitions of finance subsidiaries—receivables, capital expenditures and purchases of operating lease

assets, which was partially offset by a decrease in collections of finance subsidiaries—receivables and proceeds from sales of finance subsidiaries—receivables.

Net cash used in financing activities amounted to ¥559.2 billion of cash outflows, due mainly to repayments of long-term debt, a decrease in short-term debt and dividends paid, which was partially offset by proceeds from long-term debt. Cash outflows from financing activities increased by ¥1,090.1 billion compared with the previous fiscal year, due mainly to a decrease in short-term debt.

Liquidity

The ¥1,119.9 billion in cash and cash equivalents at the end of the fiscal 2010 year corresponds to approximately 1.6 months of net sales, and Honda believes it has sufficient liquidity for its business operations.

At the same time, Honda is aware of the possibility that various factors, such as recession-induced market contraction and financial and foreign exchange market volatility, may adversely affect liquidity. For this reason, finance subsidiaries that carry total short-term borrowings of ¥1,385.0 billion have committed lines of credit equivalent to ¥859.9 billion that serve as alternative liquidity for the commercial paper issued regularly to replace debt. Honda believes it currently has sufficient credit limits, extended by prominent international banks.

Honda's short- and long-term debt securities are rated by credit rating agencies, such as Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Rating and Investment Information, Inc. The following table shows the ratings of Honda's unsecured debt securities by Moody's, Standard & Poor's and Rating and Investment Information as of March 31, 2010.

	Credit Ratings for	
	Short-term unsecured debt securities	Long-term unsecured debt securities
Moody's Investors Service	P-1	A1
Standard & Poor's Rating Services	A-1	A+
Rating and Investment Information	a-1+	AA

The above ratings are based on information provided by Honda and other information deemed credible by the rating agencies. They are also based on the agencies' assessment of credit risk associated with designated securities issued by Honda. Each rating agency may use different standards for calculating Honda's credit rating, and also makes its own assessment. Ratings can be revised or nullified by agencies at any time. These ratings are not meant to serve as a recommendation for trading in or holding Honda's unsecured debt securities.

Off-Balance Sheet Arrangements

Securitization

For the purpose of accelerating the receipt of cash related to our finance receivables, our finance subsidiaries periodically securitize

and sell pools of these receivables. In these securitizations, our finance subsidiaries sell a portfolio of finance receivables to a special-purpose entity, which is established for the limited purpose of buying and reselling finance receivables. Our finance subsidiaries remain as a servicer of the finance receivables and are paid a servicing fee for our services. The special-purpose entity transfers the receivables to a trust which is newly structured for each securitization or bank conduit, which issues asset-backed securities or commercial paper, respectively, to investors. Our finance subsidiaries retain certain subordinated interests in the sold receivables in the form of subordinated certificates, servicing assets and residual interests in certain cash reserves provided as credit enhancements for investors. Our finance subsidiaries apply significant assumptions regarding prepayments, credit losses and average interest rates in estimating expected cash flows from the trust or bank conduit, which affect the recoverability of our retained interests in the sold finance receivables. We periodically evaluate these assumptions and adjust them, if appropriate, to reflect the performance of the finance receivables.

We have not historically consolidated trusts since these trusts meet the definitions of a qualifying special-purpose entity (QSPE).

The trusts which were structured in North America in the fiscal year ended March 31, 2010 did not meet the conditions to be a QSPE. In addition, we deemed that the total equity investments of these trusts at risk were not sufficient to finance their activities without additional subordinated financial support provided by our finance subsidiaries. Accordingly, we recognized these trusts as VIEs. Furthermore, as the finance subsidiaries retain certain subordinated interests of these trusts and it is expected that we would absorb the majority of the expected losses of these trusts, we have consolidated these trusts.

Guarantee

At March 31, 2010, we guaranteed ¥31.7 billion of employee bank loans for their housing costs. If an employee defaults on his/her loan payments, we are required to perform under the guarantee. The undiscounted maximum amount of our obligation to make future payments in the event of defaults is ¥31.7 billion. As of March 31, 2010, no amount was accrued for any estimated losses under the obligations, as it was probable that the employees would be able to make all scheduled payments.

Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations at March 31, 2010:

At March 31, 2010	Yen (millions)				
	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt	¥3,035,331	¥ 722,296	¥1,496,585	¥730,820	¥ 85,630
Operating leases	117,027	22,556	28,892	17,362	48,217
Purchase commitments ^{*1}	47,436	47,436	—	—	—
Interest payments ^{*2}	337,573	146,794	155,062	33,597	2,120
Contributions to defined benefit pension plans ^{*3}	81,544	81,544	—	—	—
Total	¥3,618,911	¥1,020,626	¥1,680,539	¥781,779	¥135,967

*1 Honda had commitments for purchases of property, plant and equipment at March 31, 2010.

*2 To estimate the schedule of interest payments, the Company utilized the balances and average interest rates of borrowings and debts and derivative instruments as of March 31, 2010.

*3 Since contributions beyond the next fiscal year are not currently determinable, contributions to defined benefit pension plans reflect only contributions expected for the next fiscal year.

If our estimates of unrecognized tax benefits and potential tax benefits are not representative of actual outcomes, our consolidated financial statements could be materially affected in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Since it is difficult to estimate actual payment in the future related to our uncertain tax positions, unrecognized tax benefit totaling ¥109,473 million is not represented in the table above.

At March 31, 2010, we had no material capital lease obligations or long-term liabilities reflected on our balance sheet under U.S. GAAP other than those set forth in the table above.

Application of Critical Accounting Policies

Critical accounting policies are those which require us to apply the most difficult, subjective or complex judgments, often requiring us to make estimates about the effect of matters that are inherently uncertain and which may change in subsequent periods, or for which the use of different estimates that could have reasonably been used in the current period would have had a material impact on the presentation of our financial condition and results of operations. A sustained loss of consumer confidence which may be caused by continued economic slowdown, recession, changes in consumer preferences, rising fuel prices, financial crisis or other factors have combined to increase the uncertainty inherent in such estimates and assumptions.

The following is not intended to be a comprehensive list of all our accounting policies.

We have identified the following critical accounting policies with respect to our financial presentation.

(Product Warranty)

We warrant our products for specific periods of time. Product warranties vary depending upon the nature of the product, the geographic location of their sales and other factors.

We recognize costs for general warranties on products we sell and product recalls. We provide for estimated warranty costs at the time products are sold to customers or the time new warranty programs are initiated. Estimated warranty costs are provided based on historical warranty claim experience with consideration given to the expected level of future warranty costs, including current sales trends, the expected number of units to be affected and the estimated average repair cost per unit for warranty claims. Our products contain certain parts manufactured by third-party suppliers.

Since suppliers typically warrant these parts, the expected receivables from warranties of these suppliers are deducted from our estimates of accrued warranty obligations.

We believe our accrued warranty liability is a “critical accounting estimate” because changes in the calculation can materially affect net income attributable to Honda Motor Co., Ltd., and require us to estimate the frequency and amounts of future claims, which are inherently uncertain.

Our policy is to continuously monitor warranty cost accruals to determine the adequacy of the accrual. Therefore, warranty expense accruals are maintained at an amount we deem adequate to cover estimated warranty expenses.

Actual claims incurred in the future may differ from the original estimates, which may result in material revisions to the warranty expense accruals.

The changes in provisions for those product warranties and net sales and other operating revenue for each of the years in the three-year period ended March 31, 2010 are as follows:

Fiscal years ended March 31	Yen (millions)		
	2008	2009	2010
Provisions for product warranties			
Balance at beginning of year	¥ 317,103	¥ 293,760	¥ 233,979
Warranty claims paid during the period	(137,591)	(123,509)	(86,886)
Liabilities accrued for warranties issued during the period	136,355	79,576	79,520
Changes in liabilities for pre-existing warranties during the period	(1,476)	2,233	(3,571)
Foreign currency translation	(20,631)	(18,081)	2,996
Balance at end of year	293,760	233,979	226,038
Net sales and other operating revenue	¥12,002,834	¥10,011,241	¥8,579,174

(Credit Losses)

Our finance subsidiaries provide retail lending and leasing to customers and wholesale financing to dealers primarily to support sales of our products, principally in North America. We classify retail and direct financing lease receivables derived from those services as finance subsidiaries—receivables. Operating leases are classified as property on operating leases. Certain finance receivables related to sales of inventory are included in trade receivables and other assets in the consolidated balance sheets. Receivables on past due operating lease rental payments are included in other current assets in the consolidated balance sheets.

The majority of the credit risk is with consumer financing and to a lesser extent with dealer financing. Estimated losses on finance receivables due to customer or dealer defaults are recognized in the allowance for credit losses. Estimated losses on past due operating lease rental payments are also recognized in the allowance for credit losses. In the case of property on operating leases, estimated losses due to customer defaults are not recognized in the allowance for credit losses because a loss is realized on the disposition of the property. Therefore, we present these losses as impairment losses on property on operating leases.

Our portfolio of customer finance receivables is collectively evaluated for credit losses. They are segmented into groups with

common characteristics, including product and collateral types, credit grades and original loan terms. For each of these groups, we estimate losses primarily based on our historic loss experiences, delinquency rates, recovery rates, taking factors into consideration, such as changing economic conditions and changes in operational policies and procedures. Our portfolio of dealer finance receivables is evaluated for the allowance for credit losses on an individual dealer basis. Similar to our portfolio of customer finance receivables, our portfolio of receivables on past due operating lease rental payments is collectively evaluated for the allowance for credit losses. Property on operating leases are also collectively evaluated for impairment losses to be realized upon early disposition.

We believe our allowance for credit losses and impairment losses on operating leases is a “critical accounting estimate” because it requires significant judgment about inherently uncertain items. We regularly review the adequacy of the allowance for credit losses and impairment losses on operating leases. The estimates are based on information available as of each reporting date. However, actual losses may differ from the original estimates.

As an example of the sensitivity of the allowance calculation, the following scenario demonstrates the impact that a deviation in one of the primary factors estimated as a part of our allowance calculation would have on the provision and allowance for credit losses. If we

had experienced a 10% increase in net credit losses during fiscal 2010 in our North America portfolio, the provision for fiscal 2010 and the allowance balance at the end of fiscal 2010 would have increased

by approximately ¥5.7 billion and ¥2.8 billion, respectively. Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions in fiscal 2010.

Additional Narrative of the Change in Credit Loss

The following tables summarize our allowance for credit losses on finance receivables and related information in our North American portfolio:

For the year ended March 31, 2008	Yen (billions)			
	Direct financing lease	Retail	Wholesale	Total
Provisions for credit losses				
Balance at beginning of year	¥ 4.9	¥ 23.7	¥ 0.0	¥ 28.7
Provision	2.1	42.7	(0.0)	44.8
Charge-offs (Net of recoveries)	(4.7)	(35.2)	(0.0)	(39.9)
Change due to securitization activity	—	(0.5)	—	(0.5)
Adjustments from foreign currency translation	(0.2)	(4.3)	(0.0)	(4.5)
Balance at end of year	¥ 2.1	¥ 26.3	¥ 0.0	¥ 28.4
Ending receivable balance	¥1,019.5	¥2,522.2	¥348.5	¥3,890.4
Average receivable balance, net	¥1,371.1	¥2,616.0	¥329.7	¥4,317.0
Net charge-offs as a % of average receivable balance	0.34%	1.35%	0.00%	0.93%
Allowance as a % of ending receivable balance	0.21%	1.04%	0.01%	0.73%

For the year ended March 31, 2009	Yen (billions)			
	Direct financing lease	Retail	Wholesale	Total
Provisions for credit losses				
Balance at beginning of year	¥ 2.1	¥ 26.3	¥ 0.0	¥ 28.4
Provision	3.0	45.9	0.8	49.7
Charge-offs (Net of recoveries)	(3.7)	(40.3)	(0.3)	(44.4)
Change due to securitization activity	—	(1.4)	—	(1.4)
Adjustments from foreign currency translation	(0.1)	(0.7)	(0.0)	(0.9)
Balance at end of year	¥ 1.2	¥ 29.7	¥ 0.4	¥ 31.4
Ending receivable balance	¥544.2	¥2,527.2	¥324.9	¥3,396.4
Average receivable balance, net	¥799.4	¥2,745.5	¥319.8	¥3,864.7
Net charge-offs as a % of average receivable balance	0.47%	1.47%	0.11%	1.15%
Allowance as a % of ending receivable balance	0.23%	1.18%	0.15%	0.93%

For the year ended March 31, 2010	Yen (billions)			
	Direct financing lease	Retail	Wholesale	Total
Provisions for credit losses				
Balance at beginning of year	¥ 1.2	¥ 29.7	¥ 0.4	¥ 31.4
Provision	1.4	25.7	0.1	27.3
Charge-offs (Net of recoveries)	(1.6)	(27.0)	(0.1)	(28.8)
Change due to securitization activity	—	—	—	—
Adjustments from foreign currency translation	0.1	(1.3)	(0.0)	(1.2)
Balance at end of year	¥ 1.1	¥ 27.1	¥ 0.4	¥ 28.6
Ending receivable balance	¥372.9	¥2,547.1	¥292.1	¥3,212.2
Average receivable balance, net	¥417.7	¥2,490.5	¥274.1	¥3,182.4
Net charge-offs as a % of average receivable balance	0.41%	1.08%	0.06%	0.91%
Allowance as a % of ending receivable balance	0.30%	1.06%	0.15%	0.89%

The following table provides information related to losses on operating leases due to customer defaults:

	Yen (billions)		
	2008	2009	2010
Provision for credit losses on past due rental payments	¥0.6	¥2.0	¥1.9
Impairment losses on operating leases due to early termination	¥5.8	¥8.7	¥3.3

(Fiscal Year 2010 Compared with Fiscal Year 2009)

The provision for credit losses on finance receivables decreased by ¥22.4 billion, or 45%, and net charge-offs decreased by ¥15.5 billion, or 35%. Impairment losses on operating leases due to early termination decreased by ¥5.4 billion, or 62%. The declines in losses and delinquencies reflect the improvement in the overall credit quality of our North American portfolio as a result of stricter purchasing standards implemented in prior years, focused collection efforts, stabilization of the economy, and improvements in used vehicle prices.

(Losses on Lease Residual Values)

Our finance subsidiaries in North America establish contract residual values of lease vehicles at lease inception based on expectations of future used vehicle values, taking into consideration external industry data. End-customers of leased vehicles typically have an option to buy the leased vehicle for the contractual residual value of the vehicle or to return the vehicle to our finance subsidiaries through the dealer at the end of the lease term. Likewise, dealers have the option to buy the vehicle returned by the customer or to return the vehicle to our finance subsidiaries. The likelihood that the leased vehicle will be purchased varies depending on the difference between the contractual residual value and the actual market value of the vehicle at the end of the lease term. We are exposed to risk of loss on the disposition of returned lease vehicles when the proceeds from the sale of the vehicles are less than the contractual residual values at the end of the lease term. For direct financing leases, our finance subsidiaries in North America purchase insurance to cover a portion of the estimated residual value.

Our finance subsidiaries in North America have historically accounted for all leases as direct financing leases. However, starting in the fiscal year ended March 31, 2007, some of the leases which do not qualify for direct financing leases accounting treatment are accounted for as operating leases.

We periodically review the estimate of residual values. For vehicle leases accounted for as operating leases, the adjustments to estimated residual values result in changes to the remaining depreciation expense to be recognized prospectively on a straight-line basis over the remaining term of the lease.

For vehicle leases accounted for as direct financing leases, downward adjustments are made for declines in estimated residual values that are deemed to be other-than-temporary. The adjustments on the uninsured portion of the vehicle's residual value are recognized as a loss in the period in which the estimate changed.

The primary components in estimating losses on lease residual values are the expected frequency of returns, or the percentage of leased vehicles we expect to be returned by customers at the end of the lease term, and the expected loss severity, or the expected difference between the residual value and the amount we receive through sales of returned vehicles plus proceeds from insurance, if any. We estimate losses on lease residual values by evaluating

several different factors, including trends in historical and projected used vehicle values and general economic measures.

We also test our operating leases for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

Recoverability of operating leases to be held is measured by a comparison of the carrying amount of operating leases to future net cash flows (undiscounted and without interest charges) expected to be generated by the operating leases. If such operating leases are considered to be impaired, impairment losses to be recognized is measured by the amount by which the carrying amount of the operating leases exceeds the estimated fair value of the operating leases.

We believe that our estimated losses on lease residual values and impairment losses is a "critical accounting estimate" because it is highly susceptible to market volatility and requires us to make assumptions about future economic trends and lease residual values, which are inherently uncertain. We believe that the assumptions used are appropriate. However, actual losses incurred may differ from original estimates as a result of actual results varying from those assumed in our estimates as a result of actual results varying from those assumed in our estimates.

If future auction values for all Honda and Acura vehicles in our North American operating lease portfolio as of March 31, 2010, were to decrease by approximately ¥10,000 per unit from our present estimates, holding all other assumptions constant, the total impact would be an increase in depreciation expense by approximately ¥2.3 billion, which would be recognized over the remaining lease terms. Similarly, if future return rates for our existing portfolio of all Honda and Acura vehicles were to increase by one percentage point from our present estimates, the total impact would be an increase in depreciation expense by approximately ¥0.5 billion, which would be recognized over the remaining lease terms. With the same prerequisites shown above, the impacts to the direct financing lease portfolio would be an increase in losses on lease residual values by approximately ¥0.3 billion and ¥0.2 billion. Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions in fiscal 2010. Also, declines in auction values are likely to have a negative effect on return rates which could affect the sensitivities.

(Fiscal Year 2010 Compared with Fiscal Year 2009)

During fiscal year 2010, used vehicle prices recovered from the severe declines that were experienced in prior years. The improvement in prices was attributable in part to lower used vehicle supplies and stabilization in the economy during the year. No impairment losses as a result of declines in estimated residual values were recognized during fiscal year 2010.

Incremental depreciation on operating leases due to the declines in estimated residual values increased by ¥0.6 billion, or 5%. Losses on lease residual values declined by ¥15.8 billion, or 69%, primarily due to the declines in direct financing leases.

(Pension and Other Postretirement Benefits)

We have various pension plans covering substantially all of our employees in Japan and certain employees in foreign countries. Benefit obligations and pension costs are based on assumptions of many factors, including the discount rate, the rate of salary increase and the expected long-term rate of return on plan assets. The discount rate is determined mainly based on the rates of high-quality corporate bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans. The salary increase assumptions reflect our actual experience as well as near-term outlook. Honda determines the expected long-term rate of return based on the investment policies. Honda considers the eligible investment assets under investment policies, historical experience, expected long-term rate of return under the investing environment, and the long-term target allocations of the various asset categories. Our assumed discount rate and rate of salary increase as of March 31, 2010 were 2.0% and 2.3%, respectively, and our assumed expected long-term rate of return for the year ended March

31, 2010 was 3.0% for Japanese plans. Our assumed discount rate and rate of salary increase as of March 31, 2010 were 5.6-6.5% and 1.5-5.3%, respectively, and our assumed expected long-term rate of return for fiscal 2010 was 6.5-8.0% for foreign plans.

We believe that the accounting estimates related to our pension plans is “critical accounting estimate” because changes in these estimates can materially affect our financial condition and results of operations.

Actual results may differ from our assumptions, and the difference is accumulated and amortized over future periods. Therefore, the difference generally will be reflected as our recognized expenses in future periods. We believe that the assumptions currently used are appropriate, however, differences in actual expenses or changes in assumptions could affect our pension costs and obligations, including our cash requirements to fund such obligations.

The following table shows the effect of a 0.5% change in the assumed discount rate and the expected long-term rate of return on our funded status, equity, and pension expense.

Japanese Plans				Yen (billions)
Assumptions	Percentage point change (%)	Funded status	Equity	Pension expense
Discount rate	+0.5/−0.5	−84.9/+95.7	+36.9/−47.7	−4.0/+4.2
Expected long-term rate of return	+0.5/−0.5	—	—	−3.7/+3.7

Foreign Plans				Yen (billions)
Assumptions	Percentage point change (%)	Funded status	Equity	Pension expense
Discount rate	+0.5/−0.5	−31.0/+34.2	+18.5/−20.2	−3.0/+3.3
Expected long-term rate of return	+0.5/−0.5	—	—	−1.8/+1.8

*1 Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions at March 31, 2010.

*2 Funded status for fiscal 2010 is affected by March 31, 2010 assumptions.

Pension expense for fiscal 2010 is affected by March 31, 2009 assumptions.

(Income Taxes)

Honda adopted the provision of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, “Accounting for Uncertainty in Income Taxes” which is now codified in the FASB Accounting Standards Codification (ASC) 740 “Income Taxes” on April 1, 2007. Honda is subject to income tax examinations in many tax jurisdictions because Honda conducts its operations in various regions of the world. We recognize the tax benefit from an uncertain tax position based on the technical merits of the position when the position is more likely than not to be sustained upon examination. Benefits from tax positions that meet the more likely than not recognition threshold are measured at the largest amount of benefit that is greater than 50% likelihood of being realized upon ultimate resolution. We performed a comprehensive review of any uncertain tax positions in accordance with this statement.

We believe our accounting for tax uncertainties is a “critical accounting estimate” because it requires us to evaluate and assess the probability of the outcome that could be realized upon ultimate resolution. Our estimates may change in the future due to new developments.

We believe that our estimates and assumptions of unrecognized tax benefits are reasonable, however, if our estimates of unrecognized tax benefits and potential tax benefits are not representative of actual outcomes, our consolidated financial statements could be materially affected in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution.

New Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-13 “Multiple—Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force”, which will amend the FASB Accounting Standards Codification (ASC) 605 “Revenue Recognition” for arrangements with multiple deliverables to allow vendors to account for products and services separately rather than as a combined unit. This standard requires allocation of the overall consideration to each deliverable in an arrangement with multiple deliverables using the

estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of the selling price for deliverables and eliminate the residual method of allocation. This standard is effective as of an entity's fiscal year beginning after June 15, 2010. Management is currently evaluating the impact of this standard on the Company's consolidated financial position and results of operations.

Quantitative and Qualitative Disclosure about Market Risk

Honda is exposed to market risks, which are changes in foreign currency exchange rates, in interest rates and in prices of marketable equity securities. Honda is a party to derivative financial instruments in the normal course of business in order to manage risks associated with changes in foreign currency exchange rates

and in interest rates. Honda does not hold any derivative financial instruments for trading purposes.

(Foreign Currency Exchange Rate Risk)

Foreign currency forward exchange contracts and purchased option contracts are used to hedge currency risk of 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.

The tables below provide information about our derivatives related to foreign currency exchange rate risk as of March 31, 2009 and 2010. For forward exchange contracts and currency options, the table presents the contract amounts and fair value. All forward exchange contracts and currency contracts to which we are a party have original maturities of less than one year.

Foreign Exchange Risk

Fiscal years ended March 31	2009			2010		
	Yen (millions)		Average contractual rate (Yen)	Yen (millions)		Average contractual rate (Yen)
	Contract amounts	Fair value		Contract amounts	Fair value	
Forward Exchange Contracts						
To sell US\$	¥182,941	(8,966)	93.33	¥257,822	(6,076)	90.80
To sell EUR	42,324	(2,086)	123.40	32,188	456	126.70
To sell CA\$	379	(5)	76.99	24	57	88.58
To sell GBP	49,681	(2,673)	133.42	29,931	(108)	139.69
To sell other foreign currencies	16,549	(387)	various	20,761	(829)	various
To buy US\$	3,287	131	94.26	3,207	102	90.02
To buy other foreign currencies	1,933	(11)	various	3,537	34	various
Cross-currencies	234,521	94	various	231,657	(1,134)	various
Total	¥531,615	(13,903)		¥579,127	(7,498)	
Currency Option Contracts						
Option purchased to sell US\$	¥ 24,548	304	various	¥ 27,865	78	various
Option written to sell US\$	51,551	(1,743)	various	55,731	(829)	various
Option purchased to sell other currencies	—	—	—	3,123	(50)	various
Option written to sell other currencies	—	—	—	6,246	(26)	various
Total	¥ 76,099	(1,439)		¥ 92,965	(827)	

(Interest Rate Risks)

Honda is exposed to market risk for changes in interest rates related primarily to its debt obligations and finance receivables. In addition to short-term financing such as commercial paper, Honda has long-term debt with both fixed and floating rates. Our finance receivables are primarily fixed rate. Interest rate swap agreements are mainly used to manage interest rate risk exposure and to convert floating rate financing (normally three-five years) to fixed rate financing in order to match financing costs with income from finance receivables. Foreign currency and interest rate swap agreements used among

different currencies also serve to hedge foreign currency exchange risk as well as interest rate risk.

The following tables provide information about Honda's financial instruments that were sensitive to changes in interest rates at March 31, 2009 and 2010. For finance receivables and long-term debt, these tables present principal cash flows, fair value and related weighted average interest rates. For interest rate swaps and currency and interest rate swaps, the table presents notional amounts, fair value and weighted average interest rates. Variable interest rates are determined using formulas such as LIBOR+ α and an index.

Finance Subsidiaries—Receivables

	2009		2010									
	Yen (millions)		Yen (millions)									
				Expected maturity date								
	Total	Fair value	Total	Within 1 year	1-2 year	2-3 year	3-4 year	4-5 year	Thereafter	Fair value	Average interest rate	
Direct financing leases ¹												
JP¥	¥ 24,720	—	¥ 29,401	17,702	5,997	3,341	1,650	711	—	—	5.08%	
US\$	199,172	—	7,349	7,349	—	—	—	—	—	—	7.62%	
Other	475,409	—	412,709	136,358	128,378	93,254	48,649	6,070	—	—	3.15%	
Total—Direct financing leases	¥ 699,301	—	¥ 449,459	161,409	134,375	96,595	50,299	6,781	—	—		
Other finance subsidiaries—receivables:												
JP¥	¥ 450,177	445,588	¥ 456,525	153,206	115,599	85,998	54,199	29,624	17,899	449,776	5.08%	
US\$	2,561,667	2,481,293	2,504,187	879,316	603,330	504,849	329,515	146,556	40,621	2,536,110	5.07%	
Other	504,599	499,198	617,507	291,614	152,020	97,427	54,097	18,711	3,638	625,523	6.92%	
Total—Other finance subsidiaries—receivables:	¥3,516,443	3,426,079	¥3,578,219	1,324,136	870,949	688,274	437,811	194,891	62,158	3,611,409		
Retained interest in securitizations ²	45,648	45,648	27,555							27,555		
Total ³	¥4,261,392		¥4,055,233									

*1 : Under U.S. generally accepted accounting principles, disclosure of fair values of direct financing leases is not required.

*2 : The retained interest in securitizations is accounted for as “trading” securities and is reported at fair value.

*3 : The finance subsidiaries—receivables include finance subsidiaries—receivables included in trade receivables and other assets in the consolidated balance sheets.

Long-Term Debt (including current portion)

	2009		2010									Average interest rate
	Yen (millions)		Yen (millions)									
	Total	Fair value	Total	Expected maturity date						Fair value		
				Within 1 year	1-2 year	2-3 year	3-4 year	4-5 year	Thereafter			
Japanese yen bonds	¥ 260,000	290,411	¥ 320,000	60,000	70,000	120,000	40,000	30,000	—	323,852	1.05%	
Japanese yen medium-term notes (Fixed rate)	220,263	213,717	151,998	77,642	33,744	25,184	6,470	5,972	2,986	153,250	1.30%	
Japanese yen medium-term notes (Floating rate)	125,865	118,553	114,676	28,767	25,588	58,330	1,991	—	—	114,599	0.61%	
U.S. dollar medium-term notes (Fixed rate)	390,098	359,107	391,272	48,099	32,375	46,250	135,048	50,875	78,625	420,970	5.14%	
U.S. dollar medium-term notes (Floating rate)	796,545	780,050	211,685	62,206	140,229	—	—	9,250	—	213,695	3.16%	
Asset-backed notes	—	—	311,222	119,862	117,340	74,020	—	—	—	316,596	2.15%	
Loans and others—primarily fixed rate	1,117,389	1,023,938	1,534,478	325,720	503,948	249,577	285,866	165,348	4,019	1,582,083	4.04%	
Total	¥2,910,160	2,785,776	¥3,035,331	722,296	923,224	573,361	469,375	261,445	85,630	3,125,045		

Interest Rate Swaps

		2009		2010									
		Yen (millions)		Yen (millions)									
Notional principal currency	Receive/ Pay	Contract amounts	Fair value	Contract amount	Expected maturity date						Fair value	Average receive rate	Average pay rate
					Within 1 year	1-2 year	2-3 year	3-4 year	4-5 year	Thereafter			
JP¥	Float/Fix	¥ 510	(3)	¥ 770	200	—	—	270	300	—	(24)	1.26%	2.76%
US\$	Float/Fix	2,866,860	(88,322)	2,476,108	383,890	619,493	967,913	431,915	72,897	—	(47,762)	0.33%	2.85%
	Fix/Float	599,600	36,867	525,362	48,381	32,564	118,977	182,358	63,998	79,084	24,473	4.68%	1.41%
	Float/Float	24,558	(76)	—	—	—	—	—	—	—	—	—%	—%
CA\$	Float/Fix	570,945	(25,298)	525,099	106,896	121,397	146,153	130,108	19,794	751	(10,905)	0.45%	3.39%
	Fix/Float	210,427	17,372	233,677	41,237	54,983	54,983	82,474	—	—	10,036	5.16%	1.58%
	Float/Float	32,222	(143)	—	—	—	—	—	—	—	—	—%	—%
GBP	Float/Fix	22,002	(691)	45,075	19,803	22,464	2,808	—	—	—	(528)	1.80%	2.63%
Total		¥4,327,124	(60,294)	¥3,806,091	600,407	850,901	1,290,834	827,125	156,989	79,835	(24,710)		

Currency & Interest Rate Swaps

Receiving side currency	Paying side currency	Receive/ Pay	2009		2010										Average receive rate	Average pay rate
			Yen (millions)		Yen (millions)											
			Contract amounts	Fair value	Contract amount	Expected maturity date						Fair value				
						Within 1 year	1-2 year	2-3 year	3-4 year	4-5 year	Thereafter					
JP¥	US\$	Fix/Float	¥190,565	29,896	¥124,721	63,913	26,653	19,652	5,692	6,196	2,615	29,735	1.30%	0.48%		
		Float/Float	163,797	12,220	137,850	23,213	65,530	47,384	1,723	—	—	17,403	0.81%	0.95%		
JP¥	CA\$	Fix/Float	2,137	42	—	—	—	—	—	—	—	—	—%	—%		
Other	Other	Fix/Float	275,013	17,461	405,289	55,475	—	98,571	110,910	140,333	—	12,613	4.82%	1.47%		
		Float/Float	35,499	1,578	51,104	—	29,911	—	—	21,193	—	(3,953)	1.28%	1.96%		
Total			¥667,011	61,197	¥718,964	142,601	122,094	165,607	118,325	167,722	2,615	55,798				

(Equity Price Risk)

Honda is exposed to equity price risk as a result of its holdings of marketable equity securities. Marketable equity securities included in Honda's investment portfolio are held for purposes other than trading, and are reported at fair value, with unrealized gains or losses, net of deferred taxes, included in accumulated other comprehensive income (loss) in the equity section of the consolidated balance sheets. At March 31, 2009 and 2010, the estimated fair value of marketable equity securities was ¥54.8 billion and ¥94.5 billion, respectively.

Legal Proceedings

Various legal proceedings are pending against us. We believe that such proceedings constitute ordinary routine litigation incidental to our business. With respect to product liability, personal injury claims or lawsuits, we believe that any judgment that may be recovered by

any plaintiff for general and special damages and court costs will be adequately covered by our insurance and accrued liabilities. Punitive damages are claimed in certain of these lawsuits. We are also subject to potential liability under other various lawsuits and claims including 44 purported class actions in the United States.

Honda recognizes an accrued liability for loss contingencies when it is probable that an obligation has been incurred and the amount of loss can be reasonably estimated. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recorded for these contingent liabilities, if necessary, by considering the nature of lawsuits and claims, the progress of the case and the opinions of legal counsel. After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims including 44 purported class actions in the United States should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position, results of operations or cash flows.

Consolidated Balance Sheets

Honda Motor Co., Ltd. and Subsidiaries
March 31, 2009 and 2010

	Yen (millions)		U.S. dollars (millions)
Assets	2009	2010	2010
Current assets:			
Cash and cash equivalents	¥ 690,369	¥ 1,119,902	\$ 12,037
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥7,455 million in 2009 and ¥8,555 million (\$92 million) in 2010	854,214	883,476	9,496
Finance subsidiaries—receivables, net	1,172,030	1,100,158	11,825
Inventories	1,243,961	935,629	10,056
Deferred income taxes	198,158	176,604	1,898
Other current assets	462,446	397,955	4,277
Total current assets	4,621,178	4,613,724	49,589
Finance subsidiaries—receivables, net	2,400,282	2,361,335	25,380
Investments and advances:			
Investments in and advances to affiliates	505,835	457,834	4,921
Other, including marketable equity securities	133,234	184,847	1,987
Total investments and advances	639,069	642,681	6,908
Property on operating leases:			
Vehicles	1,557,060	1,651,672	17,752
Less accumulated depreciation	269,261	343,525	3,692
Net property on operating leases	1,287,799	1,308,147	14,060
Property, plant and equipment, at cost:			
Land	469,279	489,769	5,264
Buildings	1,446,090	1,509,821	16,228
Machinery and equipment	3,133,439	3,257,455	35,011
Construction in progress	159,567	143,862	1,546
	5,208,375	5,400,907	58,049
Less accumulated depreciation and amortization	3,060,654	3,314,244	35,621
Net property, plant and equipment	2,147,721	2,086,663	22,428
Other assets	722,868	616,565	6,625
Total assets	¥11,818,917	¥11,629,115	\$124,990

	Yen (millions)		U.S. dollars (millions)
	2009	2010	2010
Liabilities and Equity			
Current liabilities:			
Short-term debt	¥ 1,706,819	¥ 1,066,344	\$ 11,461
Current portion of long-term debt	977,523	722,296	7,763
Trade payables:			
Notes	31,834	24,704	266
Accounts	674,498	802,464	8,625
Accrued expenses	562,673	542,521	5,831
Income taxes payable	32,614	23,947	257
Other current liabilities	251,407	236,854	2,546
Total current liabilities	4,237,368	3,419,130	36,749
Long-term debt, excluding current portion	1,932,637	2,313,035	24,861
Other liabilities	1,518,568	1,440,520	15,482
Total liabilities	7,688,573	7,172,685	77,092
Equity:			
Honda Motor Co., Ltd. shareholders' equity:			
Common stock, authorized 7,086,000,000 shares; issued 1,834,828,430 shares	86,067	86,067	925
Capital surplus	172,529	172,529	1,854
Legal reserves	43,965	45,463	489
Retained earnings	5,099,267	5,304,473	57,013
Accumulated other comprehensive income (loss), net	(1,322,828)	(1,208,162)	(12,985)
Treasury stock, at cost 20,219,430 shares in 2009 and 20,225,694 shares in 2010	(71,712)	(71,730)	(771)
Total Honda Motor Co., Ltd. shareholders' equity	4,007,288	4,328,640	46,525
Noncontrolling interests	123,056	127,790	1,373
Total equity	4,130,344	4,456,430	47,898
Commitments and contingent liabilities			
Total liabilities and equity	¥11,818,917	¥11,629,115	\$124,990

Consolidated Statements of Income

Honda Motor Co., Ltd. and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

	Yen (millions)			U.S. dollars (millions)
	2008	2009	2010	2010
Net sales and other operating revenue	¥12,002,834	¥10,011,241	¥8,579,174	\$92,210
Operating costs and expenses:				
Cost of sales	8,543,170	7,419,582	6,414,721	68,946
Selling, general and administrative	1,918,596	1,838,819	1,337,324	14,374
Research and development	587,959	563,197	463,354	4,980
	11,049,725	9,821,598	8,215,399	88,300
Operating income	953,109	189,643	363,775	3,910
Other income (expenses):				
Interest income	50,144	41,235	18,232	196
Interest expense	(16,623)	(22,543)	(12,552)	(135)
Other, net	(90,789)	(46,601)	(33,257)	(358)
	(57,268)	(27,909)	(27,577)	(297)
Income before income taxes and equity in income of affiliates	895,841	161,734	336,198	3,613
Income tax expense:				
Current	356,095	68,062	90,263	970
Deferred	31,341	41,773	56,606	608
	387,436	109,835	146,869	1,578
Income before equity in income of affiliates	508,405	51,899	189,329	2,035
Equity in income of affiliates	118,942	99,034	93,282	1,003
Net income	627,347	150,933	282,611	3,038
Less: Net income attributable to noncontrolling interests	27,308	13,928	14,211	153
Net income attributable to Honda Motor Co., Ltd.	¥ 600,039	¥ 137,005	¥ 268,400	\$ 2,885
	Yen			U.S. dollars
	2008	2009	2010	2010
Basic net income attributable to				
Honda Motor Co., Ltd. per common share	¥ 330.54	¥ 75.50	¥ 147.91	\$ 1.59

Consolidated Statements of Changes in Equity

Honda Motor Co., Ltd. and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

	Yen (millions)								
	Common stock	Capital surplus	Legal reserves	Retained earnings	Accumulated other comprehensive income (loss), net	Treasury stock	Total Honda Motor Co., Ltd. shareholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2007	¥86,067	¥172,529	¥37,730	¥4,661,104	¥ (427,166)	¥(41,439)	¥4,488,825	¥122,907	¥4,611,732
Transfer to legal reserves			2,081	(2,081)			—		—
Dividends paid to Honda Motor Co., Ltd. shareholders				(152,590)			(152,590)		(152,590)
Dividends paid to noncontrolling interests								(9,663)	(9,663)
Capital transactions and others								2,556	2,556
Comprehensive income (loss):									
Net income				600,039			600,039	27,308	627,347
Other comprehensive income (loss), net of tax									
Adjustments from foreign currency translation					(312,267)		(312,267)	(3,283)	(315,550)
Unrealized gains (losses) on marketable securities, net					(26,459)		(26,459)	(147)	(26,606)
Unrealized gains (losses) on derivative instruments, net					440		440		440
Pension and other postretirement benefits adjustments					(16,746)		(16,746)	(1,633)	(18,379)
Total comprehensive income (loss)							245,007	22,245	267,252
Purchase of treasury stock						(34,404)	(34,404)		(34,404)
Reissuance of treasury stock				(275)		3,916	3,641	3,761	7,402
Balance at March 31, 2008	¥86,067	¥172,529	¥39,811	¥5,106,197	¥ (782,198)	¥(71,927)	¥4,550,479	¥141,806	¥4,692,285
Transfer to legal reserves			4,154	(4,154)			—		—
Dividends paid to Honda Motor Co., Ltd. shareholders				(139,724)			(139,724)		(139,724)
Dividends paid to noncontrolling interests								(10,841)	(10,841)
Capital transactions and others								(172)	(172)
Comprehensive income (loss):									
Net income				137,005			137,005	13,928	150,933
Other comprehensive income (loss), net of tax									
Adjustments from foreign currency translation					(477,316)		(477,316)	(19,865)	(497,181)
Unrealized gains (losses) on marketable securities, net					(25,063)		(25,063)	(60)	(25,123)
Unrealized gains (losses) on derivative instruments, net					(460)		(460)		(460)
Pension and other postretirement benefits adjustments					(37,791)		(37,791)	(1,740)	(39,531)
Total comprehensive income (loss)							(403,625)	(7,737)	(411,362)
Purchase of treasury stock						(62)	(62)		(62)
Reissuance of treasury stock				(57)		277	220		220
Balance at March 31, 2009	¥86,067	¥172,529	¥43,965	¥5,099,267	¥(1,322,828)	¥(71,712)	¥4,007,288	¥123,056	¥4,130,344

Consolidated Statements of Changes in Equity

	Yen (millions)								
	Common stock	Capital surplus	Legal reserves	Retained earnings	Accumulated other comprehensive income (loss), net	Treasury stock	Total Honda Motor Co., Ltd. shareholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2009	¥86,067	¥172,529	¥43,965	¥5,099,267	¥(1,322,828)	¥(71,712)	¥4,007,288	¥123,056	¥4,130,344
Transfer to legal reserves			1,498	(1,498)			—		—
Dividends paid to Honda Motor Co., Ltd. shareholders				(61,696)			(61,696)		(61,696)
Dividends paid to noncontrolling interests								(16,278)	(16,278)
Capital transactions and others								127	127
Comprehensive income (loss):									
Net income				268,400			268,400	14,211	282,611
Other comprehensive income (loss), net of tax									
Adjustments from foreign currency translation					91,097		91,097	5,750	96,847
Unrealized gains (losses) on marketable securities, net					23,107		23,107	111	23,218
Unrealized gains (losses) on derivative instruments, net					(324)		(324)		(324)
Pension and other postretirement benefits adjustments					786		786	813	1,599
Total comprehensive income (loss)							383,066	20,885	403,951
Purchase of treasury stock						(20)	(20)		(20)
Reissuance of treasury stock						2	2		2
Balance at March 31, 2010	¥86,067	¥172,529	¥45,463	¥5,304,473	¥(1,208,162)	¥(71,730)	¥4,328,640	¥127,790	¥4,456,430

	U.S. dollars (millions)								
	Common stock	Capital surplus	Legal reserves	Retained earnings	Accumulated other comprehensive income (loss), net	Treasury stock	Total Honda Motor Co., Ltd. shareholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2009	\$925	\$1,854	\$473	\$54,807	\$(14,217)	\$(771)	\$43,071	\$1,323	\$44,394
Transfer to legal reserves			16	(16)			—		—
Dividends paid to Honda Motor Co., Ltd. shareholders				(663)			(663)		(663)
Dividends paid to noncontrolling interests								(175)	(175)
Capital transactions and others								1	1
Comprehensive income (loss):									
Net income				2,885			2,885	152	3,037
Other comprehensive income (loss), net of tax									
Adjustments from foreign currency translation					979		979	62	1,041
Unrealized gains (losses) on marketable securities, net					248		248	1	249
Unrealized gains (losses) on derivative instruments, net					(3)		(3)		(3)
Pension and other postretirement benefits adjustments					8		8	9	17
Total comprehensive income (loss)							4,117	224	4,341
Purchase of treasury stock						(0)	(0)		(0)
Reissuance of treasury stock						0	0		0
Balance at March 31, 2010	\$925	\$1,854	\$489	\$57,013	\$(12,985)	\$(771)	\$46,525	\$1,373	\$47,898

Consolidated Statements of Cash Flows

Honda Motor Co., Ltd. and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

	Yen (millions)		U.S. dollars (millions)	
	2008	2009	2010	2010
Cash flows from operating activities:				
Net income	¥ 627,347	¥ 150,933	¥ 282,611	\$ 3,038
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation excluding property on operating leases	417,393	441,868	401,743	4,318
Depreciation of property on operating leases	101,032	195,776	227,931	2,450
Deferred income taxes	31,341	41,773	56,606	608
Equity in income of affiliates	(118,942)	(99,034)	(93,282)	(1,003)
Dividends from affiliates	67,764	65,140	140,901	1,514
Provision for credit and lease residual losses on finance subsidiaries—receivables	58,011	77,016	40,062	431
Impairment loss on investments in securities	577	226,001	603	6
Impairment loss on long-lived assets and goodwill excluding property on operating leases	—	21,597	548	6
Impairment loss on property on operating leases	5,850	18,528	3,312	36
Loss (gain) on derivative instruments, net	70,251	(15,506)	(37,753)	(406)
Decrease (increase) in assets:				
Trade accounts and notes receivable	(67,696)	(30,025)	(6,910)	(74)
Inventories	(100,622)	(262,782)	352,994	3,794
Other current assets	(2,609)	(82,838)	103,071	1,108
Other assets	(130,666)	8,640	24,150	260
Increase (decrease) in liabilities:				
Trade accounts and notes payable	32,327	(133,662)	151,345	1,627
Accrued expenses	(24,768)	(102,711)	(20,457)	(220)
Income taxes payable	20	(12,861)	(14,524)	(156)
Other current liabilities	2,301	10,630	5,662	61
Other liabilities	179,537	74,872	(30,146)	(324)
Other, net	(21,530)	(9,714)	(44,255)	(477)
Net cash provided by operating activities	1,126,918	383,641	1,544,212	16,597
Cash flows from investing activities:				
Increase in investments and advances	(6,417)	(4,879)	(19,419)	(209)
Decrease in investments and advances	1,270	1,921	14,078	151
Payments for purchases of available-for-sale securities	(158,426)	(31,936)	(5,871)	(63)
Proceeds from sales of available-for-sale securities	179,911	26,896	4,945	53
Payments for purchases of held-to-maturity securities	(39,482)	(17,348)	(21,181)	(228)
Proceeds from redemptions of held-to-maturity securities	32,557	32,667	6,283	68
Capital expenditures	(668,228)	(635,190)	(392,062)	(4,214)
Proceeds from sales of property, plant and equipment	26,868	18,843	24,472	263
Acquisitions of finance subsidiaries—receivables	(2,712,775)	(2,303,930)	(1,448,146)	(15,565)
Collections of finance subsidiaries—receivables	2,312,311	2,023,031	1,595,235	17,147
Sales (repurchases) of finance subsidiaries—receivables, net	158,497	324,672	(55,168)	(593)
Purchases of operating lease assets	(839,261)	(668,128)	(544,027)	(5,847)
Proceeds from sales of operating lease assets	26,776	100,017	245,110	2,634
Net cash used in investing activities	(1,686,399)	(1,133,364)	(595,751)	(6,403)
Cash flows from financing activities:				
Increase (decrease) in short-term debt, net	601,957	270,795	(649,641)	(6,982)
Proceeds from long-term debt	1,061,792	1,299,984	1,132,222	12,168
Repayments of long-term debt	(782,749)	(889,483)	(963,833)	(10,359)
Dividends paid	(152,590)	(139,724)	(61,696)	(663)
Dividends paid to noncontrolling interests	(9,663)	(10,841)	(16,278)	(175)
Sales (purchases) of treasury stock, net	(30,746)	131	(18)	(0)
Net cash provided by (used in) financing activities	688,001	530,862	(559,244)	(6,011)
Effect of exchange rate changes on cash and cash equivalents	(23,164)	(141,672)	40,316	434
Net change in cash and cash equivalents	105,356	(360,533)	429,533	4,617
Cash and cash equivalents at beginning of year	945,546	1,050,902	690,369	7,420
Cash and cash equivalents at end of year	¥1,050,902	¥ 690,369	¥1,119,902	\$12,037

Segment Information

Honda has four reportable segments: the Motorcycle business, the Automobile business, the Financial services business and the Power product and other businesses, which are based on Honda's organizational structure and characteristics of products and services.

Operating segments are defined as components of Honda's about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. The accounting policies used for these reportable segments are consistent with the accounting policies used in Honda's consolidated financial statements.

Principal products and services, and functions of each segment are as follows:

Segment	Principal products and services	Functions
Motorcycle business	Motorcycles, all-terrain vehicles (ATVs), personal watercrafts and relevant parts	Research & Development Manufacturing Sales and related services
Automobile business	Automobiles and relevant parts	Research & Development Manufacturing Sales and related services
Financial services business	Financial, insurance services	Retail loan and lease related to Honda products Others
Power product and other businesses	Power products and relevant parts, and others	Research & Development Manufacturing Sales and related services Others

Segment Information

As of and for the year ended March 31, 2008

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥1,558,696	¥9,489,391	¥ 533,553	¥421,194	¥12,002,834	¥ —	¥12,002,834
Intersegment	—	—	15,499	21,571	37,070	(37,070)	—
Total	1,558,696	9,489,391	549,052	442,765	12,039,904	(37,070)	12,002,834
Cost of sales, SG&A and R&D expenses	1,407,409	8,827,726	431,254	420,406	11,086,795	(37,070)	11,049,725
Segment income	151,287	661,665	117,798	22,359	953,109	—	953,109
Equity in income of affiliates	28,035	89,521	—	1,386	118,942	—	118,942
Assets	1,240,527	5,591,311	5,907,839	330,604	13,070,281	(454,738)	12,615,543
Investments in affiliates	118,219	411,001	—	16,976	546,196	—	546,196
Depreciation and amortization	48,000	356,003	101,987	12,435	518,425	—	518,425
Capital expenditures	86,687	544,922	839,888	21,794	1,493,291	—	1,493,291
Impairment loss on long-lived assets and goodwill	—	—	5,850	—	5,850	—	5,850
Provision for credit and lease residual losses on finance subsidiaries—receivables	¥ —	¥ —	¥ 58,011	¥ —	¥ 58,011	¥ —	¥ 58,011

As of and for the year ended March 31, 2009

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥1,411,511	¥7,674,404	¥ 582,261	¥343,065	¥10,011,241	¥ —	¥10,011,241
Intersegment	—	—	14,264	25,840	40,104	(40,104)	—
Total	1,411,511	7,674,404	596,525	368,905	10,051,345	(40,104)	10,011,241
Cost of sales, SG&A and R&D expenses	1,311,598	7,649,861	515,854	384,389	9,861,702	(40,104)	9,821,598
Segment income (loss)	99,913	24,543	80,671	(15,484)	189,643	—	189,643
Equity in income of affiliates	26,105	71,709	—	1,220	99,034	—	99,034
Assets	1,047,112	5,219,408	5,735,716	275,607	12,277,843	(458,926)	11,818,917
Investments in affiliates	107,431	379,068	—	16,247	502,746	—	502,746
Depreciation and amortization	51,200	373,295	199,324	13,825	637,644	—	637,644
Capital expenditures	90,401	523,593	671,127	16,920	1,302,041	—	1,302,041
Impairment loss on long-lived assets and goodwill	413	18,874	18,528	2,310	40,125	—	40,125
Provision for credit and lease residual losses on finance subsidiaries—receivables	¥ —	¥ —	¥ 77,016	¥ —	¥ 77,016	¥ —	¥ 77,016

As of and for the year ended March 31, 2010

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥1,140,292	¥6,554,848	¥ 606,352	¥277,682	¥ 8,579,174	¥ —	¥ 8,579,174
Intersegment	—	—	12,459	26,936	39,395	(39,395)	—
Total	1,140,292	6,554,848	618,811	304,618	8,618,569	(39,395)	8,579,174
Cost of sales, SG&A and R&D expenses	1,081,455	6,428,090	423,910	321,339	8,254,794	(39,395)	8,215,399
Segment income (loss)	58,837	126,758	194,901	(16,721)	363,775	—	363,775
Equity in income of affiliates	23,131	69,082	—	1,069	93,282	—	93,282
Assets	1,025,665	5,044,247	5,541,788	281,966	11,893,666	(264,551)	11,629,115
Investments in affiliates	103,032	334,875	—	16,821	454,728	—	454,728
Depreciation and amortization	48,683	337,787	230,453	12,751	629,674	—	629,674
Capital expenditures	38,332	284,586	546,342	23,748	893,008	—	893,008
Impairment loss on long-lived assets and goodwill	—	548	3,312	—	3,860	—	3,860
Provision for credit and lease residual losses on finance subsidiaries—receivables	¥ —	¥ —	¥ 40,062	¥ —	¥ 40,062	¥ —	¥ 40,062

As of and for the year ended March 31, 2010

	U.S. dollars (millions)						Consolidated
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	
Net sales and other operating revenue:							
External customers	\$12,256	\$70,452	\$ 6,517	\$2,985	\$ 92,210	\$ —	\$ 92,210
Intersegment	—	—	134	289	423	(423)	—
Total	12,256	70,452	6,651	3,274	92,633	(423)	92,210
Cost of sales, SG&A and R&D expenses	11,624	69,090	4,556	3,453	88,723	(423)	88,300
Segment income (loss)	632	1,362	2,095	(179)	3,910	—	3,910
Equity in income of affiliates	249	742	—	12	1,003	—	1,003
Assets	11,024	54,216	59,563	3,031	127,834	(2,843)	124,991
Investments in affiliates	1,107	3,599	—	181	4,887	—	4,887
Depreciation and amortization	523	3,631	2,477	137	6,768	—	6,768
Capital expenditures	412	3,059	5,872	255	9,598	—	9,598
Impairment loss on long-lived assets and goodwill	—	6	36	(1)	41	—	41
Provision for credit and lease residual losses on finance subsidiaries—receivables	\$ —	\$ —	\$ 431	\$ —	\$ 431	\$ —	\$ 431

Explanatory notes:

1. Segment income (loss) is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses). Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable.
2. Assets of each segment are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.
3. Intersegment sales and revenues are generally made at values that approximate arm's-length prices.
4. Unallocated corporate assets, included in reconciling items, amounted to ¥385,442 million as of March 31, 2008, ¥257,291 million as of March 31, 2009, and ¥338,135 million (\$3,634 million) as of March 31, 2010, which consist primarily of cash and cash equivalents and marketable securities held by the Company. Reconciling items also include elimination of intersegment transactions.
5. Depreciation and amortization of the Financial Services Business include ¥101,032 million for the year ended March 31, 2008, ¥195,776 million for the year ended March 31, 2009 and ¥227,931 million (\$2,450 million) for the year ended March 31, 2010 related to depreciation of property on operating leases.
6. Capital expenditures of the Financial Services Business includes ¥839,261 million for the year ended March 31, 2008, ¥668,128 million for the year ended March 31, 2009 and ¥544,027 million (\$5,847 million) for the year ended March 31, 2010 related to purchases of operating lease assets.

External Sales and Other Operating Revenue by Product or Service Groups

Years ended March 31:	Yen (millions)			U.S. dollars (millions)
	2008	2009	2010	2010
Motorcycles and relevant parts	¥ 1,418,028	¥ 1,323,259	¥1,079,165	\$11,599
All-terrain vehicles (ATVs), personal watercraft and relevant parts	140,668	88,252	61,127	657
Automobiles and relevant parts	9,489,391	7,674,404	6,554,848	70,452
Financial, insurance services	533,553	582,261	606,352	6,517
Power products and relevant parts	288,243	224,648	188,014	2,021
Others	132,951	118,417	89,668	964
Total	¥12,002,834	¥10,011,241	¥8,579,174	\$92,210

Geographical Information

As of and for the year ended March 31, 2008

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales to external customers	¥2,053,401	¥5,313,858	¥4,635,575	¥12,002,834
Long-lived assets	1,084,163	1,479,137	669,546	3,232,846

As of and for the year ended March 31, 2009

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales to external customers	¥1,871,962	¥3,990,729	¥4,148,550	¥10,011,241
Long-lived assets	1,140,316	1,835,163	566,445	3,541,924

As of and for the year ended March 31, 2010

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales to external customers	¥1,864,513	¥3,294,758	¥3,419,903	¥8,579,174
Long-lived assets	1,113,386	1,767,879	603,881	3,485,146

As of and for the year ended March 31, 2010

	U.S. dollars (millions)			
	Japan	United States	Other Countries	Total
Sales to external customers	\$20,040	\$35,412	\$36,758	\$92,210
Long-lived assets	11,967	19,001	6,491	37,459

The above information is based on the location of the Company and its subsidiaries.

Supplemental Geographical Information

In addition to the disclosure required by U.S. GAAP, Honda provides the following supplemental information as required by Financial Instruments and Exchange Law:

(1) Overseas sales and revenues based on the location of the customer

	Yen (millions)			U.S. dollars (millions)
	2008	2009	2010	2010
North America	¥6,068,425	¥4,514,190	¥3,736,447	\$40,160
Europe	1,519,434	1,186,012	764,785	8,220
Asia	1,577,266	1,595,472	1,543,397	16,589
Other regions	1,251,932	1,269,026	957,227	10,288

Explanatory notes:

Major countries or regions in each geographic area:

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Italy, Belgium
Asia	Thailand, Indonesia, China, India
Other Regions	Brazil, Australia

(2) Supplemental geographical information based on the location of the Company and its subsidiaries

As of and for the year ended March 31, 2008

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Net sales and other operating revenue:								
External customers	¥2,053,401	¥6,091,512	¥1,502,240	¥1,307,117	¥1,048,564	¥12,002,834	¥ —	¥12,002,834
Transfers between geographic areas	2,835,639	173,751	91,983	331,173	44,253	3,476,799	(3,476,799)	—
Total	4,889,040	6,265,263	1,594,223	1,638,290	1,092,817	15,479,633	(3,476,799)	12,002,834
Cost of sales, SG&A and R&D expenses	4,696,482	5,832,635	1,542,676	1,507,566	976,335	14,555,694	(3,505,969)	11,049,725
Operating income	192,558	432,628	51,547	130,724	116,482	923,939	29,170	953,109
Assets	3,127,143	6,863,970	948,544	1,080,439	574,890	12,594,986	20,557	12,615,543
Long-lived assets	¥1,084,163	¥1,589,356	¥ 171,030	¥ 260,141	¥ 128,156	¥ 3,232,846	¥ —	¥ 3,232,846

As of and for the year ended March 31, 2009

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Net sales and other operating revenue:								
External customers	¥1,871,962	¥4,534,684	¥1,191,540	¥1,335,091	¥1,077,964	¥10,011,241	¥ —	¥10,011,241
Transfers between geographic areas	2,290,625	244,440	87,362	273,140	66,256	2,961,823	(2,961,823)	—
Total	4,162,587	4,779,124	1,278,902	1,608,231	1,144,220	12,973,064	(2,961,823)	10,011,241
Cost of sales, SG&A and R&D expenses	4,324,203	4,699,422	1,268,701	1,504,628	1,009,158	12,806,112	(2,984,514)	9,821,598
Operating income (loss)	(161,616)	79,702	10,201	103,603	135,062	166,952	22,691	189,643
Assets	3,078,478	6,547,880	766,594	1,016,059	450,081	11,859,092	(40,175)	11,818,917
Long-lived assets	¥1,140,316	¥1,918,579	¥ 110,543	¥ 253,113	¥ 119,373	¥ 3,541,924	¥ —	¥ 3,541,924

As of and for the year ended March 31, 2010

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Net sales and other operating revenue:								
External customers	¥1,864,513	¥3,752,417	¥769,857	¥1,320,047	¥872,340	¥ 8,579,174	¥ —	¥ 8,579,174
Transfers between geographic areas	1,441,264	155,799	55,615	198,533	24,151	1,875,362	(1,875,362)	—
Total	3,305,777	3,908,216	825,472	1,518,580	896,491	10,454,536	(1,875,362)	8,579,174
Cost of sales, SG&A and R&D expenses	3,334,912	3,671,837	836,344	1,405,574	850,683	10,099,350	(1,883,951)	8,215,399
Operating income (loss)	(29,135)	236,379	(10,872)	113,006	45,808	355,186	8,589	363,775
Assets	2,947,764	6,319,896	591,423	1,050,727	619,345	11,529,155	99,960	11,629,115
Long-lived assets	¥1,113,386	¥1,861,596	¥107,262	¥ 240,704	¥162,198	¥ 3,485,146	¥ —	¥ 3,485,146

As of and for the year ended March 31, 2010

	U.S dollars (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Net sales and other operating revenue:								
External customers	\$20,040	\$40,331	\$8,274	\$14,188	\$9,377	\$ 92,210	\$ —	\$ 92,210
Transfers between geographic areas	15,491	1,675	598	2,134	259	20,157	(20,157)	—
Total	35,531	42,006	8,872	16,322	9,636	112,367	(20,157)	92,210
Cost of sales, SG&A and R&D expenses	35,844	39,465	8,989	15,107	9,144	108,549	(20,249)	88,300
Operating income (loss)	(313)	2,541	(117)	1,215	492	3,818	92	3,910
Assets	31,683	67,927	6,357	11,293	6,656	123,916	1,074	124,990
Long-lived assets	\$11,967	\$20,009	\$1,153	\$ 2,587	\$1,743	\$ 37,459	\$ —	\$ 37,459

Explanatory notes:

1. Major countries or regions in each geographic area:

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Italy, Belgium
Asia	Thailand, Indonesia, China, India
Other Regions	Brazil, Australia

- Operating income (loss) of each geographical region is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses).
- Assets of each geographical region are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets.
- Sales and revenues between geographic areas are generally made at values that approximate arm's-length prices.
- Unallocated corporate assets, included in reconciling items, amounted to ¥385,442 million as of March 31, 2008, ¥257,291 million as of March 31, 2009, and ¥338,135 million as of March 31, 2010, which consist primarily of cash and cash equivalents and marketable securities held by the Company. Reconciling items also include elimination of transactions between geographic areas.

Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen. However, the consolidated financial statements as of and for the year ended March 31, 2010 have been translated into United States dollars at the rate of ¥93.04 = U.S.\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2010. Those U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the reader. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

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

	Yen (millions)	
At March 31, 2009 and 2010	2009	2010
Assets		
Non-financial services businesses		
Current assets:	¥ 3,512,567	¥ 3,535,061
Cash and cash equivalents	668,114	1,100,695
Trade accounts and notes receivable, net	436,467	525,768
Inventories	1,243,961	935,629
Other current assets	1,164,025	972,969
Investments and advances	876,976	880,721
Property, plant and equipment, net	2,128,368	2,068,119
Other assets	520,332	446,218
Total assets	7,038,243	6,930,119
Finance Subsidiaries		
Cash and cash equivalents	22,255	19,207
Finance subsidiaries—short-term receivables, net	1,180,793	1,112,984
Finance subsidiaries—long-term receivables, net	2,401,469	2,362,813
Net property on operating leases	1,287,799	1,308,147
Other assets	843,400	738,637
Total assets	5,735,716	5,541,788
Reconciling items	(955,042)	(842,792)
Total assets	¥11,818,917	¥11,629,115
Liabilities and Equity		
Non-financial services businesses		
Current liabilities:	¥ 2,070,075	¥ 1,736,752
Short-term debt	656,951	211,325
Current portion of long-term debt	19,803	24,795
Trade payables	710,395	833,326
Accrued expenses	465,115	457,146
Other current liabilities	217,811	210,160
Long-term debt, excluding current portion	89,891	174,197
Other liabilities	1,114,411	1,024,017
Total liabilities	3,274,377	2,934,966
Finance Subsidiaries		
Short-term debt	1,697,481	1,385,032
Current portion of long-term debt	961,302	703,434
Accrued expenses	142,151	125,788
Long-term debt, excluding current portion	1,857,018	2,155,243
Other liabilities	495,361	488,970
Total liabilities	5,153,313	4,858,467
Reconciling items	(739,117)	(620,748)
Total liabilities	7,688,573	7,172,685
Honda Motor Co., Ltd. shareholders' equity	4,007,288	4,328,640
Noncontrolling interests	123,056	127,790
Total equity	4,130,344	4,456,430
Total liabilities and equity	¥11,818,917	¥11,629,115

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

Years ended March 31, 2009 and 2010	Yen (millions)							
	2009				2010			
	Non-financial services businesses	Finance subsidiaries	Reconciling items	Consolidated	Non-financial services businesses	Finance subsidiaries	Reconciling items	Consolidated
Cash flows from operating activities:								
Net income	¥ 103,780	¥ 47,153	¥ —	¥ 150,933	¥ 176,370	¥ 106,241	¥ —	¥ 282,611
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation	438,320	199,324	—	637,644	399,221	230,453	—	629,674
Deferred income taxes	(12,547)	54,320	—	41,773	20,622	35,984	—	56,606
Equity in income of affiliates	(99,034)	—	—	(99,034)	(93,282)	—	—	(93,282)
Dividends from affiliates	65,140	—	—	65,140	140,901	—	—	140,901
Impairment loss on investments in securities	26,001	—	—	26,001	603	—	—	603
Impairment loss on long-lived assets and goodwill	21,597	18,528	—	40,125	548	3,312	—	3,860
Loss (gain) on derivative instruments, net	24,045	(39,551)	—	(15,506)	(6,683)	(31,070)	—	(37,753)
Decrease (increase) in trade accounts and notes receivable	(55,881)	25,995	(139)	(30,025)	(67,982)	63,763	(2,691)	(6,910)
Decrease (increase) in inventories	(262,782)	—	—	(262,782)	352,994	—	—	352,994
Increase (decrease) in trade accounts and notes payable	(132,909)	—	(753)	(133,662)	153,440	—	(2,095)	151,345
Other, net	(144,915)	95,425	12,524	(36,966)	22,892	28,393	12,278	63,563
Net cash provided by (used in) operating activities	(29,185)	401,194	11,632	383,641	1,099,644	437,076	7,492	1,544,212
Cash flows from investing activities:								
Decrease (increase) in investments and advances	75,714	—	(68,393)	7,321	106,565	(5,878)	(121,852)	(21,165)
Capital expenditures	(632,191)	(2,999)	—	(635,190)	(389,747)	(2,315)	—	(392,062)
Proceeds from sales of property, plant and equipment	18,501	342	—	18,843	24,132	340	—	24,472
Decrease (increase) in finance subsidiaries—receivables	—	45,509	(1,736)	43,773	—	87,571	4,350	91,921
Purchase of operating lease assets	—	(668,128)	—	(668,128)	—	(544,027)	—	(544,027)
Proceeds from sales of operating lease assets	—	100,017	—	100,017	—	245,110	—	245,110
Net cash used in investing activities	(537,976)	(525,259)	(70,129)	(1,133,364)	(259,050)	(219,199)	(117,502)	(595,751)
Cash flows from financing activities:								
Increase (decrease) in short-term debt, net	452,437	(243,690)	62,048	270,795	(458,642)	(304,264)	113,265	(649,641)
Proceeds from long-term debt	63,253	1,250,961	(14,230)	1,299,984	115,120	1,023,804	(6,702)	1,132,222
Repayment of long-term debt	(23,165)	(879,541)	13,223	(889,483)	(25,285)	(941,995)	3,447	(963,833)
Proceeds from issuance of common stock	—	2,544	(2,544)	—	—	—	—	—
Dividends paid	(139,724)	—	—	(139,724)	(61,696)	—	—	(61,696)
Dividends paid to noncontrolling interests	(10,841)	—	—	(10,841)	(16,278)	—	—	(16,278)
Sales (purchase) of treasury stock, net	131	—	—	131	(18)	—	—	(18)
Net cash provided by (used in) financing activities	342,091	130,274	58,497	530,862	(446,799)	(222,455)	110,010	(559,244)
Effect of exchange rate changes on cash and cash equivalents	(129,282)	(12,390)	—	(141,672)	38,786	1,530	—	40,316
Net change in cash and cash equivalents	(354,352)	(6,181)	—	(360,533)	432,581	(3,048)	—	429,533
Cash and cash equivalents at beginning of period	1,022,466	28,436	—	1,050,902	668,114	22,255	—	690,369
Cash and cash equivalents at end of period	¥ 668,114	¥ 22,255	¥ —	¥ 690,369	¥1,100,695	¥ 19,207	¥ —	¥1,119,902

Notes:

- Honda adopted the FASB Accounting Standards Codification (ASC) 810 "Consolidation", which is a replacement of Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51", effective April 1, 2009. Upon the adoption of ASC 810, presentation of cash flows has been changed.
- 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. The amount of the loans to finance subsidiaries is a ¥70,937 million decrease for the fiscal year ended March 31, 2009, and a ¥121,852 million decrease for the fiscal year ended March 31, 2010, respectively.
- Decrease (increase) in trade accounts and notes receivable for finance subsidiaries is due to the reclassification of finance subsidiaries—receivables which relate to sales of inventory in the unaudited consolidated statements of cash flows presented above.

Financial Summary

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

	2000	2001	2002	2003
Sales, income, and dividends				
Net sales and other operating revenue	¥6,098,840	¥6,463,830	¥7,362,438	¥7,971,499
Operating income	418,639	401,438	661,202	724,527
Income before income taxes and equity in income of affiliates	419,658	388,419	555,854	619,413
Income taxes	170,434	178,439	231,150	245,065
Net income attributable to noncontrolling interests	16,786	25,704	42,515	61,972
Equity in income of affiliates	(3,595)	(3,443)	(4,512)	(9,658)
Net income attributable to Honda Motor Co., Ltd.	262,415	232,241	362,707	426,662
As percentage of sales	4.3%	3.6%	4.9%	5.4%
Cash dividends paid during the period	20,463	22,412	24,360	30,176
Research and development	334,036	352,829	395,176	436,863
Interest expense	18,920	21,400	16,769	12,207
Assets, long-term debt, and shareholders' equity				
Total assets	¥4,935,976	¥5,719,020	¥7,064,787	¥7,821,403
Long-term debt	574,566	368,173	716,614	1,140,182
Total Honda Motor Co., Ltd. shareholders' equity	1,930,373	2,230,291	2,573,941	2,629,720
Capital expenditures (excluding purchase of operating lease assets)	222,891	285,687	303,424	316,991
Purchase of operating lease assets				
Depreciation (excluding property on operating leases)	172,139	170,342	194,944	220,874
Depreciation of property on operating leases				
Per common share				
Net income attributable to Honda Motor Co., Ltd.:				
Basic	¥ 134.65	¥ 119.17	¥ 186.11	¥ 219.71
Diluted	134.65	119.17	186.11	219.71
Cash dividends paid during the period	10.5	11.5	12.5	15.5
Honda Motor Co., Ltd. shareholders' equity	990.53	1,144.43	1,320.77	1,367.34
Sales progress				
Sales amounts:*				
Japan	¥1,612,191	¥1,740,340	¥1,868,746	¥1,748,706
	26%	27%	25%	22%
Overseas	4,486,649	4,723,490	5,493,692	6,222,793
	74%	73%	75%	78%
Total	¥6,098,840	¥6,463,830	¥7,362,438	¥7,971,499
	100%	100%	100%	100%
Unit sales:				
Motorcycles	4,436	5,118	6,095	8,080
Automobiles	2,473	2,580	2,666	2,888
Power Products	4,057	3,884	3,926	4,584
Number of employees	112,400	114,300	120,600	126,900
Exchange rate (yen amounts per U.S. dollar)				
Rates for the period-end	¥ 106	¥ 124	¥ 133	¥ 120
Average rates for the period	112	111	125	122

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

						Yen (millions)	U.S. dollars (millions)
2004	2005	2006	2007	2008	2009	2010	2010
¥8,162,600	¥8,650,105	¥ 9,907,996	¥11,087,140	¥12,002,834	¥10,011,241	¥ 8,579,174	\$ 92,210
600,144	630,920	868,905	851,879	953,109	189,643	363,775	3,910
653,680	668,364	829,904	792,868	895,841	161,734	336,198	3,613
252,740	266,665	317,189	283,846	387,436	109,835	146,869	1,578
75,151	96,057	99,605	103,417	118,942	99,034	93,282	1,003
(11,753)	(11,559)	(15,287)	(20,117)	(27,308)	(13,928)	(14,211)	(153)
464,338	486,197	597,033	592,322	600,039	137,005	268,400	2,885
5.7%	5.6%	6.0%	5.3%	5.0%	1.4%	3.1%	
33,541	47,797	71,061	140,482	152,590	139,724	61,696	663
448,967	467,754	510,385	551,847	587,959	563,197	463,354	4,980
10,194	11,655	11,902	12,912	16,623	22,543	12,552	135
¥8,380,549	¥9,368,236	¥10,631,400	¥12,036,500	¥12,615,543	¥11,818,917	¥11,629,115	\$124,990
1,394,612	1,559,500	1,879,000	1,905,743	1,836,652	1,932,637	2,313,035	24,861
2,874,400	3,289,294	4,125,750	4,488,825	4,550,479	4,007,288	4,328,640	46,525
287,741	373,980	457,841	627,066	654,030	633,913	348,981	3,751
			366,795	839,261	668,128	544,027	5,847
213,445	225,752	262,225	361,747	417,393	441,868	401,743	4,318
			9,741	101,032	195,776	227,931	2,450
						Yen	U.S. dollars
¥ 243.45	¥ 260.34	¥ 324.33	¥ 324.62	¥ 330.54	¥ 75.50	¥ 147.91	\$ 1.59
243.45	260.34	324.33	324.62	330.54	75.50	147.91	1.59
17.5	25.5	38.5	77	84	77	34	0.37
1,527.45	1,778.24	2,259.26	2,463.69	2,507.79	2,208.35	2,385.45	25.64
						Yen (millions)	U.S. dollars (millions)
¥1,628,493	¥1,699,205	¥ 1,694,044	¥ 1,681,190	¥ 1,585,777	¥ 1,446,541	¥ 1,577,318	\$ 16,953
20%	20%	17%	15%	13%	14%	18%	
6,534,107	6,950,900	8,213,952	9,405,950	10,417,057	8,564,700	7,001,856	75,257
80%	80%	83%	85%	87%	86%	82%	
¥8,162,600	¥8,650,105	¥ 9,907,996	¥11,087,140	¥12,002,834	¥10,011,241	¥ 8,579,174	\$ 92,210
100%	100%	100%	100%	100%	100%	100%	
						Thousands	
9,206	10,482	10,271	10,369	9,320	10,114	9,639	
2,983	3,242	3,391	3,652	3,925	3,517	3,392	
5,047	5,300	5,876	6,421	6,057	5,187	4,744	
131,600	137,827	144,785	167,231	178,960	181,876	176,815	
¥ 106	¥ 107	¥ 117	¥ 118	¥ 100	¥ 98	¥ 93	
113	108	113	117	114	101	93	

Selected Quarterly Financial Data

	Yen (millions except per share amounts)							
	Year ended March 31, 2009				Year ended March 31, 2010			
	I	II	III	IV	I	II	III	IV
Net sales and other operating revenue	¥2,867,221	¥2,826,865	¥2,533,257	¥1,783,898	¥2,002,212	¥2,056,655	¥2,240,740	¥2,279,567
Operating income (loss)	210,476	148,851	102,452	(272,136)	25,164	65,543	176,971	96,097
Income (loss) before income taxes and equity in income of affiliates	224,224	149,462	86,750	(298,702)	5,458	66,140	171,013	93,587
Net income (loss) attributable to Honda Motor Co., Ltd.	173,397	123,316	20,242	(179,950)	7,560	54,037	134,627	72,176
Basic net income (loss) attributable to Honda Motor Co., Ltd.	¥95.56	¥67.96	¥11.16	¥(99.17)	¥4.17	¥29.78	¥74.19	¥39.78
Tokyo Stock Exchange: (TSE) (in yen)								
High	¥3,910	¥3,850	¥3,190	¥2,515	¥3,070	¥3,230	¥3,170	¥3,410
Low	2,765	3,000	1,643	1,860	2,390	2,300	2,590	2,951
New York Stock Exchange: (NYSE) (in U.S. dollars)								
High	\$36.40	\$35.67	\$30.08	\$25.58	\$31.00	\$32.99	\$34.52	\$37.23
Low	27.69	28.20	17.35	20.28	24.83	25.00	28.82	33.27

Note: All quarterly financial data is unaudited and has not been reviewed by the independent registered public accounting firm (KPMG AZSA & Co.).

Investor Information



Investor Information

Honda Motor Co., Ltd.

Company Information

Established	September 24, 1948
Lines of Business	Motorcycles, Automobiles, Financial Services and Power Products and Others
Fiscal Year-end	March 31
Independent Registered Public Accounting Firm	KPMG AZSA & Co.
Web Site	<ul style="list-style-type: none">• Corporate Web Site http://www.honda.co.jp• IR Web Sites Japanese: http://www.honda.co.jp/investors/ English: http://world.honda.com/investors/

Stock Information

Securities Code	7267
Number of Shares Authorized	7,086,000,000 shares
Total Number of Shares Issued	1,834,828,430 shares
Number of Shareholders	209,149
Number of Shares per Trading Unit	100 shares
Stock Exchange Listings	Japan: Tokyo, Osaka stock exchanges Overseas: New York, London stock exchanges
General Meeting of Shareholders	June
Record Dates for Dividends	June 30 September 30 December 31 March 31



IR Offices

Japan	Honda Motor Co., Ltd. 1-1, 2-chome, Minami-Aoyama, Minato-ku, Tokyo 107-8556, Japan TEL: 81-(0)3-3423-1111 (Switchboard)
U.S.A.	Honda North America, Inc. New York Office 156 West 56th Street, 20th Floor, New York, NY 10019, U.S.A. TEL: 1-212-707-9920

Shareholders' Register Manager for Common Stock

The Chuo Mitsui Trust and Banking Co., Ltd.

33-1, Shiba 3-chome, Minato-ku,
Tokyo 105-8574, Japan

Contact Address:

The Chuo Mitsui Trust and Banking Co., Ltd.
Stock Transfer Agency Dept. Operation Center
8-4, Izumi 2-chome, Suginami-ku,
Tokyo 168-0063, Japan
TEL: 81-(0)3-3323-7111
TEL: 0120-78-2031 (toll free within Japan)

Depository and Transfer Agent for American Depositary Receipts

JPMorgan Chase Bank, N.A.

1 Chase Manhattan Plaza, Floor 58,
New York, NY 10005, U.S.A.

Contact Address:

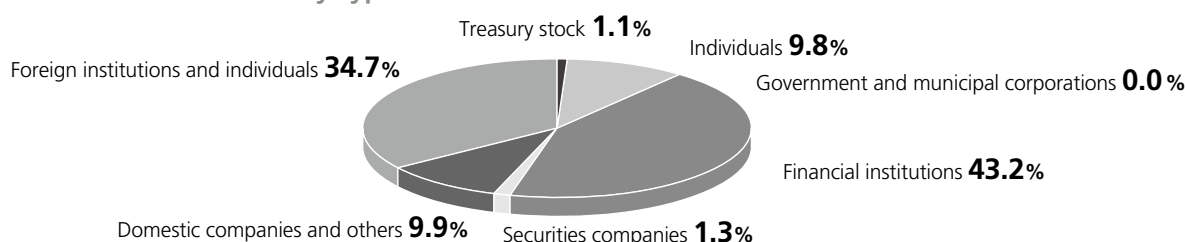
JPMorgan Service Center
P.O. Box 64504
St. Paul, MN 55164-0504, U.S.A.
TEL: 1-800-990-1135
E-mail: jpmorgan.adr@wellsfargo.com
Ratio: 1 ADR = 1 share of underlying stock
Ticker symbol: HMC

Note: With respect to taxation and other matters relating to the acquisition, holding, and disposition of the Company's common stock or ADRs by non-residents of Japan, please also refer to "Item 10E. Taxation" of Form 20-F included in the "Investor Relations" section on our web site.

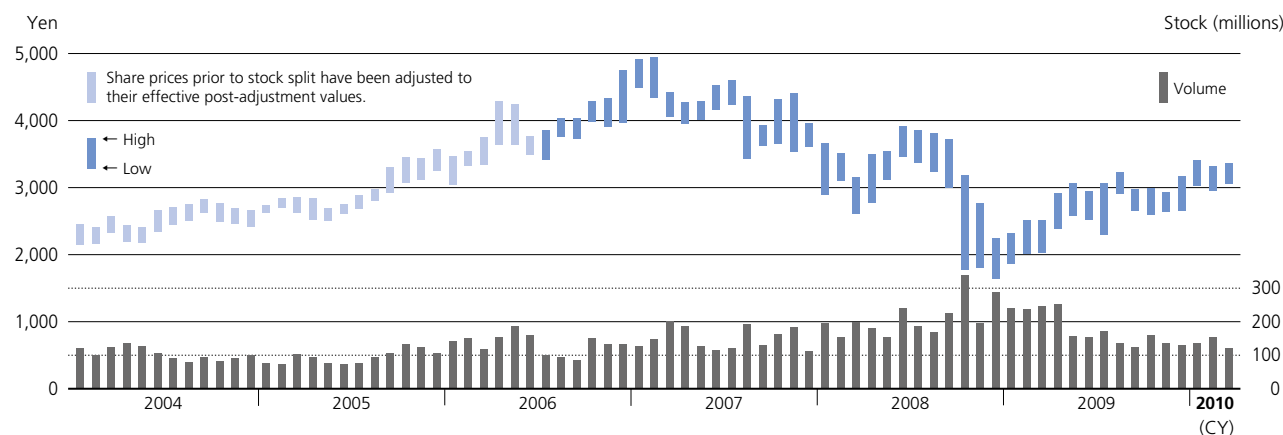
Major Shareholders

Individual or Organization	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	133,296	7.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	81,961	4.5
JPMorgan Chase Bank 380055	72,611	4.0
Moxley & Co.	71,108	3.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	62,875	3.4
Meiji Yasuda Life Insurance Company	51,199	2.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36,686	2.0
Mitsui Sumitomo Insurance Co., Ltd.	35,039	1.9
Sompo Japan Insurance Inc.	34,766	1.9
Nippon Life Insurance Company	34,700	1.9

Breakdown of Shareholders by Type



Honda's Stock Price and Trading Volume on the Tokyo Stock Exchange



Note: The Company executed a two-for-one stock split for the Company's common stock effective July 1, 2006. The prices of shares on the Tokyo Stock Exchange prior to the split have been adjusted retroactively for consistency. Consequently, the prices shown here are not the actual prices of shares on the Tokyo Stock Exchange.



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