

# HONDA

## The Power of Dreams

### Honda Motor Co. Summary

Honda Motor Co., Ltd. manufactures and sells motorcycles, automobiles, and power products. It operates through four segments: Motorcycle Business, Automobile Business, Financial Services Business, and Power Product and Other Businesses. The Motorcycle Business segment offers business and commuter models, as well as sports models, including trial and moto-cross racing motorcycle; allterrain vehicles; and multi utility vehicles. The Automobile Business segment manufactures various automobile products, such as passenger cars, light trucks, and mini vehicles. The Financial Services Business segment provides various financial services comprising retail lending, leasing, and other financial services consisting of wholesale financing to dealers and customers. The Power Product and Other Businesses segment manufactures various power products, including tillers, portable generators, general-purpose engines, grass cutters, outboard marine engines, water pumps, snow throwers, power carriers, power sprayers, lawn mowers, and lawn tractors. It also offers compact home-use cogeneration units. The company sells its products through independent retail dealers, outlets, and authorized dealerships primarily in Japan, North America, Europe, and rest of Asia. Honda Motor Co., Ltd. was founded in 1946 and is based in Tokyo, Japan.

1. **Profit Margin:** The profit margin is the percentage of money that is not retained by the company. Honda made 4.48% as pure profit., which would be \$4.48 to every \$100 dollars.

$$\text{Net Income/Sales} = \$ 5,575,000,000 / \$ 114,992,000,000 = 0.0484 * 100 = \mathbf{4.84\%}$$

**2 Points**

2. **Debt Ratio:** The amount of assets purchased by debt. Honda gets about 62% of its assets through debt.

$$\text{Total Debt/Total Assets} = \$ 94,218,000,000 / \$ 151,692,000,000 =$$

$$.6211 * 100 = \mathbf{62.11\%} \quad \mathbf{2 Points}$$

3. **Current Ratio:** The number of times a company can pay itself out of debt. Honda can pay its debt off 1.22 times.

$$\text{Current Assets/Current Liabilities} = \$ 56,040,000,000 / \$ 45,748,000,000 = \mathbf{1.22}$$

**2 Points**

4. **Return on Assets:** Net income as a percentage of total assets. Honda makes 3.76% of its assets as an equivalent to its income.

$$\text{Net Income/Average Total Assets} = \$ 5,575,000,000 / \$ 148,239,500,000 =$$

$$.0376 * 100 = \mathbf{3.76\%} \quad \mathbf{2 Points}$$

$$\text{Average Total Assets} = (151,692,000,000 + 144,787,000,000) / 2 = 148,239,500,000$$

5. **Inventory Turnover:** The number of times a company sells its inventory over a year. Honda sells its inventory 6.69 times over every year.

$$\text{Cost of Goods Sold/Average Inventory} =$$

$$850,710,000,000 / (12,651,000,000 + 12,906,000,000 + 12,586,000,000) =$$

$$850,710,000,000 / ((38,140,000,000) / 3) =$$

$$850,710,000,000 / 12,714,333,333.30 = \mathbf{6.69} \quad \mathbf{2 Points}$$

**Total Points: 10 Points**

**Would We Invest?**

We would not invest in Honda because its financial score is only 10. With a score this low, we would look for other companies to invest our money in. The financial score is a universal indicator of a business's worthiness for investors' money. On our particular chart, it was rated as "Terrible." The company would have to have a huge gain to make it worthy again.