

July 27, 2005

**Notice Regarding the Transfer of a Portion of Employees' Pension Fund Benefit Obligation**

Tokyo, July 27, 2005--- Honda Motor Co., Ltd. today announced that, as stipulated in the Japanese Welfare Pension Insurance Law, the "Honda Employees' Pension Fund" (Confederated Welfare Pension Fund, the "Fund"), of which the Company is a member, has obtained an approval from the Japanese Ministry of Health, Labor and Welfare for exemption from benefits obligations related to past employee services with respect to the substitutional portion of the Fund on July 1, 2005. Previously on April 1, 2004, the Fund received an approval of exemption from the obligation for benefits related to future employee services with respect to the Fund.

Accordingly, the "Honda Employees' Pension Fund" was newly changed to the "Honda Pension Fund".

Also, the Company assessed pension costs, pension liabilities and related gains or losses based on "Implementation guidance on accounting standards for post-employment benefits" issued by Japanese Institute of Certified Public Accountant". The Company will recognize a JPY 91.5 billion gain on the transfer of the benefit obligation of the substitutional portion of the Fund to the Japanese government as an "extraordinary gain" in the unconsolidated financial statements for the fiscal year ending March 31, 2006 in accordance with the Japanese accounting standards. This gain on the transfer of the benefit obligation is reflected in the forecast for the unconsolidated financial position and results of operation for the year ending March 31, 2006, which was released today.

The Company's consolidated financial statements for the year ending March 31, 2006 will not include the gain on the transfer of the benefit obligation in accordance with the Emerging Issue Task Force's consensus on Issue No. 03-2 "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" (EITF03-2). According to the EITF 03-2, the difference between the fair value of the obligation and the assets to be transferred to the Japanese government, which should be disclosed as a subsidy, will be determined upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets.

The date of transfer and the effect of adopting EITF 03-2 have not been determined. Accordingly, the effect is not reflected in the forecasts for the consolidated financial position and results of operation for the year ending March 31, 2006.