

First Quarter Report

Period Ended June 30, 2000

HONDA

Consolidated Financial Summary (Unaudited)

Financial Highlights

Honda Motor Co., Ltd. and Subsidiaries
For the three months ended June 30, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Net sales and other operating revenue	¥1,516,668	¥1,549,474	\$14,686,957
Operating income	124,997	104,371	989,299
Income before income taxes	121,062	101,767	964,616
Net income	72,862	63,802	604,758
	Yen		U.S. dollars
Net income per			
Common share: Basic	¥ 74.78	¥ 65.48	\$0.62
Diluted	74.78	65.48	0.62
American share: Basic	149.56	130.96	1.24
Diluted	149.56	130.96	1.24

Unit Sales Breakdown

	Thousands of units			
	1999		2000	
MOTORCYCLES				
Japan	106	(—)*	101	(—)*
North America	68	(43)	93	(48)
Europe	122	(1)	106	(2)
Others	798	(3)	926	(3)
Total	1,094	(47)	1,226	(53)

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

AUTOMOBILES

Japan	159	180
North America	308	342
Europe	56	50
Others	52	64
Total	575	636

POWER PRODUCTS

Japan	48	43
North America	431	408
Europe	317	335
Others	197	243
Total	993	1,029

Explanatory Notes: 1. The geographical breakdown of unit sales is based on the location of affiliated and unaffiliated customers.

2. Due to the change in method of business segment categorization described in Explanatory Note 7 on page 6, unit sales breakdown for the three-month period ended June 1999 was restated to include unit sales of all terrain vehicles (ATVs), which were previously included in Power Products, in Motorcycles.

Net Sales Breakdown

	Millions of yen			
	1999		2000	
MOTORCYCLE BUSINESS				
Japan	¥ 25,502	(14.3%)	¥ 25,334	(12.8%)
North America	40,783	(22.8%)	47,669	(24.1%)
Europe	57,186	(32.0%)	49,470	(25.0%)
Others	55,103	(30.9%)	75,358	(38.1%)
Total	¥ 178,574	(100.0%)	¥ 197,831	(100.0%)
AUTOMOBILE BUSINESS				
Japan	¥ 318,828	(26.0%)	¥ 361,216	(28.9%)
North America	713,059	(58.1%)	716,562	(57.3%)
Europe	114,863	(9.4%)	85,050	(6.8%)
Others	80,996	(6.5%)	86,643	(7.0%)
Total	¥1,227,726	(100.0%)	¥1,249,471	(100.0%)
OTHERS				
Japan	¥ 24,992	(22.6%)	¥ 26,735	(26.2%)
North America	63,695	(57.7%)	52,325	(51.2%)
Europe	14,269	(12.9%)	13,827	(13.5%)
Others	7,412	(6.8%)	9,285	(9.1%)
Total	¥ 110,368	(100.0%)	¥ 102,172	(100.0%)
TOTAL				
Japan	¥ 369,322	(24.4%)	¥ 413,285	(26.7%)
North America	817,517	(53.9%)	816,556	(52.7%)
Europe	186,318	(12.3%)	148,347	(9.6%)
Others	143,511	(9.4%)	171,286	(11.0%)
Total	¥1,516,668	(100.0%)	¥1,549,474	(100.0%)

Explanatory Notes: 1. The geographical breakdown of net sales is based on the location of affiliated and unaffiliated customers.

2. Due to the change in method of business segment categorization described in Explanatory Note 7 on page 6, net sales breakdown for the three-month period ended June 1999 was restated to include net sales of all terrain vehicles (ATVs), which were previously included in Others, in Motorcycle Business.

To Our Shareholders

■ Performance Highlights (First Quarter Results)

Honda's consolidated net income for the fiscal first quarter ended June 30, 2000, totaled ¥63.8 billion (\$605 million), a decrease of 12.4% from the same period in 1999. Net income per common share, both on a basic and fully diluted basis, amounted to ¥65.48 (\$0.62) for the quarter, compared to ¥74.78 for the same period in 1999. Each of Honda's American Depositary Shares represents two Common Shares.

Unit sales in all of Honda's business categories, namely motorcycles, automobiles and power products, increased during the fiscal first quarter and consolidated net sales and other operating revenue ("revenue") for the quarter amounted to ¥1,549.4 billion (\$14,687 million), an increase of 2.2% from the same period in 1999.

Revenue includes currency translation effects, which had a negative impact on foreign currency-denominated revenue from Honda's overseas subsidiaries translated into yen.

Honda estimates that had the exchange rate for yen remained unchanged from the same period in 1999, then revenue for the quarter would have increased by approximately 12.4%.

Consolidated operating income for the fiscal first quarter totaled ¥104.3 billion (\$989 million), a decrease of 16.5% compared to the same period in 1999. Despite Honda's increased unit sales and ongoing cost reduction efforts, the negative impact of the appreciation of the yen was the major factor for this decrease in operating income.

Consolidated income before income taxes for the quarter totaled ¥101.7 billion (\$965 million), decreasing 15.9% from the same period in 1999.

■ Review of Operations

With respect to Honda's sales in the fiscal first quarter taken by business category, motorcycle unit sales increased 12.1% to 1,226,000 units, and revenue increased 10.8%, to ¥197.8 billion (\$1,875 million). This increase in unit sales was due primarily to higher sales in such Asian countries as India and Thailand.

Honda's unit sales of automobiles increased by 10.6% to 636,000 units, and revenue increased 1.8%, to ¥1,249.4 billion (\$11,843 million) during the quarter. This increase in unit sales was primarily due to strong sales of the *Odyssey* and the introduction of the minivehicle *Vamos* in Japan, as well as the sales of *Odyssey* and the *CR-V* in North America.

Unit sales of power products totaled 1,029,000 units, an increase of 3.6% compared to the same period in 1999. Honda's general-purpose engines in Europe and Asia contributed to this increase in unit sales. Revenue from other businesses, including the power product business and financial services, decreased by 7.4% to ¥102.1 billion (\$968 million). The appreciation of the yen was the primary contributor to this decrease in revenue.

September 2000



Hiroyuki Yoshino
President and Chief Executive Officer

North America

■ Acura Unveils the *MDX* Luxury SUV

In April 2000, *Acura* took the wraps off its all-new *MDX* luxury sport-utility vehicle (SUV) at the New York International Auto Show.

Designed as a true luxury performance SUV, the *Acura MDX* combines a highly rigid unit body structure, advanced all-aluminum 3.5-liter VTEC V-6 engine and four-wheel independent suspension to deliver sports sedan-like driving performance in a luxury vehicle capable of transporting seven passengers.

In keeping with the company's role as a leader in environmental technologies, the *MDX* will be the first SUV to meet California's Ultra-Low Emissions Vehicle (ULEV) requirement in all 50 states. The *MDX* also boasts the best fuel economy performance of any vehicle in its class, making it one of the cleanest, most fuel-efficient SUVs on the road.

An innovative new VTМ-4 (Variable Torque Management-4WD) fully automatic four-wheel drive system combines the best elements of full-time and automatic four-wheel drive to deliver a truly superior level of driver control in all types of weather and road conditions.

Slated to go on sale in fall 2000 as a 2001 model, the *MDX* is a full-featured luxury SUV that combines exhilarating performance and outstanding all-weather handling with an expected five-star safety performance rating, class-leading fuel economy, ULEV standards and a uniquely transformable interior.



Acura MDX

Japan

■ Honda Launches *S2000 type V*

In July 2000, Honda Motor announced the launch of the *S2000 type V*, a new version of the *S2000*, Honda's two-seater open sports car. The *type V* will be equipped with a variable gear-ratio steering (VGS) system, a first in automotive history. The *S2000 type V* went on sale in Japan through Honda's Verno dealership network starting July 14, 2000.

The *S2000* embodies the ultimate in driving pleasure while realizing superb environment friendliness. It is officially approved as an excellent low-emission vehicle, achieving exhaust emissions some 50% cleaner than required by the 2000 emission standards established by the Ministry of Transport. This genuine open-top sports car has established a new standard in the market by offering both excellent handling performance and ecological compatibility.

The VGS system, which debuts in the *S2000 type V*, continuously varies the steering gear ratio depending on vehicle speed and steering angle, resulting in a heightened joy of maneuvering. Adoption of this variable ratio system ensures ideal handling performance under a broader range of driving conditions. Agile and exhilarating performance is especially noticeable on winding roads since the front end of the vehicle turns sharply in precise response to the driver's steering input. While cruising at high speeds on expressways, the VGS offers a smooth and progressive ratio setup without excessive sensitivity, providing the driver with the relaxed and reliable driving feel of conventional steering systems. Astonishingly, the lock-to-lock ratio, or maximum turn of the steering wheel, is almost halved, to 1.4 turns, for better maneuverability at low speeds.



S2000 type V

Asia

■ Joint Venture Seen as Major Boost for Malaysian Auto Industry

In July 2000, DRB-HICOM Berhad, Oriental Holdings Berhad and Honda Motor Co., Ltd., signed a memorandum of agreement (MOA) to manufacture and distribute Honda automobiles, spare parts, accessories and components. The signing was witnessed by Y.A.B. Datuk Seri Dr. Mahathir Mohamad, Prime Minister of Malaysia.

Under the terms of the MOA, a new entity named DRB-Oriental-Honda Sdn. Bhd. will be incorporated beginning next year, with authorized capital of RM 500 million (US\$ 130 million). The Malaysian companies, DRB-HICOM (36%) and Oriental Holdings (15%), will hold a combined stake of 51% of the new company, while Honda Motor will hold 49%.

Seen as a major boost to the Malaysian automotive industry, DRB-Oriental-Honda matches Honda's regional strategy of increasing its competitiveness in Malaysia and ASEAN to meet the challenges of market liberalization under the ASEAN Free Trade Area (AFTA) scheme. The production of Honda automobiles will take place at a facility equipped with Honda's world-class flexible manufacturing systems to maximize efficiency.

DRB-HICOM has developed core competencies in vehicle

assembly and manufacturing through strong infrastructure support and strategic alliances. Speaking at the signing ceremony, the chairman of DRB-HICOM commented that the MOA is a clear sign of confidence in DRB-HICOM's expertise and ability in the automotive market. The strategic alliance with Honda will also develop the potential of Malaysian automobile component suppliers, which will now have the opportunity to break into the highly competitive international market at a faster pace.

Oriental Holdings' chairman also welcomed the joint venture as a strategically beneficial investment for the company's shareholders. The signing of the MOA secures Oriental Holdings' long-term relationship with Honda. Apart from its equity stake in the new joint venture, its related company, Kah Motor Co. Sdn. Bhd. will continue to retail Honda automobiles through its existing dealer network.

Also speaking at the signing ceremony was Mr. Hiroyuki Yoshino, President and Chief Executive Officer of Honda Motor. Honda's decision to make a major investment in the automobile industry in Malaysia and ASEAN reflected the strength of the economy in the region and the importance Honda attached to preparing for AFTA market liberalization. Mr. Yoshino expressed the importance of applying Honda's strategy, not only in each individual country but also in consideration of the entire ASEAN region, to strengthen competitiveness in all aspects of its business. Upgrading Honda's presence in all ASEAN markets will work toward maintaining its corporate goal of being the world's most customer-oriented automotive manufacturer.

Consolidated Balance Sheets

Honda Motor Co., Ltd. and Subsidiaries
June 30, 1999, and March 31 and June 30, 2000

	Millions of yen		
	June 30, 1999 (Unaudited)	March 31, 2000 (Audited)	June 30, 2000 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents.....	¥ 241,000	¥ 430,587	¥ 382,170
Trade receivables.....	346,102	390,659	354,508
Finance subsidiaries-receivables, net.....	680,467	731,580	762,221
Inventories.....	595,219	567,705	559,875
Deferred income taxes.....	129,967	154,277	155,034
Other current assets.....	196,678	180,903	189,454
Total current assets	<u>2,189,433</u>	<u>2,455,711</u>	<u>2,403,262</u>
Finance subsidiaries-receivables, net	1,132,861	878,242	977,501
Investments and advances	371,103	389,094	372,200
Property, plant and equipment, at cost:			
Land.....	299,191	296,591	291,217
Buildings.....	783,852	783,055	785,976
Machinery and equipment.....	1,772,869	1,731,589	1,737,693
Construction in progress.....	46,342	63,408	77,628
	<u>2,902,254</u>	<u>2,874,643</u>	<u>2,892,514</u>
Less accumulated depreciation.....	1,763,548	1,753,603	1,767,529
Net property, plant and equipment	<u>1,138,706</u>	<u>1,121,040</u>	<u>1,124,985</u>
Other assets	112,198	54,341	65,528
Total assets	<u>¥4,944,301</u>	<u>¥4,898,428</u>	<u>¥4,943,476</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Bank loans and commercial paper.....	¥ 564,362	¥ 495,953	¥ 620,658
Current portion of long-term debt.....	232,798	343,576	336,797
Trade payables.....	640,324	696,876	649,653
Accrued expenses.....	425,829	483,917	481,252
Income taxes payable.....	62,636	53,319	62,724
Other current liabilities.....	143,462	128,670	132,763
Total current liabilities	<u>2,069,411</u>	<u>2,202,311</u>	<u>2,283,847</u>
Long-term debt	726,491	574,566	487,125
Other liabilities	334,843	191,178	197,255
Total liabilities	<u>¥3,130,745</u>	<u>¥2,968,055</u>	<u>¥2,968,227</u>
Stockholders' equity:			
Common stock, authorized 3,600,000,000 shares, par value ¥50 or without par value; issued 974,414,215 shares in June 1999, 974,414,215 shares in March 2000 and 974,414,215 shares in June 2000.....	86,067	86,067	86,067
Capital surplus.....	172,529	172,529	172,529
Legal reserves.....	27,285	27,545	27,765
Retained earnings.....	2,040,274	2,218,848	2,270,737
Adjustments from foreign currency translation.....	(432,828)	(580,676)	(579,636)
Net unrealized gains on marketable equity securities.....	25,949	41,022	32,749
Minimum pension liabilities adjustment.....	(105,720)	(34,962)	(34,962)
Accumulated other comprehensive income (loss).....	(512,599)	(574,616)	(581,849)
Total stockholders' equity	<u>¥1,813,556</u>	<u>¥1,930,373</u>	<u>¥1,975,249</u>
Total liabilities and stockholders' equity	<u>¥4,944,301</u>	<u>¥4,898,428</u>	<u>¥4,943,476</u>

Consolidated Statements of Income and Retained Earnings (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries
For the three months ended June 30, 1999 and 2000

	Millions of yen	
	Three months ended June 30, 1999	Three months ended June 30, 2000
Net sales and other operating revenue	¥1,516,668	¥1,549,474
Operating costs and expenses:		
Cost of sales.....	1,038,274	1,084,538
Selling, general and administrative.....	276,068	280,439
Research and development	77,329	80,126
Operating income	124,997	104,371
Other income:		
Interest	2,426	2,644
Other	638	2,543
Other expenses:		
Interest	5,442	5,103
Other	1,557	2,688
Income before income taxes	121,062	101,767
Income taxes	49,716	43,244
Income before equity in income of affiliates	71,346	58,523
Equity in income of affiliates	1,516	5,279
Net income	72,862	63,802
Retained earnings:		
Balance at beginning of period.....	1,977,613	2,218,848
Cash dividends paid.....	(9,744)	(11,693)
Transfer to legal reserves	(457)	(220)
Balance at end of period	¥2,040,274	¥2,270,737
Depreciation	¥41,201	¥38,357
Capital expenditures	44,029	56,003
	Yen	
Net income per		
Common share: Basic	¥ 74.78	¥ 65.48
Diluted	74.78	65.48
American share: Basic	149.56	130.96
Diluted	149.56	130.96

Investor Information

Explanatory Notes:

1. The Company prepares its consolidated financial statements in conformity with generally accepted accounting principles in the United States since the Company has issued American Depositary Receipts listed on the New York Stock Exchange and files reports with the U.S. Securities and Exchange Commission.
2. Net income per common share amounts are computed based on the Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share", which is effective for both interim and annual periods ended after December 15, 1997. Basic net income per common share is computed based on the weighted average number of common shares outstanding during each period. For the Company, the computation of fully diluted net income per common share is similar to the computation of basic net income per common share except for the assumption that convertible bonds of the Company were converted into common shares.
3. The average exchange rate for the fiscal first quarter ended June 30, 2000 was ¥106.69=US\$1. The average exchange rate for the corresponding period last year was ¥121.01=US\$1, a difference of ¥14.32.
4. United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥105.50=US\$1, the mean of the telegraphic transfer selling exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo foreign exchange market on June 30, 2000.
5. One American depositary share represents two common shares.
6. The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No.130, "Reporting Comprehensive Income" in the first fiscal quarter ended June 30, 1998. The following table represents components of the Company's comprehensive income. Other comprehensive income (loss) consists of changes in adjustments from foreign currency translation, net unrealized gains on marketable equity securities and minimum pension liabilities adjustment.

(Millions of yen)

	Three months ended June 30, 1999	Three months ended June 30, 2000
Net income	¥ 72,862	¥63,802
Other comprehensive income (loss)	(13,417)	(7,233)
Comprehensive income	59,445	56,569

7. Effective the fiscal fourth quarter ended March 2000, Honda changed its method of business segment categorization from the former categorization based on the similarity of the principal products included within each segment, as well as the relevant markets for such products, to the new categorization, including the factor of the Honda's organization as an additional criterion.
8. Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2000.

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

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

Total Shares of Common Stock Issued
and Outstanding
974,414,215 (as of June 30, 2000)

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