

**Third Quarter Report**  
Period Ended December 31, 2005

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*Civic Si (U.S. version)*

# Consolidated Financial Summary

## Financial Highlights

Honda Motor Co., Ltd. and Subsidiaries  
For the three months and nine months ended December 31, 2004 and 2005

	Yen (millions)				U.S. dollar (millions)	
	Three months ended		Nine months ended		Three months ended	Nine months ended
	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2005	Dec. 31, 2005
Net sales and other operating revenue	¥2,133,820	<b>¥2,472,006</b>	¥6,300,551	<b>¥7,074,255</b>	<b>\$20,937</b>	<b>\$59,916</b>
Operating income	157,636	<b>194,986</b>	490,561	<b>528,073</b>	<b>1,651</b>	<b>4,473</b>
Income before income taxes	187,996	<b>166,097</b>	527,663	<b>479,797</b>	<b>1,407</b>	<b>4,064</b>
Net income	150,760	<b>133,146</b>	392,144	<b>377,520</b>	<b>1,128</b>	<b>3,197</b>
	Yen				U.S. dollars	
Basic net income per						
Common share	¥161.78	<b>¥144.81</b>	¥418.99	<b>¥409.43</b>	<b>\$1.23</b>	<b>\$3.47</b>
American depositary share	80.89	<b>72.40</b>	209.49	<b>204.71</b>	<b>0.61</b>	<b>1.73</b>

## Unit Sales Breakdown

	Unit (thousands)							
	Three months ended				Nine months ended			
	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005
<b>MOTORCYCLES</b>								
Japan	78	(78)	<b>76</b>	<b>(76)</b>	285	(285)	<b>275</b>	<b>(275)</b>
North America	135	(70)	<b>160</b>	<b>(83)</b>	413	(212)	<b>404</b>	<b>(211)</b>
Europe	71	(68)	<b>61</b>	<b>(58)</b>	247	(237)	<b>255</b>	<b>(246)</b>
Asia	1,965	(1,965)	<b>2,225</b>	<b>(2,225)</b>	6,127	(6,127)	<b>6,157</b>	<b>(6,157)</b>
Other Regions	234	(231)	<b>266</b>	<b>(263)</b>	694	(685)	<b>767</b>	<b>(756)</b>
Total	2,483	(2,412)	<b>2,788</b>	<b>(2,705)</b>	7,766	(7,546)	<b>7,858</b>	<b>(7,645)</b>
<b>AUTOMOBILES</b>								
Japan	173		<b>156</b>		517		<b>506</b>	
North America	403		<b>434</b>		1,160		<b>1,248</b>	
Europe	59		<b>59</b>		188		<b>204</b>	
Asia	136		<b>117</b>		392		<b>384</b>	
Other Regions	46		<b>50</b>		126		<b>148</b>	
Total	817		<b>816</b>		2,383		<b>2,490</b>	
<b>POWER PRODUCTS</b>								
Japan	95		<b>110</b>		315		<b>349</b>	
North America	443		<b>445</b>		1,675		<b>1,699</b>	
Europe	273		<b>357</b>		766		<b>881</b>	
Asia	137		<b>122</b>		510		<b>563</b>	
Other Regions	96		<b>100</b>		250		<b>265</b>	
Total	1,044		<b>1,134</b>		3,516		<b>3,757</b>	

### Explanatory notes:

1. The geographical breakdown of unit sales is based on the location of unaffiliated customers.
2. Figures in brackets represent unit sales of motorcycles only.

## Net Sales Breakdown

	Yen (millions)							
	Three months ended				Nine months ended			
	Dec. 31, 2004		Dec. 31, 2005		Dec. 31, 2004		Dec. 31, 2005	
<b>MOTORCYCLE BUSINESS</b>								
Japan.....	¥ 21,769	( 9.0%)	¥ 21,536	( 7.6%)	¥ 74,255	( 9.6%)	¥ 75,120	( 9.0%)
North America.....	61,029	( 25.2%)	85,073	( 30.0%)	208,881	( 27.1%)	214,285	( 25.7%)
Europe.....	37,039	( 15.3%)	32,813	( 11.6%)	141,958	( 18.4%)	141,290	( 16.9%)
Asia.....	72,685	( 30.1%)	78,632	( 27.7%)	207,852	( 26.9%)	228,907	( 27.4%)
Other Regions.....	49,344	( 20.4%)	65,408	( 23.1%)	139,082	( 18.0%)	174,802	( 21.0%)
Total.....	241,866	(100.0%)	283,462	(100.0%)	772,028	(100.0%)	834,404	(100.0%)
<b>AUTOMOBILE BUSINESS</b>								
Japan.....	358,293	( 20.5%)	332,268	( 16.5%)	1,078,920	( 21.2%)	1,060,410	( 18.5%)
North America.....	1,017,692	( 58.3%)	1,257,770	( 62.4%)	2,877,415	( 56.5%)	3,385,490	( 58.9%)
Europe.....	133,478	( 7.7%)	153,809	( 7.6%)	425,866	( 8.4%)	497,018	( 8.7%)
Asia.....	154,094	( 8.8%)	172,567	( 8.6%)	486,787	( 9.6%)	532,841	( 9.3%)
Other Regions.....	81,057	( 4.7%)	99,477	( 4.9%)	224,632	( 4.3%)	278,762	( 4.6%)
Total.....	1,744,614	(100.0%)	2,015,891	(100.0%)	5,093,620	(100.0%)	5,754,521	(100.0%)
<b>FINANCIAL SERVICES BUSINESS</b>								
Japan.....	5,295	( 7.8%)	5,582	( 7.0%)	15,306	( 8.0%)	16,111	( 7.2%)
North America.....	58,984	( 87.3%)	70,185	( 87.5%)	166,159	( 87.0%)	195,500	( 87.3%)
Europe.....	2,167	( 3.2%)	2,306	( 2.9%)	6,512	( 3.4%)	6,847	( 3.0%)
Asia.....	363	( 0.5%)	487	( 0.6%)	1,043	( 0.5%)	1,392	( 0.6%)
Other Regions.....	808	( 1.2%)	1,693	( 2.0%)	2,031	( 1.1%)	4,162	( 1.8%)
Total.....	67,617	(100.0%)	80,253	(100.0%)	191,051	(100.0%)	224,012	(100.0%)
<b>POWER PRODUCT &amp; OTHER BUSINESSES</b>								
Japan.....	33,411	( 41.9%)	38,530	( 41.7%)	90,413	( 37.1%)	96,656	( 37.0%)
North America.....	19,642	( 24.6%)	24,666	( 26.7%)	77,271	( 31.7%)	85,308	( 32.6%)
Europe.....	13,735	( 17.2%)	15,803	( 17.1%)	44,428	( 18.2%)	46,148	( 17.7%)
Asia.....	8,275	( 10.4%)	7,991	( 8.6%)	19,141	( 7.8%)	19,811	( 7.6%)
Other Regions.....	4,660	( 5.9%)	5,410	( 5.9%)	12,599	( 5.2%)	13,395	( 5.1%)
Total.....	79,723	(100.0%)	92,400	(100.0%)	243,852	(100.0%)	261,318	(100.0%)
<b>TOTAL</b>								
Japan.....	418,768	( 19.6%)	397,916	( 16.1%)	1,258,894	( 20.0%)	1,248,297	( 17.6%)
North America.....	1,157,347	( 54.2%)	1,437,694	( 58.2%)	3,329,726	( 52.8%)	3,880,583	( 54.9%)
Europe.....	186,419	( 8.7%)	204,731	( 8.3%)	618,764	( 9.8%)	691,303	( 9.8%)
Asia.....	235,417	( 11.0%)	259,677	( 10.5%)	714,823	( 11.3%)	782,951	( 11.1%)
Other Regions.....	135,869	( 6.5%)	171,988	( 6.9%)	378,344	( 6.1%)	471,121	( 6.6%)
Total.....	¥2,133,820	(100.0%)	¥2,472,006	(100.0%)	¥6,300,551	(100.0%)	¥7,074,255	(100.0%)

### Explanatory notes:

1. The geographical breakdown of net sales is based on the location of unaffiliated customers.
2. Net sales of power product & other businesses include revenue from sales of power products and relevant parts, leisure businesses and trading.

### ■ Third Quarter Results

Honda's consolidated net income for the fiscal third quarter ended December 31, 2005 totaled ¥133.1 billion (\$1,128 million), a decrease of 11.7% from the same period in 2004. Basic net income per common share for the quarter amounted to ¥144.81 (\$1.23), compared to ¥161.78 for the same period in 2004. Two of Honda's American Depository Shares represent one common share.

Consolidated net sales and other operating revenue (herein referred to as "revenue") for the fiscal third quarter amounted to ¥2,472.0 billion (\$20,937 million), an increase of 15.8% over the same period in 2004. Revenue was positively affected by the currency translation effects of foreign currency denominated revenue from Honda's overseas subsidiaries translated into Japanese yen. Honda estimates that had the exchange rate of yen remained unchanged from the same period in 2004, revenue for the quarter would have increased approximately 7.3%.

Consolidated operating income for the fiscal third quarter totaled ¥194.9 billion (\$1,651 million), an increase of 23.7% compared to the same period in 2004. This increase was primarily due to the positive impact of currency translation effects caused by the depreciation of the Japanese yen and increased profit attributable to higher revenue, which offset the negative impact of increased selling, general and administrative (SG&A) expenses and research and development (R&D) expenses.

Consolidated income before income taxes for the fiscal third quarter totaled ¥166.0 billion (\$1,407 million), a decrease of 11.6% from the same period in 2004.

Equity in income of affiliates, which is mainly attributable to Asian affiliates accounted for under the equity method, amounted to ¥29.6 billion (\$251 million) for the quarter, an increase of 1.0% from the same period in 2004.

With respect to Honda's sales in the fiscal third quarter by business category, motorcycle unit sales totaled 2,788 thousand units, an increase of 12.3% from the corresponding period in 2004. Of them, motorcycle unit sales in Japan decreased 2.6%, to 76 thousand units. Overseas unit sales totaled 2,712 thousand units, an increase of 12.8% from the same period in 2004, due mainly to an increase in unit sales of parts for local production at affiliates accounted for under the equity method in Asia\*, such as Indonesia and India. Revenue from sales to unaffiliated customers increased 17.2%, to ¥283.4 billion (\$2,401 million). Operating income increased 161.3%, to ¥13.4 billion (\$114 million), due mainly to positive currency translation effects caused by the depreciation of the Japanese yen and increased profits attributable to higher revenue.

\* Net sales of Honda-brand motorcycle products that are 100% locally procured, manufactured and sold by overseas affiliates accounted for under the equity method are not included in net sales and other operating revenue, in conformity with U.S. generally accepted accounting principles. Accordingly, these unit sales are not included in the financial results and forecasts.

For the fiscal third quarter, the number of products 100% locally procured, manufactured and sold by affiliates in India and China increased to approximately 600 thousands units.

Honda's unit sales of automobiles totaled 816 thousand units, approximately the same level as the corresponding period in 2004. In Japan, unit sales of automobiles decreased 9.8%, to 156 thousand units. Overseas unit sales increased 2.5%, to 660 thousand units, due mainly to continued strong sales in North America as a result of favorable sales in both the light truck and passenger car segments.

Revenue from sales to unaffiliated customers increased 15.5%, to ¥2,015.8 billion (\$17,074 million), due to positive currency translation effects and increased unit of sales in North America. Operating income increased 19.9%, to ¥151.0 billion (\$1,280 million), due mainly to the positive impact of currency translation effects caused by the depreciation of the Japanese yen and increased profit attributable to higher revenue.

Revenue from sales to unaffiliated customers in financial services increased 18.7%, to ¥80.2 billion (\$680 million), due to the growth of the automobile business in North America. Operating income decreased 8.2%, to ¥22.0 billion (\$186 million), due mainly to the negative impact of increased funding costs.

Unit sales of power products in Japan totaled 110 thousand units, an increase of 15.8%, and overseas unit sales was 1,024 thousand units, an increase of 7.9%. Total unit sales of power products was 1,134 thousand units, up 8.6% from the same period in 2004. Increased unit sales of general-purpose engines and push lawnmowers in Europe, and general-purpose engines and snowblowers in Japan, were the major contributing factors to this increase. Revenue from sales to unaffiliated customers increased 15.9%, to ¥92.4 billion (\$783 million), due mainly to positive currency translation effects and an increase in unit sales of power products. Operating income was ¥8.4 billion (\$71 million), an increase of 238.0% from the same period in 2004.

#### ■ Nine-Month Results

Honda's consolidated net income for the fiscal nine months ended December 31, 2005 totaled ¥377.5

billion (\$3,197 million), a decrease of 3.7% from the same period in 2004. Income taxes in the fiscal nine months in 2004 included ¥11.7 billion payments for a transfer pricing assessment, relating to the motorcycle business in Brazil. Basic net income per common share for the fiscal nine months amounted to ¥409.43 (\$3.47), compared to ¥418.99 for the same period in 2004.

Revenue for the fiscal nine months amounted to ¥7,074.2 billion (\$59,916 million), an increase of 12.3% over the same period in 2004. Revenue was positively affected by the currency translation effects of foreign currency denominated revenue from Honda's overseas subsidiaries translated into yen. Honda estimates that if the exchange rate of yen had remained unchanged from that in the same period in 2004, revenue for the fiscal nine months would have increased approximately 8.8%.

Consolidated operating income for the fiscal nine months totaled ¥528.0 billion (\$4,473 million), an increase of 7.6% over the same period in 2004. This was primarily due to positive currency effects caused by the depreciation of the yen, increased profit attributable to higher revenue and continuing cost reduction effects.

Consolidated income before income taxes for the fiscal nine months totaled ¥479.7 billion (\$4,064 million), a decrease of 9.1% from the same period in 2004.

March 2006



Takeo Fukui  
President and Chief Executive Officer

### North America

#### ■ 2006 Honda *Ridgeline* Wins *Motor Trend* “Truck of the Year” Award

The 2006 Honda *Ridgeline* earned *Motor Trend* magazine’s prestigious 2006 “Truck of the Year” award, American Honda Motor Co., Inc., announced. The *Ridgeline* joins the all-new 2006 Honda *Civic* as this year’s recipient of *Motor Trend*’s “Car of the Year” award, marking the first time ever that a manufacturer has won both honors in the same year.

#### ■ Honda Sweeps “North American Car of the Year” and “Truck of the Year” Awards

The 2006 Honda *Civic* and Honda *Ridgeline* have earned the prestigious 2006 “North American Car of the Year” and “North American Truck of the Year” awards, respectively, American Honda Motor Co., Inc., announced. This marks the first time ever that a single brand has won both awards in the same year, and it marks Honda’s first win in either category.

Presented each year at the opening of the North American International Auto Show in Detroit, the awards recognize the most outstanding car and truck of the year based on factors including innovation, design, safety, handling, driver satisfaction and value for the



Honda *Civic*



Honda *Ridgeline*

dollar. “We set out to have the *Civic* and *Ridgeline* become benchmarks in their respective segments, and having them chosen as North American Car and Truck of the Year certainly validates that effort,” said John Mendel, senior vice president of American Honda Motor Co., Inc.

#### ■ 2007 Honda *Fit* Looks Small on the Outside, Delivers Big on the Inside

The all-new 2007 Honda *Fit*, a subcompact 5-door hatchback set to go on-sale in the U.S. in April, will make its U.S. debut at the North American International Auto Show in Detroit, American Honda Motor Co., Inc., announced. Already one of Honda’s hottest selling models in Asia and Europe, the *Fit* is designed to enter the U.S. market as leader in the subcompact segment with top-of-class feature content, refinement, interior functionality, sporty driving demeanor and high levels of standard safety equipment.



2007 Honda *Fit* (left) and 2007 Honda *Fit Sport* (right)

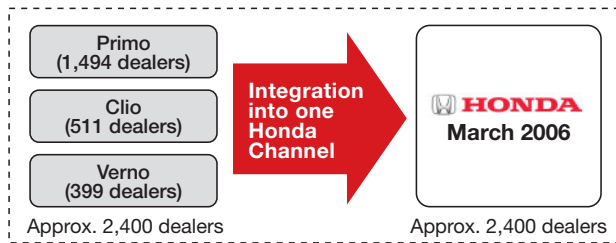
### Japan

#### ■ Honda Announces New Automobile Sales Channel Strategy

Honda Motor Co., Ltd., announced plans to integrate the company’s three existing domestic automobile sales channels—Primo, Clio and Verno—into one Honda sales channel in March 2006. This integration will enable Honda customers to purchase and service

any Honda brand automobile at a single Honda dealer and to maintain a continuous relationship with the same dealer for future sales and service needs as a means to achieve a high level of satisfaction.

The goals of the new sales channel strategy are to maintain Honda's ability to respond to changes in society and the automobile market and to continue to provide the diverse values desired by customers and meet increasingly sophisticated customer needs. In turn, this will enable Honda to maximize the joy and satisfaction of existing customers earned through the three-channel structure. With this new strategy, Honda will pursue the goal of consistently achieving annual sales of more than 800,000 units.



## Other

### ■ Honda to Build New Powertrain Plant in China

Honda Motor Co., Ltd., announced plans to establish Honda Auto Parts Manufacturing Co., Ltd., an automobile powertrain components production company in China. Honda Motor (China) Investment Co., Ltd., a wholly owned Honda subsidiary, is the sole investor in the new company, which is capitalized at US\$90 million. The company will build a new plant in Nanhai District of Foshan City, Guangdong Province, and manufacture automobile transmissions as well as other powertrain components including drive shafts and

engine parts, which will be supplied to Honda's automobile production joint ventures in China. The new company plans to begin production in spring 2007, with initial production capacity of 240,000 units per year. Local production of these components enables Honda to secure an adequate supply to support expansion of Honda's automobile production in China, and also to further increase local content of powertrain components, which will help facilitate cost reduction and strengthen Honda's competitiveness in the market.

In China, two Honda joint venture companies, Guangzhou Honda Automobile Co., Ltd., and Dongfeng Honda Automobile Co., Ltd., are manufacturing automobile products for the domestic market, while Honda Automobile (China) Co., Ltd., manufactures automobiles for export. In order to continue to meet growing demand in China, both Guangzhou Honda and Dongfeng Honda are currently undertaking further expansion of production capacity. Overall annual production capacity of Honda's three joint venture automobile plants will reach 530,000 units by the latter half of 2006—360,000 units at Guangzhou Honda; 120,000 units at Dongfeng Honda; and 50,000 units at Honda Automobile (China).

The new plant will be Honda's fourth major automatic transmission plant in the world after Ohio in the U.S., Indonesia, and Georgia in the U.S. (currently under construction). By adding this new plant, Honda will strengthen its transmission supply capability to support worldwide automobile production.

# Consolidated Balance Sheets

Honda Motor Co., Ltd., and Subsidiaries  
December 31, 2004 and March 31 and December 31, 2005

	Yen (millions)		
	Dec. 31, 2004 (Unaudited)	Mar. 31, 2005 (Audited)	Dec. 31, 2005 (Unaudited)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 657,159	¥ 773,538	¥ 634,836
Trade accounts and notes receivable .....	625,649	791,195	765,413
Finance subsidiaries—receivables, net .....	1,033,600	1,021,116	1,295,772
Inventories .....	850,848	862,370	1,019,907
Deferred income taxes .....	195,526	214,059	214,020
Other current assets .....	322,018	346,464	432,682
<b>Total current assets</b> .....	<u>3,684,800</u>	<u>4,008,742</u>	<u>4,362,630</u>
<b>Finance subsidiaries—receivables, net</b> .....	2,461,705	2,623,909	2,934,244
<b>Investments and advances:</b>			
Investments in and advances to affiliates .....	349,985	349,664	400,886
Other .....	284,446	264,926	285,288
<b>Total investments and advances</b> .....	<u>634,431</u>	<u>614,590</u>	<u>686,174</u>
<b>Property, plant and equipment, at cost:</b>			
Land .....	359,407	365,217	378,467
Buildings .....	999,994	1,030,998	1,094,466
Machinery and equipment .....	2,171,149	2,260,826	2,454,230
Construction in progress .....	98,079	96,047	171,912
	<u>3,628,629</u>	<u>3,753,088</u>	<u>4,099,075</u>
Less accumulated depreciation .....	2,117,488	2,168,836	2,347,541
<b>Net property, plant and equipment</b> .....	<u>1,511,141</u>	<u>1,584,252</u>	<u>1,751,534</u>
<b>Other assets</b> .....	463,906	485,477	515,798
<b>Total assets</b> .....	<u>¥8,755,983</u>	<u>¥9,316,970</u>	<u>¥10,250,380</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term debt .....	¥ 700,243	¥ 769,314	¥ 703,232
Current portion of long-term debt .....	552,722	535,105	673,633
Trade payables:			
Notes .....	21,437	26,727	27,847
Accounts .....	810,970	987,045	942,291
Accrued expenses .....	775,928	913,721	950,502
Income taxes payable .....	32,806	65,029	103,495
Other current liabilities .....	436,027	451,623	465,470
<b>Total current liabilities</b> .....	<u>3,330,133</u>	<u>3,748,564</u>	<u>3,866,470</u>
<b>Long-term debt</b> .....	1,537,558	1,559,500	1,827,743
<b>Other liabilities</b> .....	731,104	719,612	737,458
<b>Total liabilities</b> .....	<u>5,598,795</u>	<u>6,027,676</u>	<u>6,431,671</u>
<b>Stockholders' equity:</b>			
Common stock .....	86,067	86,067	86,067
Capital surplus .....	172,529	172,531	172,531
Legal reserves .....	34,688	34,688	35,811
Retained earnings .....	3,772,941	3,809,383	4,114,719
Accumulated other comprehensive income (loss):			
Adjustments from foreign currency translation .....	(665,026)	(624,937)	(377,973)
Net unrealized gains on marketable equity securities .....	34,294	33,744	56,438
Minimum pension liabilities adjustments .....	(225,269)	(202,741)	(202,779)
Total accumulated other comprehensive income (loss) .....	<u>(856,001)</u>	<u>(793,934)</u>	<u>(524,314)</u>
Treasury stock .....	(53,036)	(19,441)	(66,105)
<b>Total stockholders' equity</b> .....	<u>3,157,188</u>	<u>3,289,294</u>	<u>3,818,709</u>
<b>Total liabilities and stockholders' equity</b> .....	<u>¥8,755,983</u>	<u>¥9,316,970</u>	<u>¥10,250,380</u>

# Consolidated Statements of Income and Retained Earnings

Honda Motor Co., Ltd. and Subsidiaries

For the three months and nine months ended December 31, 2004 and 2005

	Yen (millions)			
	Three months ended		Nine months ended	
	Dec. 31, 2004 (Unaudited)	Dec. 31, 2005 (Unaudited)	Dec. 31, 2004 (Unaudited)	Dec. 31, 2005 (Unaudited)
<b>Net sales and other operating revenue</b> .....	¥2,133,820	<b>¥2,472,006</b>	¥6,300,551	<b>¥7,074,255</b>
<b>Operating costs and expenses:</b>				
Cost of sales.....	1,483,180	<b>1,731,527</b>	4,369,403	<b>4,967,376</b>
Selling, general and administrative.....	376,999	<b>420,736</b>	1,100,385	<b>1,207,009</b>
Research and development.....	116,005	<b>124,757</b>	340,202	<b>371,797</b>
<b>Operating income</b> .....	157,636	<b>194,986</b>	490,561	<b>528,073</b>
<b>Other income:</b>				
Interest.....	2,850	<b>7,236</b>	7,741	<b>17,162</b>
Other.....	30,386	<b>700</b>	61,566	<b>1,739</b>
<b>Other expenses:</b>				
Interest.....	2,103	<b>1,719</b>	8,003	<b>8,456</b>
Other.....	773	<b>35,106</b>	24,202	<b>58,721</b>
<b>Income before income taxes</b> .....	187,996	<b>166,097</b>	527,663	<b>479,797</b>
<b>Income taxes:</b>				
Current.....	36,497	<b>67,987</b>	100,059	<b>217,518</b>
Deferred.....	30,117	<b>(5,370)</b>	111,971	<b>(38,368)</b>
<b>Income before equity in income of affiliates</b> .....	121,382	<b>103,480</b>	315,633	<b>300,647</b>
<b>Equity in income of affiliates</b> .....	29,378	<b>29,666</b>	76,511	<b>76,873</b>
<b>Net income</b> .....	150,760	<b>133,146</b>	392,144	<b>377,520</b>
<b>Retained earnings:</b>				
Balance at beginning of period.....	3,648,428	<b>4,018,709</b>	3,589,434	<b>3,809,383</b>
Retirement of treasury stocks.....	—	<b>—</b>	(158,570)	<b>—</b>
Cash dividends paid.....	(26,156)	<b>(36,841)</b>	(47,797)	<b>(71,061)</b>
Transfer to legal reserves.....	(91)	<b>(295)</b>	(2,270)	<b>(1,123)</b>
Balance at end of period.....	<u>¥3,772,941</u>	<u><b>¥4,114,719</b></u>	<u>¥3,772,941</u>	<u><b>¥4,114,719</b></u>
	Yen			
<b>Basic net income per</b>				
Common share.....	¥161.78	<b>¥144.81</b>	¥418.99	<b>¥409.43</b>
American depository share.....	80.89	<b>72.40</b>	209.49	<b>204.71</b>

## Segment Information

### Business Segment Information

For the nine months ended December 31, 2005

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers .....	¥834,404	¥5,754,521	¥224,012	¥261,318	¥ 7,074,255	¥ —	¥ 7,074,255
Intersegment sales .....	0	0	2,858	9,707	12,565	(12,565)	—
Total .....	834,404	5,754,521	226,870	271,025	7,086,820	(12,565)	7,074,255
Cost of sales, SG&A and R&D expenses.....	781,025	5,369,213	160,258	248,251	6,558,747	(12,565)	6,546,182
Operating income .....	¥ 53,379	¥ 385,308	¥ 66,612	¥ 22,774	¥ 528,073	¥ 0	¥ 528,073
Assets.....	952,215	4,525,217	4,919,457	272,480	10,669,369	(418,989)	10,250,380
Depreciation and amortization .....	20,898	149,028	557	6,325	176,808	—	176,808
Capital expenditures.....	36,828	257,421	1,124	7,244	302,617	—	302,617

Explanatory notes:

- Business segment is based on Honda's business organization and the similarity of the principal products included within each segment as well as the relevant markets for such products.
- Principal products of each segment:

Business	Principal Products
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs), personal watercrafts and relevant parts
Automobile Business	Automobiles and relevant parts
Financial Services Business	Financial and insurance services
Power Product & Other Businesses	Power products and relevant parts, and others

- Corporate assets, which are accounted for under assets, are included in Eliminations and amounted to JPY 439,350 million for the fiscal third quarter ended December 31, 2004 and JPY 353,915 million for the fiscal third quarter ended December 31, 2005, which consist primarily of cash and cash equivalents and marketable securities held by parent company.

### Geographical Segment Information

For the nine months ended December 31, 2005

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Eliminations	Consolidated
Net sales and other operating revenue:								
Sales to unaffiliated customers .....	¥1,487,988	¥3,889,203	¥685,691	¥615,641	¥395,732	¥ 7,074,255	¥ —	¥ 7,074,255
Transfers between geographical segments.....	1,770,224	101,766	150,236	95,907	14,633	2,132,766	(2,132,766)	—
Total .....	3,258,212	3,990,969	835,927	711,548	410,365	9,207,021	(2,132,766)	7,074,255
Cost of sales, SG&A and R&D expenses .....	3,072,071	3,742,923	819,482	659,330	364,893	8,658,699	(2,112,517)	6,546,182
Operating income .....	¥ 186,141	¥ 248,046	¥ 16,445	¥ 52,218	¥ 45,472	¥ 548,322	¥ (20,249)	¥ 528,073
Assets .....	2,660,200	5,930,779	712,614	653,735	290,654	10,247,982	2,398	10,250,380

Explanatory notes:

- The geographical segments are based on the location where sales are originated.
- Major countries or regions in each geographical segment:
 

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Italy, Belgium
Asia	Thailand, Indonesia, China, India
Other Regions	Brazil, Australia
- Corporate assets, which are accounted for under assets, are included in Eliminations and amounted to JPY 439,350 million for the fiscal third quarter ended December 31, 2004 and JPY 353,915 million for the fiscal third quarter ended December 31, 2005, which consist primarily of cash and cash equivalents and marketable securities held by parent company.

### Overseas Sales

For the nine months ended December 31, 2005

	Yen (millions)				
	North America	Europe	Asia	Other Regions	Total
Overseas sales.....	¥3,880,583	¥691,303	¥782,951	¥471,121	¥5,825,958
Consolidated sales.....					¥7,074,255
Overseas sales ratio to consolidated sales.....	54.9%	9.8%	11.1%	6.6%	82.4%

Explanatory notes:

- The geographical segments are based on the location where sales are originated.
- Major countries or regions in each geographical segment:
 

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

## Explanatory notes:

- Consolidated subsidiaries  
Number of consolidated subsidiaries: 329
- Affiliated companies  
Number of affiliated companies: 116
- Changes of consolidated subsidiaries and affiliated companies  
**Consolidated subsidiaries:**  
Newly formed consolidated subsidiaries: 13  
Reduced through reorganization: 3  
**Affiliated companies:**  
Newly formed affiliated companies: 4  
Reduced through reorganization: 6
- The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, since the Company has listed its shares as American Depositary Receipts on the New York Stock Exchange and files reports with the U.S. Securities and Exchange Commission. All segment information, however, is prepared in accordance with the Ministerial Ordinance under the Securities and Exchange Law of Japan.
- The average exchange rates for the fiscal third quarter ended December 31, 2005 were ¥117.35=U.S.\$1 and ¥139.44=€1. The average exchange rates for the same period last year were ¥105.96=U.S.\$1 and ¥137.16=€1. The average exchange rates for the fiscal nine months ended December 31, 2005 were ¥112.11=U.S.\$1 and ¥136.91=€1, as compared with ¥108.56=U.S.\$1 and ¥134.60=€1 for the same period last year.
- United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥118.07=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 December 30, 2005.
- The Company's Common Stock-to-ADR exchange rate was changed from two shares of Common Stock to one ADR to one share of Common Stock to two ADRs, effective January 10, 2002.

### Additional Information

As stipulated in the Japanese Welfare Pension Insurance Law, the "Honda Employees' Pension Fund (a confederated welfare pension fund, the "Fund"), of which the Company and a part of its domestic subsidiaries and affiliates accounted for under the equity method were members, has obtained approval from the Japanese Ministry of Health, Labour 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 Company received approval of exemption from the obligation for benefits related to future employee services with respect to the Fund. The difference between the fair value of the obligation and the assets to be transferred to the 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. Currently, the timing of such transfer is scheduled during the fourth quarter of this fiscal year ending Mar. 31 2006, therefore its gain or loss from this transfer was not reflected in the financial results for the fiscal third quarter ended Dec. 31, 2005.

## Notes to Consolidated Balance Sheets

- The allowance for doubtful trade accounts and notes receivable, and the allowance for credit losses for finance-subsidiaries receivable are as follows:

	Yen (millions)		
	Mar. 31, 2005	Dec. 31, 2005	Dec. 31, 2004
The allowance for doubtful trade accounts and notes receivables.....	¥ 9,710	<b>¥10,163</b>	¥ 9,818
The allowance for credit losses for financial-subsidiaries receivables.....	30,926	<b>33,987</b>	30,649

- Net book value of property, plant and equipment which were subject to specific mortgages securing indebtedness are as follows:

	Yen (millions)		
	Mar. 31, 2005	Dec. 31, 2005	Dec. 31, 2004
Property, plant and equipment .....	¥12,881	<b>¥10,408</b>	¥10,103
A finance subsidiary pledged as collateral financial subsidiaries-receivables.....	22,597	<b>13,002</b>	28,927

- Honda has entered into various guarantee and indemnification agreements which are primarily for employee bank/loans to costs for their housing costs are as follows:

	Yen (millions)		
	Mar. 31, 2005	Dec. 31, 2005	Dec. 31, 2004
Bank loan of employees for their housing costs.....	¥69,574	<b>¥48,877</b>	¥55,530

If an employee defaults on his/her loan payments, Honda is required to perform its obligation under the guarantee. The undiscounted maximum amount of Honda's obligation to make future payments in the event of defaults were shown as above. As of December 31, 2005, no amount has been accrued for any possible estimated losses under the guarantee obligations, as it is probable that the employees will be able to make all scheduled payments.

### Reclassification

From the fiscal fourth quarter ended March 31, 2005, Honda reclassified and restated cash flow relating to finance subsidiaries-receivables which relate to sales of inventory in the cash flows from investing activities to cash flow from operating activities in the unaudited consolidated statements of cash flows. In addition, in the consolidated balance sheets, same finance subsidiaries-receivables were reclassified to trade receivables, including non-current portion of other assets. Due to this reclassification, the figures for the fiscal nine months ended December 31, 2004 and as of December 31, 2004 have been also reclassified and restated to conform to the presentation of the fiscal nine months ended December 31, 2005 and as of December 31, 2005. For further information, please see the consolidated statements of cash flows for the fiscal nine months ended December 31, 2005.

## Investor Information

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### Transfer Agent for Common Stock

The Chuo Mitsui Trust and Banking Co., Ltd.  
33-1, Shiba 3-chome, Minato-ku,  
Tokyo 105-8574, Japan

### Depository and Transfer Agent for American Depository Receipts

JPMorgan Chase Bank, N.A.  
4 New York Plaza,  
New York, NY 10004, U.S.A.

### Stock Exchange Listings in Japan

Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

### Stock Exchange Listings Overseas

New York, London, Swiss and Paris stock exchanges

### Total Shares of Common Stock Issued

928,414,215 (as of December 31, 2005)

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