

First Quarter Report
Period Ended June 30, 2006

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2007 Acura RDX

HONDA
The Power of Dreams

Consolidated Financial Summary

Financial Highlights

Honda Motor Co., Ltd. and Subsidiaries
For the three months ended June 30, 2005 and 2006

	Yen (millions)		U.S. dollars (millions)
	Jun. 30, 2005	Three months ended Jun. 30, 2006	Three months ended Jun. 30, 2006
Net sales and other operating revenue.....	¥2,264,579	¥2,599,724	\$22,559
Operating income.....	170,393	203,521	1,766
Income before income taxes and equity in income of affiliates	144,308	186,984	1,623
Equity in income of affiliates	21,143	30,193	262
Net income	110,666	143,402	1,244
	Yen		U.S. dollars
Basic net income per			
Common share.....	¥59.87	¥78.46	\$0.68
American depository share.....	59.87	78.46	0.68

Unit Sales Breakdown

	Units (thousands)	
	Jun. 30, 2005	Three months ended Jun. 30, 2006
MOTORCYCLES		
Japan	95 (95)	89 (89)
North America.....	85 (48)	89 (53)
Europe.....	116 (114)	105 (102)
Asia	2,099 (2,099)	1,809 (1,809)
Other Regions.....	186 (181)	288 (285)
Total	<u>2,581 (2,537)</u>	<u>2,380 (2,338)</u>
AUTOMOBILES		
Japan	167	156
North America.....	420	456
Europe.....	72	71
Asia	133	153
Other Regions.....	48	60
Total	<u>840</u>	<u>896</u>
POWER PRODUCTS		
Japan	121	137
North America.....	790	971
Europe.....	258	382
Asia	244	162
Other Regions.....	69	72
Total	<u>1,482</u>	<u>1,724</u>

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			
	Jun. 30, 2005		Jun. 30, 2006	
MOTORCYCLE BUSINESS				
Japan.....	¥ 26,532	(10.1%)	¥ 26,876	(8.7%)
North America.....	51,089	(19.4%)	56,363	(18.2%)
Europe.....	66,378	(25.2%)	65,009	(21.0%)
Asia.....	75,295	(28.6%)	82,970	(26.7%)
Other Regions.....	43,893	(16.7%)	78,928	(25.4%)
Total.....	263,187	(100.0%)	310,146	(100.0%)
AUTOMOBILE BUSINESS				
Japan.....	344,302	(18.7%)	329,898	(15.7%)
North America.....	1,071,257	(58.0%)	1,256,417	(60.0%)
Europe.....	168,043	(9.1%)	190,888	(9.1%)
Asia.....	174,746	(9.5%)	200,464	(9.6%)
Other Regions.....	87,623	(4.7%)	117,939	(5.6%)
Total.....	1,845,971	(100.0%)	2,095,606	(100.0%)
FINANCIAL SERVICES BUSINESS				
Japan.....	5,114	(7.4%)	5,407	(6.0%)
North America.....	59,641	(86.8%)	79,156	(88.0%)
Europe.....	2,471	(3.6%)	2,795	(3.1%)
Asia.....	435	(0.6%)	626	(0.7%)
Other Regions.....	1,092	(1.6%)	2,004	(2.2%)
Total.....	68,753	(100.0%)	89,988	(100.0%)
POWER PRODUCT & OTHER BUSINESSES				
Japan.....	28,169	(32.5%)	33,911	(32.6%)
North America.....	30,927	(35.7%)	37,457	(36.0%)
Europe.....	18,094	(20.9%)	20,665	(19.9%)
Asia.....	5,760	(6.6%)	7,956	(7.7%)
Other Regions.....	3,718	(4.3%)	3,995	(3.8%)
Total.....	86,668	(100.0%)	103,984	(100.0%)
TOTAL				
Japan.....	404,117	(17.8%)	396,092	(15.2%)
North America.....	1,212,914	(53.6%)	1,429,393	(55.0%)
Europe.....	254,986	(11.3%)	279,357	(10.8%)
Asia.....	256,236	(11.3%)	292,016	(11.2%)
Other Regions.....	136,326	(6.0%)	202,866	(7.8%)
Total.....	¥2,264,579	(100.0%)	¥2,599,724	(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.

To Our Shareholders

■ First Quarter Results

Honda's consolidated net income for the fiscal first quarter ended June 30, 2006 totaled ¥143.4 billion (\$1,244 million), an increase of 29.6% from the corresponding period. Basic net income per common share for the quarter amounted to ¥78.46 (\$0.68), compared to ¥59.87 for the corresponding period. One of Honda's American Depository Shares represents one common share.*

*The Company did a two-for-one stock split for the Company's common stock effective July 1, 2006. Concurrently, Honda's common stock-to-ADR exchange ratio was changed from one share of common stock to two ADRs, to one share of common stock to one ADR. Basic net income per common share and ADR were calculated based on the number of common shares after the stock split.

Consolidated net sales and other operating revenue (herein referred to as "revenue") for the quarter amounted to ¥2,599.7 billion (\$2,559 million), an increase of 14.8%. Revenue increased mainly in the automobile business in North and Latin America. Honda estimates that if the exchange rate of the Japanese yen had remained unchanged from that in the corresponding period, revenue for the quarter would have increased approximately 7.8%.

Consolidated operating income for the quarter totaled ¥203.5 billion (\$1,766 million), an increase of 19.4% compared to the corresponding period. This increase was due primarily to the positive impact of increased profit attributable to higher revenue, decreased research and development (R&D) expenses and currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix, soaring raw materials costs and increased selling, general and administrative (SG&A) expenses.

Consolidated income before income taxes and equity in income of affiliates for the quarter totaled ¥186.9 billion (\$1,623 million), an increase of 29.6% from the corresponding period.

Equity in income of affiliates, which is mainly attributable to increased sales in the automobile business in China, amounted to ¥30.1 billion (\$262 million) for the quarter, an increase of 42.8% from the corresponding period.

■ Business Segment

With respect to Honda's sales for the fiscal first quarter by business segment, unit sales of motorcycles totaled 2,380 thousand units, a decrease of 7.8%. Unit sales in Japan totaled 89 thousand units, a decrease of 6.3%. Overseas unit sales amounted to 2,291 thousand units, a decrease of 7.8%***, due mainly to a decrease in unit sales of parts for local production at Honda's affiliates accounted for under the equity method in Indonesia, which was caused by a decline in the market environment due mainly to a rise in interest rates, offsetting healthy unit sales in Latin America. Revenue from unaffiliated customers increased 17.8%, to ¥310.1 billion (\$2,691 million), due mainly to the positive impacts of currency translation effects and the change in model mix. Operating income increased 27.4%, to ¥13.1 billion (\$114

million), due mainly to the positive impacts of the increased profits attributable to higher revenue, the change in sales price in Latin America and the currency effects caused by the depreciation of the Japanese yen, offsetting the negative impact of increased SG&A expenses.

** Of the net sales of Honda-brand motorcycle products that are manufactured and sold by overseas affiliates accounted for under the equity method, those with respect to which parts for manufacturing were not supplied from Honda or such subsidiaries 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. Such products amounted to approximately 500 thousand units for the quarter.

Honda's unit sales of automobiles increased 6.7%, to 896 thousand units. In Japan, unit sales decreased 6.6%, to 156 thousand units. Overseas unit sales increased 10.0%, to 740 thousand units, due mainly to the increased unit sales in North America attributable to solid sales of such automobiles as the *Civic* and the *Fit* and the increase in unit sales of parts for local production at Honda's affiliates accounted for under the equity method in China. Revenue from unaffiliated customers increased 13.5%, to ¥2,095.6 billion (\$1,815 million), due primarily to the positive impacts of currency translation effects and increased unit sales. Operating income increased 12.7%, to ¥150.0 billion (\$1,302 million).

Revenue from unaffiliated customers in the financial services business increased 30.9%, to ¥89.9 billion (\$781 million), due mainly to the positive impacts of currency translation effects and the growth of the automobile business in North America. Operating income increased 47.4%, to ¥29.2 billion (\$254 million).

Honda's unit sales of power products was 1,724 thousand units, up 16.3%. In Japan, unit sales totaled 137 thousand units, an increase of 13.2%. Overseas unit sales was 1,587 thousand units, an increase of 16.6%, due mainly to the positive impact of increased unit sales of general-purpose engines in North America and Europe. Revenue from unaffiliated customers in power product and other businesses increased 20.0%, to ¥103.9 billion (\$902 million), due mainly to the positive impacts of currency translation effects and increased unit sales of power products. Operating income was ¥11.0 billion (\$96 million), an increase of 56.9%, due mainly to the positive impact of increased profit, attributable to higher revenue, and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of increased SG&A expenses.

September 2006



Takeo Fukui
President and Chief Executive Officer

North America

■ Honda to Build New Automobile Manufacturing Plant in Indiana

American Honda Motor Co., Inc., recently announced plans to build a \$550 million automobile plant on a 1,700-acre tract in Decatur County, Indiana, approximately 50 miles southeast of Indianapolis. The plant will begin mass production of fuel-efficient 4-cylinder vehicles in fall 2008, with an annual production capacity of 200,000 vehicles and employment of approximately 2,200 associates.

The new Indiana Plant, Honda's sixth auto plant and 14th major plant overall in North America, will help boost Honda's total North American auto production capacity from 1.4 million units to more than 1.6 million units in 2008, grow Honda's employment in North America to more than 37,000 associates and increase North American capital investment to more than \$9 billion.



Governor of Indiana (left) with President and CEO of American Honda Motor (right) at press conference

Japan

■ Summary of 2006 Mid-Year CEO Speech

Honda Motor Co., Ltd., announced specific plans and initiatives in the following three areas, which will enable Honda to accelerate its efforts to strengthen Honda "at the spot," reinforce the core characteristics that make Honda unique and achieve further growth:

1. *Establishing Advanced Manufacturing Systems and Capabilities*

By strengthening the areas of production and R&D in Japan that supports the future growth of overseas operations, Honda will establish advanced manufacturing systems and capabilities to create new value.

<Strengthening Japan Production>

Building a New Automobile Production Plant

Honda plans to build a new auto plant capable of synchronous auto production—from the engine to the entire automobile—in Yorii, Saitama, to begin operation in 2010.

Strengthening Automatic Transmission (AT) Production

The production capabilities at the Hamamatsu Plant will be further strengthened with manufacturing technologies.

<Strengthening R&D Capabilities>

Establishing a New R&D Center

Honda will build a new R&D center in Sakura, Tochigi, which will have multiple test courses that can reproduce various driving conditions, from high-speed to urban-area driving. Honda is aiming to begin operation of

this new R&D facility in 2009. Related investment is expected to be approximately ¥17 billion.

2. *Strengthening the Foundation for Overseas Growth*

Honda will further strengthen the foundation for the growth of overseas operations by focusing on strengthening its business foundation in North America and on business expansion in such growth areas as Asia and South America.

<Strengthening North American Operations>

Building a New Automobile Production Plant in the United States

The new auto plant in the United States—planned to begin operation in 2008—will have an annual production capacity of approximately 200,000 units and employ around 1,500 associates. Related investment is expected to be approximately \$550 million. This new plant will have the lowest environmental footprint of all the Honda auto plants in North America. With this new plant, annual auto production capacity in North America will be increased from the current 1.4 million units to 1.6 million units.

Building a New Auto Engine Plant in Canada

Honda plans to build a new engine plant in Canada, with operation beginning in 2008 and an annual production capacity of approximately 200,000 units. Related investment is expected to be approximately \$140 million, with employment of around 340 associates.

<Expanding Business in Growth Areas>

Motorcycle Business in Asia

Hero Honda Motors Limited in India is to increase capacity of its existing line as well as build a new plant with an annual production capacity of 450,000 units. As a result, annual motorcycle production capacity in India will increase to 5.2 million units by 2007.

Honda is also planning to expand motorcycle production capacity in the Philippines as well as Pakistan. With these expansion plans, the annual motorcycle production capacity in Asia will reach 14 million units by 2007, an increase of 6 million units from 2004.

Automobile Business in Asia

Honda plans to double automobile production capacity in India three years ahead of the original schedule. Annual automobile production capacity in India will reach 100,000 units around the end of 2007, with Honda considering further expansion to accommodate future growth in customer demand.

Automobile Business in China

When Guangzhou Honda Automobile Co., Ltd.'s second auto plant, with an annual production capacity of 120,000 units, becomes operational this fall, total automobile production capacity in China will reach 530,000 units. Honda will consider further expansion based on future market trends.

Automobile Business in South America

Honda is planning to double production capacity of its auto plant in Brazil by 2008.

Based on these expansion plans and other initiatives, Honda envisions 2010 global unit sales of more than 4.5 million units for automobiles, 18 million units or more for motorcycles, and 7 million plus units for power products.

3. Strengthening our Commitment to Reduce Environmental Footprint

Honda will continue pursuing more proactive efforts to reduce its environmental footprint with the main focus on CO₂ reduction.

<Reduction of CO₂ Emissions—Setting Voluntary Goals>

Honda voluntarily sets global CO₂ reduction goals for its products and production activities and is accelerating its efforts to achieve these goals. Currently, Honda is aiming to achieve a total 10% reduction by 2010 compared to the 2000 level. Honda's goals are a 10% reduction in emission volume (per unit) when using products for motorcycles, automobiles and power products, and a 10% reduction in emission volume (per unit) when manufacturing products for automobiles, with this target increased to 20% for motorcycles and power products.

Honda is the first automaker in the world to announce global CO₂ reduction goals for its products and production activities.

<Product Strategy>

New Dedicated Hybrid Vehicle

Honda is now developing a new dedicated hybrid vehicle suitable for family use in major automobile markets around the world. With this vehicle, Honda will achieve further advancement of fuel-efficient technologies and a major cost reduction, which will enable Honda to offer this vehicle in 2009 at a price level lower than the *Civic Hybrid*.

Production of the vehicle, including the hybrid unit, will be at the Suzuka Factory. The worldwide sales plan is approximately 200,000 units per year, which includes a projected North American sales volume of 100,000 units.

New Clean Diesel Engines

Based on the highly successful diesel engine currently sold in Europe, Honda is now developing a cleaner next-generation 4-cylinder diesel engine, with plans to introduce the engine to market within the next three years.

Honda will also work toward the development of a clean V6 diesel engine.

Motorcycles

Honda plans to install fuel injection on the majority of its models for sale worldwide by the end of 2010, as well as introduce such new engine technologies as super-low friction engines and Variable Cylinder Management (VCM) systems for motorcycles.

New Fuel Cell Vehicle

Honda is currently developing a new vehicle based on the technology and design of the *FCX Concept*, with a drivable model being unveiled this fall.

Solar Cell

Solar cell panels developed by Honda are currently installed and utilized at 15 Honda facilities worldwide. Honda plans to begin production and sales of the solar cell panels, within limited areas, beginning this fall.

■ Honda Builds New Automobile Plant in Japan with Annual Production Capacity of 200,000 Units

Honda Motor announced plans to build a new auto plant in Yorii, Saitama. The new plant will begin operation in 2010.

The annual production capacity of this new auto plant will be approximately 200,000 units, with employment of around 2,200 associates. Related investment is expected to be approximately ¥70 billion.

When the new plant becomes operational, Honda's total annual production capacity in Japan will be increased from the current 1.3 million units to 1.5 million units. Honda will also begin renovating the Sayama Plant to make it the most advanced production operation.

Asia

■ Dongfeng Honda Announces All-New Civic

Dongfeng Honda Automobile Co., Ltd., the automobile production and sales joint venture in China of Honda and Dongfeng Motor Group Co., Ltd., recently announced the debut of the all-new *Civic* passenger car at a press conference held in Beijing. The company has established a sales target of 50,000 units for 2006. The all-new *Civic* went on sale April 22, through Dongfeng Honda's 90 exclusive dealers in China.



Civic (for Chinese market)

■ Honda to Strengthen Overall Business in India

Takeo Fukui, President and CEO of Honda Motor, announced plans to strengthen Honda's business structure in India. In cooperation with its business partners there, Honda has established a solid business foundation in the country since 1984, when a motorcycle joint venture was established. Currently, the Indian two-wheeler market has reached 7 million units, of which some 3.6 million units are accounted for by Honda brand two wheelers. In the automobile business, the annual production capacity of Honda Siel Cars India Ltd. was expanded to 50,000 units at the end of last year. We expect to double this to 100,000 units by the end of next year. Over the past 20 years, Honda has been committed to achieving steady progress in the growth of all its businesses in India, and firmly believes the country will only continue to grow.

Importantly, the effort to strengthen the foundation for growing overseas markets like India is one of Honda's three key global strategies, together with strengthening the foundation of its business in the United States and Japan, and enhancing Honda's leadership commitment to protect the environment.

Among all the world's growing markets, India is one of the most important business areas for Honda, with the highest growth potential. Honda's automotive sales in 2010 are expected to exceed 150,000 units—three times the current level. In addition to expanding the sales of existing models, Honda has already begun research on a new model that is smaller than the *City ZX*.

Consolidated Balance Sheets

Honda Motor Co., Ltd. and Subsidiaries
March 31 and June 30, 2006, and June 30, 2005

	Yen (millions)		
	Mar. 31, 2006 (Audited)	Jun. 30, 2006 (Unaudited)	Jun. 30, 2005 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 747,327	¥ 737,069	¥ 725,568
Trade accounts and notes receivable.....	963,320	827,621	707,150
Finance subsidiaries–receivables, net	1,230,912	1,365,847	1,133,552
Inventories	1,036,304	1,066,515	928,871
Deferred income taxes	198,033	190,172	200,999
Other current assets	450,002	479,370	354,138
Total current assets	<u>4,625,898</u>	<u>4,666,594</u>	<u>4,050,278</u>
Finance subsidiaries–receivables, net	2,982,425	3,066,310	2,729,969
Investments and advances:			
Investments in and advances to affiliates	408,993	430,265	373,791
Other, including marketable equity securities.....	298,460	259,790	276,744
Total investments and advances	<u>707,453</u>	<u>690,055</u>	<u>650,535</u>
Property, plant and equipment, at cost:			
Land	384,447	398,287	366,898
Buildings	1,149,517	1,193,018	1,041,197
Machinery and equipment	2,562,507	2,595,768	2,283,632
Construction in progress	115,818	157,820	120,485
	4,212,289	4,344,893	3,812,212
Less accumulated depreciation and amortization.....	2,397,022	2,478,294	2,214,438
Net property, plant and equipment	<u>1,815,267</u>	<u>1,866,599</u>	<u>1,597,774</u>
Other assets	440,638	434,791	470,988
Total assets	<u>¥10,571,681</u>	<u>¥10,724,349</u>	<u>¥9,499,544</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term debt	¥ 693,557	¥ 791,631	¥ 719,020
Current portion of long-term debt	657,645	726,137	559,298
Trade payables:			
Notes	31,698	28,266	26,410
Accounts	1,099,902	1,036,212	928,184
Accrued expenses	930,115	855,592	894,876
Income taxes payable	110,160	79,760	74,237
Other current liabilities	466,332	471,912	466,552
Total current liabilities	<u>3,989,409</u>	<u>3,989,510</u>	<u>3,668,577</u>
Long-term debt, excluding current portion	1,879,000	1,955,221	1,698,201
Other liabilities	577,522	578,721	717,163
Total liabilities	<u>6,445,931</u>	<u>6,523,452</u>	<u>6,083,941</u>
Stockholders' equity:			
Common stock	86,067	86,067	86,067
Capital surplus	172,529	172,529	172,531
Legal reserves.....	35,811	37,332	35,516
Retained earnings	4,267,886	4,354,983	3,885,001
Accumulated other comprehensive income (loss):			
Adjustments from foreign currency translation	(375,777)	(391,474)	(571,454)
Net unrealized gains on marketable equity securities	62,710	55,315	35,438
Net unrealized gains (losses) on derivative instruments.....	(64)	(204)	—
Minimum pension liabilities adjustments	(94,056)	(94,100)	(202,713)
Total accumulated other comprehensive loss, net	(407,187)	(430,463)	(738,729)
Treasury stock	(29,356)	(19,551)	(24,783)
Total stockholders' equity	<u>4,125,750</u>	<u>4,200,897</u>	<u>3,415,603</u>
Total liabilities and stockholders' equity	<u>¥10,571,681</u>	<u>¥10,724,349</u>	<u>¥9,499,544</u>

Consolidated Statements of Income and Retained Earnings

Honda Motor Co., Ltd. and Subsidiaries
For the three months ended June 30, 2005 and 2006

	Yen (millions)	
	Three months ended	
	Jun. 30, 2005 (Unaudited)	Jun. 30, 2006 (Unaudited)
Net sales and other operating revenue	¥2,264,579	¥2,599,724
Operating costs and expenses:		
Cost of sales	1,591,130	1,861,266
Selling, general and administrative.....	380,476	418,622
Research and development	122,580	116,315
Operating income	170,393	203,521
Other income:		
Interest	5,361	10,134
Other.....	900	1,026
Other expenses:		
Interest	3,734	3,738
Other.....	28,612	23,959
Income before income taxes and equity in income of affiliates	144,308	186,984
Income taxes (benefit) expense:		
Current.....	61,221	67,133
Deferred	(6,436)	6,642
Income before equity in income of affiliates	89,523	113,209
Equity in income of affiliates	21,143	30,193
Net income	110,666	143,402
Retained earnings:		
Balance at beginning of period.....	3,809,383	4,267,886
Cash dividends	34,220	54,784
Transfer to legal reserves	828	1,521
Balance at end of period.....	<u>¥3,885,001</u>	<u>¥4,354,983</u>
	Yen	
Basic net income per		
Common share	¥59.87	¥78.46
American depositary share	59.87	78.46

Segment Information

Business Segment Information

For the three months ended June 30, 2005 and 2006

	Yen (millions)						
	Three months ended						
	Jun. 30, 2005						
Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Total	Eliminations	Consolidated	
Net sales and other operating revenue:							
Unaffiliated customers.....	¥263,187	¥1,845,971	¥ 68,753	¥ 86,668	¥ 2,264,579	¥ —	¥ 2,264,579
Intersegment.....	—	—	779	3,970	4,749	(4,749)	—
Total	263,187	1,845,971	69,532	90,638	2,269,328	(4,749)	2,264,579
Cost of sales, SG&A and R&D expenses	252,871	1,712,782	49,679	83,603	2,098,935	(4,749)	2,094,186
Operating income	¥ 10,316	¥ 133,189	¥ 19,853	¥ 7,035	¥ 170,393	¥ —	¥ 170,393
Assets	856,993	4,269,798	4,515,515	249,334	9,891,640	(392,096)	9,499,544
Depreciation and amortization	6,280	46,457	134	2,037	54,908	—	54,908
Capital expenditures	8,690	54,078	316	1,440	64,524	—	64,524

Three months ended Jun. 30, 2006

Net sales and other operating revenue:							
Unaffiliated customers.....	¥310,146	¥2,095,606	¥ 89,988	¥103,984	¥ 2,599,724	¥ —	¥ 2,599,724
Intersegment.....	—	—	907	4,426	5,333	(5,333)	—
Total	310,146	2,095,606	90,895	108,410	2,605,057	(5,333)	2,599,724
Cost of sales, SG&A and R&D expenses	297,006	1,945,523	61,637	97,370	2,401,536	(5,333)	2,396,203
Operating income	¥ 13,140	¥ 150,083	¥ 29,258	¥ 11,040	¥ 203,521	¥ —	¥ 203,521
Assets	979,563	4,800,348	5,204,163	285,704	11,269,778	(545,429)	10,724,349
Depreciation and amortization	8,429	64,156	210	2,343	75,138	—	75,138
Capital expenditures	11,470	84,471	275	1,838	98,054	—	98,054

Explanatory notes:

- Business segments are 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 ¥418,133 million and ¥316,984 million at June 30, 2005 and 2006, respectively, which consist primarily of cash and cash equivalents and marketable securities held by the parent company.

Explanatory Notes:

1. Consolidated subsidiaries
Number of consolidated subsidiaries: 389
2. Affiliated companies
Number of affiliated companies: 100
3. Changes of consolidated subsidiaries and affiliated companies
Consolidated subsidiaries:
Newly formed consolidated subsidiaries: 53
Reduced through reorganization: 3
Affiliated companies:
Newly formed affiliated companies: 4
Reduced through reorganization: 19
4. 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.
5. The average exchange rates for the fiscal first quarter ended June 30, 2006 were ¥114.50=U.S.\$1 and ¥143.78= €1. The average exchange rates for the corresponding period last year were ¥107.69=U.S.\$1 and ¥135.57= €1.
6. U.S. dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥115.24=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 June 30, 2006.
7. 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.
Also, the Company decided to change of ratio of its ADR to Honda's underlying shares.
As a result, one American Share which represented one-half of one share represented one share, and the change of ratio of ADR was handled by Honda's depository, JPMorgan Chase Bank. The first trading date with the new ratio was Monday, July 3, 2006.
8. Minority interests in net assets and income are not significant and, accordingly, are not presented separately in the accompanying consolidated balance sheets and statements of income. The amount of minority interest recognized in earnings, included in "Other expenses: Other," for the fiscal first quarters ended June 30, 2005 and 2006 were ¥3,734 million and ¥4,381 million, respectively.
9. Depreciation of property, plant and equipment is calculated principally by the declining-balance method based on estimated useful lives and salvage values of the respective assets.
10. Honda applies hedge accounting for some of its forward foreign currency exchange contracts between the Company and its subsidiaries.
11. On April 26, 2006, the Board of Directors declared a two-for-one stock split of the Company's common stock. All shareholders of record on June 20, 2006 received one additional share of common stock for each share on July 1, 2006. Information pertaining to earnings per share included in the accompanying consolidated financial statements for all periods presented have been adjusted to retroactively reflect the stock split.

Notes to Consolidated Balance Sheets

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

	Yen (millions)		
	Mar. 31, 2006	Jun. 30, 2006	Jun. 30, 2005
Allowance for doubtful trade accounts and notes receivables.....	¥10,689	¥ 8,957	¥10,350
Allowance for credit losses for finance subsidiaries-receivables.....	32,950	34,424	33,058

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

	Yen (millions)		
	Mar. 31, 2006	Jun. 30, 2006	Jun. 30, 2005
Property, plant and equipment	¥22,592	¥32,238	¥7,653
Finance subsidiary pledged as collateral finance subsidiaries-receivables	8,993	6,451	6,120

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

	Yen (millions)		
	Mar. 31, 2006	Jun. 30, 2006	Jun. 30, 2005
Bank loan of employees for their housing costs.....	¥46,737	¥44,828	¥52,135

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 June 30, 2006, 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.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements to conform to the presentation used for the fiscal first quarter ended June 30, 2006. In the fiscal first quarter ended June 30, 2006, management has classified cash dividends from affiliates in operating activities in the consolidated statements of cash flows.

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Depository and Transfer Agent for American Depositary Receipts

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

Stock Exchange Listings

[Japan] Tokyo, Osaka, Nagoya, Fukuoka and
Sapporo stock exchanges

[Overseas] New York, London, Swiss and Paris stock
exchanges

Total Number of Shares Issued

917,414,215 shares (Common Stock)

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