HONDA MOTOR CO LTD
Form 6-K
February 15, 2006
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# SECURITIES AND EXCHANGE COMMISSION 

WASHINGTON, D.C. 20549

## FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER<br>PURSUANT TO RULE 13a-16 OR 15d-16<br>UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF January 2006

HONDA GIKEN KOGYO KABUSHIKI KAISHA
(Name of registrant)

# HONDA MOTOR CO., LTD. 

(Translation of registrant s name into English)<br>1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan<br>(Address of principal executive offices)

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Form 20-F x Form 40-F *

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): *

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

$$
\text { Yes }{ }^{*} \text { No }{ }^{*}
$$

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-

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## Exhibit 1:

On January 4, 2006, American Honda Motor Co., Inc., announced that it will debut its all-new compressed natural gas (CNG) powered Civic GX to the public when the 2006 Greater Los Angeles Auto Show opens its doors. Scheduled to go on sale at select Honda dealers throughout California in May, the Civic GX proposes a pathway to energy independence, produces near zero emissions, and delivers benefits to owners in the form of tax breaks and single passenger carpool lane access. The Civic GX will offer customers comfort and convenience features comparable to a Civic LX - the most popular trim level in the Civic lineup. The new 1.8-liter 4-cylinder engine found in the Civic GX delivers an increase of more than 10 percent in horsepower and torque versus previous models.

## Exhibit 2:

On January 8, 2006, 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.

## Exhibit 3:

On January 8, 2006, 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 sfirst win in either category.

## Exhibit 4:

On January 10, 2006, Honda Motor Co., Ltd. announced that it has acquired its outstanding company shares of 11,196,703,000 yen at aggregate amount for 1,638,500 shares during the period from December 1, 2005 to December 30, 2005 pursuant to the provisions of Article 211-3, Paragraph 1, Item 2 of the Commercial Code.

## Exhibit 5:

On January 20, 2006, Honda Motor Co., Ltd. announced that it has acquired its outstanding company shares of 4,306,807,000 yen at aggregate amount for 648,500 shares during the period from January 4, 2006 to January 16, 2006 pursuant to the provisions of Article 211-3, Paragraph 1, Item 2 of the Commercial Code.

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## Exhibit 6:

On January 26, 2006, Honda Motor Co., Ltd. announced its sales and production results for the calendar year 2005. (Ref. \#C06-002)

## Exhibit 7:

On January 26, 2006, Honda Motor Co., Ltd. announced production, domestic sales, and export results for the month of December as well as for the calendar year 2005. Honda set all-time record calendar year records for worldwide production, as well as overseas production.
(Ref. \#C06-003)

## Exhibit 8:

On January 31, 2006, Honda Motor Co., Ltd. announced its intention to retire the treasury stock of 11,000,000 shares on February 7, 2006, the resolution for which was resolved at the meeting of the Board of Directors held on January 31, 2006 in accordance with Article 212 of the Commercial Code.

## Exhibit 9:

On January 31, 2006, Honda Motor Co., Ltd. announced its intention to implement acquisition of its outstanding company shares of $32,000,000,000$ yen at maximum amount for $5,800,000$ shares at maximum number during the period from February 6, 2006 to April 14, 2006 in accordance with Article 211-3, Paragraph 1, Item 2 of the Commercial Code.

## Exhibit 10:

On January 31, 2006, Honda Motor Co., Ltd. announced its consolidated financial summary for the fiscal ${ }^{\text {rd }}$ quarter ended Dec. 31, 2005 \& revised forecast for fiscal year.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HONDA GIKEN KOGYO
KABUSHIKI KAISHA
( HONDA MOTOR CO., LTD. )
/s/ Satoshi Aoki
Satoshi Aoki
Executive Vice President and
Representative Director

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All-New Natural Gas Powered 2006 Civic GX to Make Public Debut During 2006 Greater Los Angeles Auto Show

TORRANCE, Calif, U.S.A., January 4, 2006 American Honda Motor Co., Inc., announced that it will debut its all-new compressed natural gas (CNG) powered Civic GX to the public when the 2006 Greater Los Angeles Auto Show opens its doors. Scheduled to go on sale at select Honda dealers throughout California in May, the Civic GX proposes a pathway to energy independence, produces near zero emissions, and delivers benefits to owners in the form of tax breaks and single passenger carpool lane access. The Civic GX will offer customers comfort and convenience features comparable to a Civic LX - the most popular trim level in the Civic lineup. The new 1.8-liter 4-cylinder engine found in the Civic GX delivers an increase of more than 10 percent in horsepower and torque versus previous models.

## 2006 Honda Civic GX

Natural gas-powered vehicles are part of Honda s energy strategy to offer the best available technology for the reduction of air pollution and petroleum dependence. The Civic GX will be manufactured in East Liberty, Ohio.

Based on the all-new award-winning 2006 Civic introduced in the fall of 2005, the GX will feature the same standard safety features that have earned Civic the Insurance Institute for Highway Safety s Top Safety Pick - Gold Award.

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2007 Honda Fit Looks Small on the Outside, Delivers Big on the Inside The new subcompact 5-door hatchback will enter the U.S. subcompact market with class-leading content and segment-defining standard safety equipment.

DETROIT, U.S.A., January 8, 2006 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.

Built on Honda s legendary foundation for dependability, quality and reliability, the Fit is a premium entry-level vehicle that emphasizes style, technology and value. The Fit features a 109 horsepower 1.5 -liter 4-cylinder VTEC engine, a 5 -speed manual transmission or a first-in-segment 5 -speed automatic transmission, and over 90 cubic feet of passenger volume with multiple seating and cargo configurations. A Fit Sport model offers wheel-mounted paddle shifters (with automatic transmission) and a 160 -watt, six-speaker audio system. Fit will be supported by a wide variety of Honda Genuine Accessories, including segment exclusive Honda $\operatorname{Apple}(R) \operatorname{iPod}(R) \operatorname{Music} \operatorname{Link}(R)$, allowing owners to personalize their Fits inside and out. The 2007 Fit provides a new entry point into Honda for consumers considering an attractive and efficient small car, said John Mendel, senior vice president of American Honda. The large interior adapts to people or cargo like no other car in its class. It comes standard-equipped with advanced safety technology, and follows in the tradition of Honda sfun-to-drive performance.

Unprecedented Subcompact Seating and Cargo Flexibility

Dimensionally compact on the outside, the interior provides a surprisingly large passenger and cargo space for both maximum comfort and utility. At the foundation is the Fit s Magic Seat(TM), an innovative $60 / 40$ split rear seat that allows the seatbacks to fold down or the seat bottoms to flip up, providing four distinct seating and cargo carrying configurations (refresh mode, tall object mode, long object mode and utility mode) in addition to the standard five passenger mode. With all seats in the upright position, passenger volume measures 90.1 cubic feet (slightly less than an Accord s passenger volume) with 21.3 cubic feet of cargo capacity behind the second row (slightly less than an Element s cargo volume behind the second row). In order to help maximize Fit s useable interior space, Honda located the fuel tank in a central location towards the middle of the vehicle. This allows the cargo floor in the rear of Fit to be relatively low, thus increasing the interior volume.

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## Fun to Drive...Past the Pump

The 1.5 -liter, SOHC, 16 -valve, 4 -cylinder VTEC engine generates 109 horsepower @ 5800 rpm and 105 foot-pounds of torque @ 4800 rpm . The compact and efficient powerplant features Honda s innovative Variable Valve Timing and Lift Electronic Control (VTEC(TM)).The VTEC system s ability to provide highly efficient operation at low engine speeds and extended performance at high engine speeds benefits fuel economy, power and low emissions.

Refinement is further enhanced with electronic Drive-by-Wire throttle control, which provides quick throttle response, smooth automatic transmission shifts (on automatic transmission models) and precise fuel delivery to the engine. Friction reducing technologies include roller bearing tipped rocker arms, a low friction timing chain tensioner, molydebenum coated piston skirts and an offset crankshaft/connecting rod design.

The suspension set up for the Fit is a combination of a front MacPherson strut/rear torsion beam with trailing arm.

The compact front suspension and rear torsion beam were both designed to allow for a large passenger cabin with a low floor to maximize the cargo carrying capacity.

Fit employs a compact, efficient and highly responsive Electric Power Steering (EPS) system that also contributes to higher fuel economy since engine power is not needed to operate a hydraulic system. The wheel size measures 14 -inches with P175/65R14 tires, and 16-inch wheels with P205/45R16 are available as a dealer-installed option.

Estimated city/highway fuel economy ratings of $33 / 38$ miles per gallon is expected to be among the highest ratings in the subcompact 5-door hatchback class. Emissions levels are rated as Low Emissions Vehicle 2 (LEV-2) by the California Air Resources Board (CARB) and Tier 2 / Bin 5 by the Federal government.

## Top-of-Class Standard Safety Equipment

Already a leader in vehicle safety as demonstrated by Honda s Safety for Everyone initiative, Honda continues to implement leading airbag technology in all vehicles regardless of size or price. The Fit has the most standard safety features in its class with no other subcompact offering as much standard advanced safety technology. Dual-stage, dual-threshold front airbags, dual front side airbags and side-curtain airbags are standard equipment on all Fit models. All seating positions have three-point seat belts, while front occupants are further protected by pre-tensioning seat belts. An enhanced knee bolster provides additional protection for passengers.

Standard active safety equipment includes anti-lock braking system (ABS) with ventilated discs in the front and drums in the back, and electronic brake distribution (EBD).

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## Paddle Shifters, Audio Options Define High Content Sport Model

The Fit Sport model is the only subcompact to offer steering wheel-mounted paddle shifter controls (with automatic transmission). The Sport package includes underbody kit, rear roofline spoiler, fog lights, security system with keyless remote entry, cruise control, and 15-inch aluminum-alloy wheels with P195/55R15 tires.

The Fit Sport also features a premium 160-watt, AM/FM/CD audio system with six speakers, MP3/WMA playback capability, a five-mode equalizer, and an auxiliary audio jack for input from a portable music player.

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## Most Standard Subcompact Features, Segment Exclusive Accessories

Fit comes with standard amenities such as air conditioning, an AM/FM/CD audio system with four speakers, power windows, power mirrors, power door locks, and a two-tone interior.

The 2007 Fit promises to be one of the most customizable vehicles from Honda with approximately 30 accessories available at the dealer. Fit will offer the Honda $\operatorname{Apple}(\mathrm{R}) \operatorname{iPod}(\mathrm{R})$ Music Link(R) as a dealer-installed accessory. The Honda iPod Music Link allows the user s iPod (sold separately) to fully interact with the audio system. A segment exclusive, Music Link will control all the iPod sfeatures via the audio head unit with album/song information shown on the vehicle $s$ audio unit LCD display. It will also charge the iPOD $s$ battery.

Other interior accessories include an ambient lighting, trim panel accents (silver, red and blue), steering wheel covers and shift knobs. Outside, the Fit can be customized with Honda Factory Performance equipment including 16-inch alloy wheels, Sport package underbody kit, sport exhaust, chrome exhaust tip finisher, rear bumper accents and a sport mesh grille.

A consumer preview Web site for the Fit is available at fit.honda.com. Official pricing for the 2007 Honda Fit has not yet been determined.

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Honda Sweeps North American Car and Truck of the Year Awards 2006 Honda Civic and 2006 Honda Ridgeline Take the Top Honors

DETROIT, U.S.A., January 8, 2006 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 sfirst win in either category.

Honda Ridgeline<br>Honda Civic

The North American Car of the Year and Truck of the Year Awards are given by a group of 49 international automotive journalists. The awards are unique because instead of being given by a single publication, radio or television station they are given by automotive journalists from the United States and Canada. Presented each year at the opening of the North American International Auto Show in Detroit, they recognize the most outstanding car and truck of the year based on factors including innovation, design, safety, handling, driver satisfaction and value for the 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. We couldn $t$ be more pleased with the reaction to both vehicles. This will be great news to the Honda associates in North America who build them.

The 2006 Honda Civic establishes new segment standards for safety, technology and performance. Clean and efficient i-VTEC(TM) engine technologies deliver more power while still achieving an EPA-estimated highway fuel economy rating of 40 miles per gallon. In keeping with Honda s Safety for Everyone initiative, the Honda Civic features advanced standard safety equipment including side curtain airbags, front side airbags and the Advanced Compatibility Engineering(TM) (ACE(TM)) Body Structure, at all trim levels.

The most noticeable features of the 2006 Civic include its expressive exterior styling, a high-tech and spacious interior, and fun-to-drive performance. The Civic further rewards drivers and passengers with as many as seven ways to enjoy audio entertainment - including XM (R) Satellite Radio, MP3 and WMA support and an accessory Apple (R) iPod (R) adapter that connects the popular music player to the Civic $s$ audio controls.

The Civic Hybrid provides the ultimate in clean and efficient technology with a 1.3-liter i-VTEC engine and a new generation of Honda s Integrated Motor Assist (IMA) technology that helps the hybrid achieve an EPA-estimated city/highway fuel economy of 49/51 miles per gallon and an Advanced-Technology Partial Zero Emissions Vehicle (AT-PZEV) rating. Additionally, the Civic Hybrid can deactivate all four of its cylinders and operate using only the electric motor in certain low-speed cruising situations.

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The Civic Si showcases the high-performance potential of the Civic platform and offers a 197 -horsepower, DOHC 2.0-liter i-VTEC engine connected to a 6 -speed manual transmission and a limited slip differential.

Since its introduction in March of 2005, the Ridgeline has re-defined the truck segment through its innovative and exclusive new features. Designed to meet the needs of a growing population of consumers purchasing trucks to support their active, outdoor-oriented lifestyles, the Ridgeline delivers a proportional mix of overall truck capability, towing performance, ruggedness and value in a fun-to-drive and responsible vehicle built around Honda s standards for reliability, safety and performance.

Standard features on all Ridgeline models include a 247 -horsepower VTEC V-6 engine; 5 -speed electronically-controlled automatic transmission; advanced Variable Torque Management four-wheel drive system; air conditioning; tilt steering wheel; power - side windows, power sliding rear window and door locks; cruise control; keyless entry; automatic heated wiper zone; 6 -speaker 100-watt audio system with CD player; 60/40 split lift-up rear seat with under-seat storage; all-weather floor mats; 5-foot cargo bed with six heavy duty tie down cleats and 4 bed lights; an 8.5 cubic foot secure, lockable In-Bed Trunk; and dual-action tailgate.

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## Notice Regarding the Results of Purchase of Company Shares

Tokyo, January 10, 2006 Honda Motor Co., Ltd. today announced that it has acquired its outstanding company shares pursuant to the provisions of Article 211-3, Paragraph 1, Item 2 of the Commercial Code as follows.
(1) Type of shares acquired

Common stock of Honda Motor Co., Ltd.
(2) Period of acquisition

From December 1 to December 30, 2005
(3) Aggregate number of shares acquired

1,638,500 shares
(4) Aggregate amount of acquisition
$11,196,703,000$ yen
(5) Method of acquisition

Purchase on the Tokyo Stock Exchange

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Reference:

Resolution at the meeting of the Board of Directors held on October 27, 2005.
(1) Type of shares to be acquired

Common stock of Honda Motor Co., Ltd.
(2) Maximum number of shares to be acquired

4,700,000 shares
(3) Maximum amount of acquisition

26 billion yen
(4) Period of acquisition

From November 2, 2005 to January 16, 2006

Aggregate number and amount of company shares acquired as of December 30, 2005, since the date of the resolution at the meeting of the Board of Directors (October 27, 2005).
(1) Aggregate number of shares acquired
$3,251,000$ shares
(2) Aggregate amount of acquisition

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## Notice Regarding the Results of Purchase of Company Shares

Tokyo, January 20, 2006 Honda Motor Co., Ltd. today announced that it has acquired its outstanding company shares pursuant to the provisions of Article 211-3, Paragraph 1, Item 2 of the Commercial Code as follows.

As a result of this acquisition, all the acquisition of the company shares that was authorized under the resolution adopted at the meeting of the Board of Directors held on October 27, 2005 have been completed.
(1) Type of shares acquired

Common stock of Honda Motor Co., Ltd.
(2) Period of acquisition

From January 4 to January 16, 2006
(3) Aggregate number of shares acquired

648,500 shares
(4) Aggregate amount of acquisition
$4,306,807,000$ yen
(5) Method of acquisition

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Purchase on the Tokyo Stock Exchange

Reference:

Resolution at the meeting of the Board of Directors held on October 27, 2005.
(1) Type of shares to be acquired

Common stock of Honda Motor Co., Ltd.
(2) Maximum number of shares to be acquired
$4,700,000$ shares
(3) Maximum amount of acquisition

26 billion yen
(4) Period of acquisition

From November 2, 2005 to January 16, 2006

Aggregate number and amount of company shares acquired as of January 16, 2006, since the date of the resolution at the meeting of the Board of Directors (October 27, 2005).
(1) Aggregate number of shares acquired
(2) Aggregate amount of acquisition
$25,999,863,000$ yen

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## 2005 Honda SALES \& PRODUCTION

<Global Sales (million units)>

|  | 2004 |  |  |
| :---: | :---: | :---: | :---: |
|  | Result | Result | \% Change |
| Motorcycles \& ATVs | 10.808 | 12.284* | 114\% |
| Automobiles | 3.194 | 3.365* | 105\% |
| Power Products | 5.300 | 5.551* | 105\% |
| Total | 19.302 | 21.200* | 110\% |

Note: The motorcycle results for the Honda brand excludes Sundiro brand figures.

* New record
<Motorcycles \& ATVs>

|  | $\frac{2004}{\text { Result }}$ | 2005 |  |
| :---: | :---: | :---: | :---: |
|  |  | Result | \% Change |
|  | (Units) | (Units) |  |
| Japan sales | 391,158 | 369,648 | 94.5\% |
| Export sales | 350,255 | 379,271 | 108.3\% |
| Motorcycles Total | 741,413 | 748,919 | 101.0\% |
| ATVs | 351,018 | 300,473 | 85.6\% |
| Motorcycle \& ATV Total | 1,092,431 | 1,049,392 | 96.1\% |
| KD sets | 9,059,140 | 9,243,300* | 102.0\% |

[^0]| Japan production $^{1}$ | 579,131 | 623,725 | $107.7 \%$ |
| :--- | ---: | ---: | ---: |
| Overseas production $^{2}$ | $10,296,000$ | $11,896,000^{*}$ | $115.5 \%$ |
| Global production $^{3}$ | $10,875,131$ | $12,519,725^{*}$ | $115.1 \%$ |

1 Completely built unit (CBU) + complete knock-down (CKD)
${ }^{2}$ CBU production at local plants (excluding overseas CKD)
3 Domestic production plus overseas production

Note: The motorcycle results for the Honda brand excludes Sundiro brand figures.

* New record


## <Automobiles>

|  | 2004 | 2005 |  |
| :---: | :---: | :---: | :---: |
|  | Result | Result | \% Change |
|  | (Units) | (Units) |  |
| Passenger cars \& light trucks ${ }^{4}$ | 481,378 | 467,162 | 97.0\% |
| Mini vehicles | 261,693 | 246,868 | 94.3\% |
| Japan sales | 743,071 | 714,030 | 96.1\% |
| Export sales | 513,627 | 522,891 | 101.8\% |
| Total | 1,256,698 | 1,236,921 | 98.4\% |
| KD sets | 1,804,140 | 1,988,370* | 110.2\% |

4 Import car sales are included in passenger cars \& light trucks

* New record

| Japan production $^{5}$ | $1,242,528$ | $1,261,994$ | $101.6 \%$ |
| :--- | :--- | :--- | :--- |
| Overseas production $^{6}$ | $1,939,096$ | $2,147,997^{*}$ | $110.8 \%$ |
| Global production $^{7}$ | $3,181,624$ | $3,409,991^{*}$ | $107.2 \%$ |

5 Completely built unit (CBU) + complete knock-down (CKD)
${ }^{6} \quad$ CBU production at local plants (excluding overseas CKD)
7 Domestic production plus overseas production

* New record


## <Power Products>

|  | 2004 | 2005 |  |
| :---: | :---: | :---: | :---: |
|  | Result | Result | \% Change |
|  | (Units) | (Units) |  |
| Japan sales | 436,042 | 463,263 | 106.2\% |
| Export sales | 5,194,363 | 5,401,864* | 104.0\% |

* New record

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## Honda Sets All-Time Annual Records for Overseas and Worldwide Production

January 26, 2006 Honda Motor Co., Ltd. today announced a summary of production, domestic sales, and export results for the month of December as well as for the calendar year 2005. Honda set all-time calendar year records for worldwide production, as well as overseas production.

## <Production>

## December 2005

Domestic production for the month of December declined $9.0 \%$ compared to the same month a year ago due to a decrease in production of both domestic and export models. This is the first time in two months, since October 2005, that domestic production declined compared to the same month a year ago.

Overseas production in December increased 7.9\%, due largely to production increases in North America, where the second line of the Alabama plant reached full capacity in October 2005.

Worldwide production in December increased $0.8 \%$ due to increased overseas production. It is the fifth consecutive month, since August 2005, for an increase over the same month a year ago.

## Calendar Year 2005

Total domestic production for 2005 increased $1.6 \%$ compared to 2004, due largely to an increase in production of export models. This is the second consecutive year, since 2004, that domestic production exceeded the total from the previous year.

Overseas production for 2005 increased $10.8 \%$ compared to 2004, due mainly to production increases in North America and Asia. This is the ninth consecutive year, since 1997, that overseas production exceeded the total from the previous year.

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Worldwide production for 2005 increased $7.2 \%$ compared to 2004, due to an increase in domestic and overseas production. This is the ninth consecutive year, since 1997, that worldwide production exceeded the total from the previous year.

Honda set all-time calendar year records for worldwide production, as well as overseas production, and production in North America, the U.S. and Asia.

## <Japan Domestic Sales>

## December 2005

Total domestic sales was 52,488 units for the month of December, a $22.2 \%$ decline compared to the same month a year ago, due to decreased sales of both passenger cars and light trucks and mini-vehicles. It is the second consecutive month for domestic sales to decline compared to the same month a year ago.

Sales of passenger cars and light trucks totaled 35,040 units for the month of December, a $17.8 \%$ decline compared to the same month a year ago. This was due primarily to stabilizing demand for the Fit. It is the first time in four months, since August 2005, that sales of passenger cars and light trucks declined compared to the same month a year ago.

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Sales of mini-vehicles totaled 17,448 units for the month of December, a $29.7 \%$ decline compared to the same month a year ago. This was due primarily to stabilizing demand for the Life. It is the second consecutive month for sales of mini-vehicles to decline compared to the same month a year ago.

Fit was the best selling vehicle for Honda and the industry ( 9,162 units) for the month of December. The Life ( 8,553 units, fourth best selling mini-vehicle in the industry) and all-new StepWGN ( 6,997 units, third best selling car in the industry), which underwent a full model change in May, were Honda s second and third best selling vehicles for the month.

## Calendar Year 2005

Total domestic sales for 2005, totaled 714,030 units, a $3.9 \%$ decline compared to 2004, due to decreased sales of both mini-vehicles and passenger cars and light trucks. It is the first time in two years, since 2003, that domestic sales declined compared to the prior year. Sales of new models introduced in 2005, such as StepWGN and Airwave, grew steadily. However, overall domestic sales declined due to stabilizing demand for Fit, Odyssey and Life. Sales of passenger cars and light trucks and mini-vehicles declined in 2005 compared to 2004. It is first time in two years, since 2003, that sales declined compared to the prior year.

## <Exports>

## December 2005

Total exports for the month of December totaled 51,518 units, a $2.0 \%$ decline compared to the same month a year ago, due to a slight decline in each region.

## Calendar Year 2005

Total exports for 2005 of 522,891 units, were up $1.8 \%$ compared to the prior year, due mainly to increased exports for North America, Latin America and Africa. Exports to North America increased due to strong sales of Acura RL (known as Legend in Japan), which underwent a full model change in fall 2004, and Acura TSX (known as Accord in Japan).

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PRODUCTION, SALES, EXPORTS (2005)

Production

|  | December |  | Calendar Year <br> 2005 Total |  | *Fiscal Year 2006 <br> (Quarters1-3) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Units | vs.12/04 | Units | vs. 2004 | Units | vs. 2005 |
| Domestic (CBU+CKD) | 101,411 | -9.0\% | 1,261,994 | +1.6\% | 913,785 | -0.9\% |
| Overseas (CBU only) | 164,832 | +7.9\% | 2,147,997 | +10.8\% | 1,623,526 | +11.0\% |
| Worldwide Total | 266,243 | +0.8\% | 3,409,991 | +7.2\% | 2,537,311 | +6.4\% |
|  |  |  |  | April/01/20 | 5~Decemb | /31/2005) |

Production by Region

|  | December |  | Calendar Year <br> 2005 Total |  | *Fiscal Year 2006 <br> (Quarters 1-3) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Units | vs.12/04 | Units | vs. 2004 | Units | vs. 2005 |
| North America | 99,647 | +15.5\% | 1,348,897 | +10.8\% | 1,006,610 | +11.9\% |
| (USA only) | 69,822 | +22.7\% | 939,868 | +17.0\% | 704,494 | +18.8\% |
| Europe | 13,563 | -2.7\% | 186,838 | -3.4\% | 137,925 | -2.0\% |
| Asia | 45,971 | -1.9\% | 535,559 | +17.6\% | 420,406 | +14.9\% |
| Others | 5,651 | +0.6\% | 76,703 | +5.5\% | 58,585 | +4.3\% |
| Overseas Total | 164,832 | +7.9\% | 2,147,997 | +10.8\% | 1,623,526 | +11.0\% |
|  |  |  |  | April/01/20 | 5~Decemb | r/31/2005) |

Japan Domestic Sales

| $\underline{\text { Vehicle type }}$ | December | Calendar Year 2005 Total | *Fiscal Year 2006 <br> (Quarters 1-3) |
| :---: | :---: | :---: | :---: |
|  | Units vs.12/04 | Units vs. 2004 | Units vs. 2005 |


| Passenger Cars \& Light Trucks | 35,040 | -17.8\% | 467,162 | -3.0\% | 345,994 | +0.8\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Mini Vehicles | 17,448 | -29.7\% | 246,868 | -5.7\% | 179,476 | -3.0\% |
| Honda Brand Total | 52,488 | -22.2\% | 714,030 | -3.9\% | 525,470 | -0.5\% |
|  | *(April/01/2005~December/31/2005) |  |  |  |  |  |

Export from Japan

|  | December |  | Calendar Year 2005 Total |  | *Fiscal Year 2006 <br> (Quarters 1-3) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Units | vs.12/04 | Units | vs. 2004 | Units | vs. 2005 |
| North America | 23,083 | -1.4\% | 251,756 | +4.2\% | 178,047 | -1.1\% |
| (USA only) | 21,739 | +3.5\% | 224,772 | +2.8\% | 159,349 | -2.5\% |
| Europe | 16,203 | -0.4\% | 141,521 | -5.7\% | 105,120 | -7.8\% |
| Asia | 1,267 | -20.1\% | 16,815 | -7.2\% | 12,151 | -19.3\% |
| Others | 10,965 | -3.1\% | 112,799 | +8.7\% | 87,882 | +7.1\% |
| Total | 51,518 | -2.0\% | 522,891 | +1.8\% | 383,200 | -2.0\% |

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## Notice Regarding the Retirement of Treasury Stock

Tokyo, January 31, 2006 Honda Motor Co., Ltd. today announced its intention to retire the following treasury stock, the resolution for which was resolved as follows at the meeting of the Board of Directors held on January 31, 2006 in accordance with Article 212 of the Commercial Code:
(1) Type of shares to be retired

Common stock of Honda Motor Co., Ltd
(2) Number of shares to be retired

## $11,000,000$ shares

(Ratio to total shares of common stock issued and outstanding before retirement: 1.18\%)
(3) Scheduled date of retirement

February 7, 2006

Reference:

Total shares of common stock issued and outstanding after retirement

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## Notice Regarding the Buyback of Company Shares

Tokyo, January 31, 2006 Honda Motor Co., Ltd. today announced its intention to implement acquisition of its outstanding company shares, the resolution for which was resolved as follows at the meeting of the Board of Directors held on January 31, 2006 in accordance with Article 211-3, Paragraph 1, Item 2 of the Commercial Code:

1. Reason for the Acquisition of Company Shares:

Mainly to improve capital efficiency.
2. Details of the Acquisition:
(1) Type of shares to be acquired

Common stock of Honda Motor Co., Ltd
(2) Maximum number of shares to be acquired

5,800,000 shares
(Ratio to total shares of common stock issued and outstanding before retirement, which was announced separately today: $0.62 \%$ )
(3) Maximum amount of acquisition
$32,000,000,000$ yen
(4) Period of acquisition

From February 6 to April 14, 2006

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## HONDA MOTOR CO., LTD. REPORTS

## CONSOLIDATED FINANCIAL RESULTS

## FOR THE FISCAL THIRD QUARTER AND

THE NINE MONTHS ENDED DECEMBER 31, 2005

Tokyo, January 31, 2006 Honda Motor Co., Ltd. today announced its consolidated financial results for the fiscal third quarter and the fiscal nine months ended December 31, 2005.

## Third Quarter Results

Honda s consolidated net income for the fiscal third quarter ended December 31, 2005 totaled JPY 133.1 billion (USD 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 JPY 144.81 (USD 1.23), compared to JPY 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 quarter amounted to JPY 2,472.0 billion (USD 20,937 million), an increase of $15.8 \%$ over the same period in 2004. Revenue was positively affected by currency translations, which were translations of foreign-currency-denominated revenue from Honda s overseas subsidiaries into the Japanese yen. Honda estimates that if the exchange rate of yen had remained unchanged from the same period in 2004, revenue for the quarter would have increased by approximately $7.3 \%$.

Consolidated operating income for the fiscal third quarter totaled JPY 194.9 billion (USD 1,651 million), an increase of $23.7 \%$ compared to the same period in 2004. This increase in operating income was primarily due to the positive impact of currency 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 quarter totaled JPY 166.0 billion (USD 1,407 million), a decrease of $11.6 \%$ from the same period in 2004.

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

## Business Segment

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 same period in 2004. Motorcycle unit sales in Japan decreased $2.6 \%$ to 76 thousand units. Overseas unit sales was 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 JPY 283.4 billion (USD 2,401 million), due mainly to positive currency translation effects and increased unit sales. Operating income increased by $161.3 \%$ to JPY 13.4 billion (USD 114 million), due mainly to the positive currency effects caused by the depreciation of the Japanese yen and increased profits attributable to higher revenue, offsetting the negative impact of an increase in unrealized profit in inventories and the increased $\mathrm{R} \& D$ expenses.

* 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, at 816 thousand units, was 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 light truck and passenger car segments, such as the Ridgeline and the Civic. Revenue from sales to unaffiliated customers increased $15.5 \%$ to JPY 2,015.8 billion (USD 17,074 million) during the quarter, due to the positive currency translation impact and increased unit of sales in North America. Operating income increased $19.9 \%$ to JPY 151.0 billion (USD 1,280 million), due mainly to the positive impact of currency effects caused by the depreciation of the Japanese yen and increased profit attributable to higher revenue, which offset the negative impact of the change in model mix, the increase in unrealized profit in inventories, increased SG\&A expenses such as increase in logistic costs caused by higher oil prices and increased R\&D expenses.

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Revenue from sales to unaffiliated customers in financial services business increased $18.7 \%$ to JPY 80.2 billion (USD 680 million), due to the growth of the automobile business in North America. Operating income decreased $8.2 \%$ to JPY 22.0 billion (USD 186 million), due mainly to the negative impact of increased funding costs, which offset the positive impact of higher revenue due to an increased finance-subsidiaries receivable from growth of business, the decreased SG\&A due to the reversal of the allowance for losses on lease residual values which was attributable to the increase in the used-car prices.

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, increased by $7.9 \%$. Total unit sales of power products was 1,134 thousand units, up by $8.6 \%$ 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 in power product and other businesses increased by $15.9 \%$ to JPY 92.4 billion (USD 783 million), due mainly to the positive currency translation impact and an increase in unit sales of power products. Operating income was JPY 8.4 billion (USD 71 million), an increase of $238.0 \%$ from the same period in 2004, due mainly to the positive impact of the currency effects caused by the depreciation of the Japanese yen and an increased profit due to higher revenue, which offset increased SG\&A expenses.

## Geographical Segment

With respect to Honda s sales for the fiscal third quarter by geographical segment, in Japan, revenue for exports and domestic sales was JPY $1,119.0$ billion (USD 9,478 million), up by $4.9 \%$ compared to the same period in 2004, due primarily to increased unit sales for exports in the motorcycle, automobile and power product businesses, offsetting the negative impact of decreased unit sales in the domestic automobile business. Operating income in Japan was JPY 75.9 billion (USD 643 million), up by $59.9 \%$, due primarily to the positive impact of the currency effects caused by the depreciation of the Japanese yen and increased profit attributable to higher revenue in the export business, which offset the negative impact of the increase in SG\&A expenses, such as increase in logistic costs caused by higher oil prices and R\&D expenses.

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In North America, revenue increased by $24.5 \%$ from the same period in 2004 to JPY 1,478.9 billion (USD 12,526 million), due mainly to the positive currency translation effects and increased unit sales in the motorcycle and automobile businesses. Operating income increased by $30.6 \%$ to JPY 106.7 billion (USD 904 million) from the same period in 2004, due primarily to the positive impact of the currency effects caused by the depreciation of the Japanese yen, increased profit due to higher revenue and decreased sales incentives, which offset the negative impact of increased funding costs, the change in model mix and the increase in SG\&A expenses.

In Europe, revenue for the quarter increased by $11.4 \%$ to JPY 271.6 billion (USD 2,301 million) compared to the same period of the previous year, due primarily to the positive currency translation effects and an increased unit sales in the power product business. Operating income in Europe decreased by $48.5 \%$ to JPY 2.8 billion (USD 24 million), due mainly to the negative impact of the changes in the model mix and the increase in SG\&A expenses which included start-up expenses for a new model, offsetting the positive impact of currency effects caused by the depreciation of the Japanese yen and increased profit from higher revenue.

In Asia, revenue increased by $21.1 \%$ to JPY 248.7 billion (USD 2,107 million) from the same period of the previous year, due mainly to positive impact of currency translation effects, an increase in unit sales in the motorcycle business and changes in the model mix of the automobile business. Operating income increased by $5.9 \%$ to JPY 17.2 billion (USD 146 million) from the same period of the previous year, due mainly to the positive impact of currency effects caused by the depreciation of the Japanese yen and increased profit attributable to higher revenue, which offset the negative impact of an increase in SG\&A expenses mainly attributable to advertisement expenses.

In Asia, in addition to subsidiaries, many affiliates accounted for under the equity method manufacture and sell Honda-brand products. Operating income does not include income from these affiliates. Income from these affiliates is recorded as equity in income of affiliates and reflected in net income.

In other regions, revenue for the third quarter increased by $28.4 \%$ to JPY 146.6 billion (USD 1,242 million) compared to the same period of the previous year, due mainly to the positive currency translation effects and the increased unit sales in motorcycle and automobile businesses. Operating income increased by $79.4 \%$ from the same period of the previous year to JPY 16.6 billion (USD 141 million), due mainly to the positive impact of currency effects caused by the depreciation of the Japanese yen and increased profit attributable to higher revenue, offsetting the negative impact of the increase in $\mathrm{SG} \& A$ expenses.

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## Nine-Months Results

Honda s consolidated net income for the fiscal nine months ended December 31, 2005, totaled JPY 377.5 billion (USD 3,197 million), a decrease of $3.7 \%$ from the same period in 2004. Income taxes in the fiscal nine months in 2004 included JPY 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 JPY 409.43 (USD 3.47), compared to JPY 418.99 for the same period in 2004. Two of Honda s American Depositary Shares represent one Common Share.

Consolidated net sales and other operating revenue (herein referred to as revenue ) for the period amounted to JPY 7,074.2 billion (USD 59,916 million), an increase of $12.3 \%$ over the same period in 2004. Revenue was positively affected by currency translations, which were translations of foreign-currency-denominated revenue from Honda s overseas subsidiaries 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 by approximately $8.8 \%$.

Consolidated operating income for the fiscal nine months totaled JPY 528.0 billion (USD 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 Japanese yen, increased profit attributable to higher revenue and continuing cost reduction effects, which offset the negative impact of increased SG\&A and R\&D expenses.

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

Equity in income of affiliates, which is mainly attributable to Asian affiliates accounted for under the equity method for the fiscal nine months amounted to JPY 76.8 billion (USD 651 million), which was up $0.5 \%$.

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## Business Segment

With respect to Honda s sales in the fiscal nine months by business category, motorcycle unit sales totaled 7,858 thousand units, up $1.2 \%$ from the same period in 2004. Motorcycle unit sales in Japan decreased $3.5 \%$ to 275 thousand units, and overseas unit sales was 7,583 thousand units, which was up $1.4 \%$ from the same period in 2004, mainly due to a increase in unit sales of parts for local production at affiliates accounted for under the equity method in Indonesia* and favorable sales in Thailand and Brazil. Revenue from sales to unaffiliated customers increased $8.1 \%$, to JPY 834.4 billion (USD 7,067 million), due mainly to the positive currency translation impact and increased overseas unit sales. Operating income increased by $26.1 \%$ to JPY 53.3 billion (USD 452 million), due mainly to the positive impact of currency effects caused by the depreciation of the Japanese yen, increased profit from higher revenue and continuing cost reduction effects, offsetting the negative impact of the increase in $\mathrm{R} \& D$ expenses.

[^1]Honda s unit sales of automobiles increased by $4.5 \%$ from the same period in 2004 to 2,490 thousand units. In Japan, unit sales of automobiles decreased $2.1 \%$ to 506 thousand units. Overseas unit sales increased $6.3 \%$ to 1,984 thousand units, due mainly to increased unit sales in North America. Revenue from sales to unaffiliated customers increased $13.0 \%$, to JPY 5,754.5 billion (USD 48,738 million) during the period, due to the positive currency translation effects and increased overseas unit sales. Operating income increased by $6.5 \%$ to JPY 385.3 billion (USD 3,263 million), due mainly to the positive impact of currency effects caused by the depreciation of the Japanese yen, an increase in profit attributable to higher revenue and continuing cost reduction effects, which offset the increase in SG\&A and R\&D expenses.

Revenue from sales to unaffiliated customers in the financial services business increased $17.3 \%$ to JPY 224.0 billion (USD 1,897 million), due to the growth of the automobile business in North America. Operating income decreased $7.2 \%$ to JPY 66.6 billion (USD 564 million), due primarily to increased funding costs, which offset an increase in profit attributable to higher revenue.

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Unit sales of power products in Japan totaled 349 thousand units, an increase of $10.8 \%$. Overseas unit sales were 3,408 thousand units, an increase of $6.5 \%$, and total unit sales of power products was 3,757 thousand units, up by $6.9 \%$ from the same period in 2004. Increased unit sales in all regions, especially in Europe, was major contributing factors to this increase. Revenue from sales to unaffiliated customers in power product and other businesses increased by $7.2 \%$ to JPY 261.3 billion (USD 2,213 million), due mainly to positive currency translation effects and the increased unit sales of power products. Operating income increased $55.5 \%$ to JPY 22.7 billion (USD 193 million), due mainly to positive currency effects caused by the depreciation of the Japanese yen and the increased profit attributable to higher revenue, which offset the negative impact of the increase in SG\&A expenses.

## Geographical Segment

With respect to Honda s sales for the nine months by geographical segment, in Japan, revenue for exports and domestic sales was JPY 3,258.2 billion (USD 27,596 million), up by $7.0 \%$ compared to the same period in 2004, due primarily to the increased unit sales for exports in the motorcycle, automobile and power product businesses, which offset the negative impact of decreased unit sales in domestic automobile business. Operating income in Japan was JPY 186.1 billion (USD 1,577 million), up by $38.6 \%$, due primarily to the positive currency effects caused by the depreciation of the yen, increased profit attributable to higher revenue and continuing cost reduction effects, which offset the negative impact of the increase in SG\&A and R\&D expenses.

In North America, revenue increased by $16.7 \%$ from the same period of the previous year to JPY 3,990.9 billion (USD 33,802 million), due mainly to positive currency translation impact and the increased unit sales in automobile and power product businesses. Operating income in North America was JPY 248.0 billion (USD 2,101 million), which was approximately the same level as the corresponding period in 2004, due primarily to the positive impact of currency effects caused by the depreciation of the Japanese yen, the increased profit attributable to higher revenue, which offset the negative impact of the increase in SG\&A expenses.

In Europe, revenue for the period increased by $10.2 \%$ to JPY 835.9 billion (USD 7,080 million) compared to the same period of the previous year, due primarily to the positive currency translation effects and the increased unit sales in automobile business. Operating income in Europe decreased by $44.5 \%$ to JPY 16.4 billion (USD 139 million), due mainly to the changes in model mix and increased SG\&A expenses, offsetting the positive impact of the currency effects caused by the depreciation of the Japanese yen and the increased profit due to higher revenue.

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In Asia, revenue increased by $14.6 \%$ to JPY 711.5 billion (USD 6,026 million) from the same period of the previous year, due mainly to the positive currency translation effects and the increase in unit sales in the motorcycle and automobile businesses. Operating income decreased by $2.7 \%$ to JPY 52.2 billion (USD 442 million) from the same period of the previous year, due mainly to the negative impact of an increase in SG\&A expenses, offsetting the positive impact of increased profit attributable to higher revenue and continuing cost reduction effects.

In other regions, revenue for the nine months increased by $23.1 \%$ to JPY 410.3 billion (USD 3,476 million) compared to the same period of the previous year. An increased unit sales in Honda s all business segments, namely the motorcycle, automobile and power product businesses, were the major contributing factors to this increase in revenue. Operating income increased by $59.1 \%$ from the same period of the previous year to JPY 45.4 billion (USD 385 million), due mainly to the positive currency effects caused by the depreciation of the Japanese yen, the increased profit attributable to higher revenue and continuing cost reduction effects, offsetting the negative impact of the increase in SG\&A expenses.

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## Consolidated Statements of Cash Flows for the Fiscal Nine Months

Cash and cash equivalents on a consolidated basis at the end of the period from April 1, 2005 through December 31, 2005 decreased by JPY 138.7 billion (USD 1,175 million) from March 31, 2005, to JPY 634.8 billion (USD 5,377 million). The state of cash flow over the nine-month period and the reasons for the increases or decreases for each cash flow activity are as follows.

## Cash flows from operating activities

Net cash provided by operating activities amounted to JPY 290.0 billion (USD 2,457 million), for the nine months ended December 31, 2005, due mainly to net income and depreciation, which offset a decrease in trade accounts and notes payable and an increase in inventories. Cash inflows from operating activities decreased by JPY 143.9 billion (USD 1,219 million) compared with the corresponding period of the previous year.

## Cash flows from investing activities

Net cash used in investing activities amounted to JPY 493.9 billion (USD 4,184 million), which was due mainly to the capital expenditures and an increase in and the collection of finance subsidiaries-receivables. Cash outflows from investing activities decreased by JPY 103.7 billion (USD 878.4 million) compared with the corresponding period of the previous year.

## Cash flows from financing activities

Net cash provided by financing activities amounted to JPY 23.5 billion (USD 200 million), which arose due to proceeds from and payment of long-term debt. Cash inflows from financing activities decreased by JPY 66.1 billion (USD 560 million) compared with the corresponding period of the previous year.

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## Forecasts for the Fiscal Year Ending March 31, 2006

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2006, Honda projects the consolidated and unconsolidated results to be as follows:

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, 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.

In accordance with the applicable U.S. accounting standards, 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 of the substitutional portion of the benefit obligation and related plan assets to the government. However, since the Company has not yet transferred the substitutional portion to the government, at this stage the Company is not able to definitively determine such profit or loss.

The transfer of the substitutional portion of the benefit obligation to the government is expected to be made during the fourth quarter of the fiscal year ending March 31, 2006. The gain from such transfer which may be recorded on fiscal forth quarter was estimated to be approximately JPY 128.0 billion as of the end of the fiscal third quarter ended December 31, 2005 was included in the forecast of consolidated operating income and of consolidated income before income taxes for the year ending March 31, 2006. Accordingly, the estimated amount of the relevant income after tax that may be recorded by the transfer of the substitutional portion of the benefit obligation was included in the forecast of consolidated net income for the year ending March 31, 2006.

With respect to the forecast of the Company s unconsolidated financial position and results of operation for the year ending March 31, 2006, the Company recognized a JPY 91.5 billion gain on the transfer of the benefit obligation of the substitutional portion of the Fund to the government as an extraordinary income incurred in the first half of the fiscal year ending March 31, 2006 in accordance with the Japanese accounting standards. As a result, such gain was included in the forecast of unconsolidated net income for the year ending March 31, 2006.

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## FY2006 Forecasts for Consolidated Results

|  | Yen (billions) | Changes from FY2005 |
| :--- | ---: | ---: |
|  |  |  |
| Net sales and other operating revenue | 9,740 | $+12.6 \%$ |
| Operating income | 860 | $+36.3 \%$ |
| Income before income taxes | 825 | $+25.6 \%$ |
| Net income | 605 | $+24.4 \%$ |

## FY2006 Forecasts for Unconsolidated Results

|  | Yen (billions) | Changes from FY2005 |
| :--- | ---: | ---: |
|  |  | $+8.7 \%$ |
| Net sales | 233 | $+57.9 \%$ |
| Operating income | 326 | $+54.3 \%$ |
| Ordinary income | 305 | $+111.1 \%$ |

These forecasts are based on the assumption that the average exchange rates for the yen to the U.S. dollar and the Euro for the fiscal fourth quarter of the year ending March 31, 2006 will be JPY 110 and JPY 135, respectively, and for the full year ending March 31, 2006, JPY 112 and JPY 136, respectively.

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## [1] Unit Sales Breakdown



## POWER PRODUCTS

| Japan | 95 | $\mathbf{1 1 0}$ | 315 | $\mathbf{3 4 9}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | 443 | $\mathbf{4 4 5}$ | 1,675 | $\mathbf{1 , 6 9 9}$ |
| Europe | 273 | $\mathbf{3 5 7}$ | 766 | $\mathbf{8 8 1}$ |
| Asia | 137 | $\mathbf{1 2 2}$ | 510 | $\mathbf{5 6 3}$ |
| Other Regions | 96 | $\mathbf{1 0 0}$ | 250 | $\mathbf{2 6 5}$ |
|  |  |  |  | - |
| Total | 1,044 | $\mathbf{1 , 1 3 4}$ | 3,516 | $\mathbf{3 , 7 5 7}$ |

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.

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[2] Net Sales Breakdown
(A) For the three months ended December 31, 2004 and 2005

|  | Yen (millions) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Three months ended <br> Dec. 31, 2004 |  | Three months ended Dec. 31, 2005 |  |
| MOTORCYCLE BUSINESS |  |  |  |  |
| Japan | 21,769 | (9.0)\% | 21,536 | (7.6)\% |
| North America | 61,029 | (25.2)\% | 85,073 | (30.0)\% |
| Europe | 37,039 | (15.3)\% | 32,813 | (11.6)\% |
| Asia | 72,685 | (30.1)\% | 78,632 | (27.7)\% |
| Other Regions | 49,344 | (20.4)\% | 65,408 | (23.1)\% |
| Total | 241,866 | (100.0)\% | 283,462 | (100.0)\% |

AUTOMOBILE BUSINESS

| Japan | 358,293 | $(20.5) \%$ | $\mathbf{3 3 2 , 2 6 8}$ | $\mathbf{( 1 6 . 5 ) \%}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | $1,017,692$ | $(58.3) \%$ | $\mathbf{1 , 2 5 7 , 7 7 0}$ | $\mathbf{( 6 2 . 4 ) \%}$ |
| Europe | 133,478 | $(7.7) \%$ | $\mathbf{1 5 3 , 8 0 9}$ | $\mathbf{( 7 . 6 ) \%}$ |
| Asia | 154,094 | $(8.8) \%$ | $\mathbf{1 7 2 , 5 6 7}$ | $\mathbf{( 8 . 6 ) \%}$ |
| Other Regions | 81,057 | $(4.7) \%$ | $\mathbf{9 9 , 4 7 7}$ | $\mathbf{( 4 . 9 ) \%}$ |
|  |  | - | - | - |
| Total | $1,744,614$ | $(100.0) \%$ | $\mathbf{2 , 0 1 5 , 8 9 1}$ | $\mathbf{( 1 0 0 . 0 ) \%}$ |

FINANCIAL SERVICES BUSINESS

| Japan | 5,295 | $(7.8) \%$ | $\mathbf{5 , 5 8 2}$ | $\mathbf{( 7 . 0 ) \%}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | 58,984 | $(87.3) \%$ | $\mathbf{7 0 , 1 8 5}$ | $\mathbf{( 8 7 . 5 ) \%}$ |
| Europe | 2,167 | $(3.2) \%$ | $\mathbf{2 , 3 0 6}$ | $\mathbf{( 2 . 9 ) \%}$ |
| Asia | 363 | $(0.5) \%$ | $\mathbf{4 8 7}$ | $\mathbf{( 0 . 6 ) \%}$ |
| Other Regions | 808 | $(1.2) \%$ | $\mathbf{1 , 6 9 3}$ | $\mathbf{( 2 . 0 ) \%}$ |
| Total | - | - | - | - |

POWER PRODUCT \& OTHER BUSINESSES

| Japan | 33,411 | $(41.9) \%$ | $\mathbf{3 8 , 5 3 0}$ | $\mathbf{( 4 1 . 7 ) \%}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | 19,642 | $(24.6) \%$ | $\mathbf{2 4 , 6 6 6}$ | $\mathbf{( 2 6 . 7 ) \%}$ |
| Europe | 13,735 | $(17.2) \%$ | $\mathbf{1 5 , 8 0 3}$ | $\mathbf{( 1 7 . 1 ) \%}$ |
| Asia | 8,275 | $(10.4) \%$ | $\mathbf{7 , 9 9 1}$ | $\mathbf{( 8 . 6 ) \%}$ |
| Other Regions | 4,660 | $(5.9) \%$ | $\mathbf{5 , 4 1 0}$ | $\mathbf{( 5 . 9 ) \%}$ |
|  |  | - | - | - |
| Total |  |  |  |  |

TOTAL

| Japan | 418,768 | $(19.6) \%$ | $\mathbf{3 9 7 , 9 1 6}$ | $\mathbf{( 1 6 . 1 ) \%}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | $1,157,347$ | $(54.2) \%$ | $\mathbf{1 , 4 3 7 , 6 9 4}$ | $\mathbf{( 5 8 . 2 ) \%}$ |
| Europe | 186,419 | $(8.7) \%$ | $\mathbf{2 0 4 , 7 3 1}$ | $\mathbf{( 8 . 3 ) \%}$ |
| Asia | 235,417 | $(11.0) \%$ | $\mathbf{2 5 9 , 6 7 7}$ | $\mathbf{( 1 0 . 5 ) \%}$ |
| Other Regions | 135,869 | $(6.5) \%$ | $\mathbf{1 7 1 , 9 8 8}$ | $\mathbf{( 6 . 9 ) \%}$ |
|  |  |  | - | - |

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[2] Net Sales Breakdown - continued
(B) For the nine months ended December 31, 2004 and 2005

|  | Yen (millions) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Nine months ended <br> Dec. 31, 2004 |  | Nine months ended <br> Dec. 31, 2005 |  |
| MOTORCYCLE BUSINESS |  |  |  |  |
| Japan | 74,255 | (9.6)\% | 75,120 | (9.0)\% |
| North America | 208,881 | (27.1)\% | 214,285 | (25.7)\% |
| Europe | 141,958 | (18.4)\% | 141,290 | (16.9)\% |
| Asia | 207,852 | (26.9)\% | 228,907 | (27.4)\% |
| Other Regions | 139,082 | (18.0)\% | 174,802 | (21.0)\% |
| Total | 772,028 | (100.0)\% | 834,404 | (100.0)\% |

AUTOMOBILE BUSINESS

| Japan | $1,078,920$ | $(21.2) \%$ | $\mathbf{1 , 0 6 0 , 4 1 0}$ | $\mathbf{( 1 8 . 5 ) \%}$ |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
| North America | $2,877,415$ | $(56.5) \%$ | $\mathbf{3 , 3 8 5 , 4 9 0}$ | $\mathbf{( 5 8 . 9 ) \%}$ |  |
| Europe | 425,866 | $(8.4) \%$ | $\mathbf{4 9 7 , 0 1 8}$ | $\mathbf{( 8 . 7 ) \%}$ |  |
| Asia | 486,787 | $(9.6) \%$ | $\mathbf{5 3 2 , 8 4 1}$ | $\mathbf{( 9 . 3 ) \%}$ |  |
| Other Regions | 224,632 | $(4.3) \%$ | $\mathbf{2 7 8 , 7 6 2}$ | $\mathbf{( 4 . 6 ) \%}$ |  |
|  |  | - | - |  |  |
| Total |  |  |  |  |  |

FINANCIAL SERVICES BUSINESS

| Japan | 15,306 | $(8.0) \%$ | $\mathbf{1 6 , 1 1 1}$ | $\mathbf{( 7 . 2 ) \%}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | 166,159 | $(87.0) \%$ | $\mathbf{1 9 5 , 5 0 0}$ | $\mathbf{( 8 7 . 3 ) \%}$ |
| Europe | 6,512 | $(3.4) \%$ | $\mathbf{6 , 8 4 7}$ | $\mathbf{( 3 . 0 ) \%}$ |
| Asia | 1,043 | $(0.5) \%$ | $\mathbf{1 , 3 9 2}$ | $\mathbf{( 0 . 6 ) \%}$ |
| Other Regions | 2,031 | $(1.1) \%$ | $\mathbf{4 , 1 6 2}$ | $\mathbf{( 1 . 8 ) \%}$ |
| Total |  | - | - | - |

## POWER PRODUCT \& OTHER BUSINESSES

| Japan | 90,413 | $(37.1) \%$ | $\mathbf{9 6 , 6 5 6}$ | $\mathbf{( 3 7 . 0 ) \%}$ |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
| North America | 77,271 | $(31.7) \%$ | $\mathbf{8 5 , 3 0 8}$ | $\mathbf{( 3 2 . 6 ) \%}$ |  |
| Europe | 44,428 | $(18.2) \%$ | $\mathbf{4 6 , 1 4 8}$ | $\mathbf{( 1 7 . 7 ) \%}$ |  |
| Asia | 19,141 | $(7.8) \%$ | $\mathbf{1 9 , 8 1 1}$ | $\mathbf{( 7 . 6 ) \%}$ |  |
| Other Regions | 12,599 | $(5.2) \%$ | $\mathbf{1 3 , 3 9 5}$ | $\mathbf{( 5 . 1 ) \%}$ |  |
|  |  | - | - |  |  |
| Total |  |  |  |  |  |

TOTAL

| Japan | $1,258,894$ | $(20.0) \%$ | $\mathbf{1 , 2 4 8 , 2 9 7}$ | $\mathbf{( 1 7 . 6 ) \%}$ |
| :--- | ---: | ---: | ---: | ---: |
| North America | $3,329,726$ | $(52.8) \%$ | $\mathbf{3 , 8 8 0 , 5 8 3}$ | $\mathbf{( 5 4 . 9 ) \%}$ |
| Europe | 618,764 | $(9.8) \%$ | $\mathbf{6 9 1 , 3 0 3}$ | $\mathbf{( 9 . 8 ) \%}$ |
| Asia | 714,823 | $(11.3) \%$ | $\mathbf{7 8 2 , 9 5 1}$ | $\mathbf{( 1 1 . 1 ) \%}$ |
| Other Regions | 378,344 | $(6.1) \%$ | $\mathbf{4 7 1 , 1 2 1}$ | $\mathbf{( 6 . 6 ) \%}$ |

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Total
6,300,551 (100.0)\% $\quad \mathbf{7 , 0 7 4 , 2 5 5} \quad(\mathbf{1 0 0 . 0}) \%$

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.

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## [3] Consolidated Financial Summary

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

## Financial Highlights

|  | Yen (millions) |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Three months ended <br> Dec. 31, 2004 | $\begin{gathered} \% \\ \text { Change } \end{gathered}$ | Three months ended <br> Dec. 31, 2005 | Nine months ended Dec. $\text { 31, } 2004$ | $\%$ Change | Nine months ended Dec. $\text { 31, } 2005$ |
| Net sales and other operating revenue | 2,133,820 | 15.8\% | 2,472,006 | 6,300,551 | 12.3\% | 7,074,255 |
| Operating income | 157,636 | 23.7\% | 194,986 | 490,561 | 7.6\% | 528,073 |
| Income before income taxes | 187,996 | -11.6\% | 166,097 | 527,663 | -9.1\% | 479,797 |
| Net income | 150,760 | -11.7\% | 133,146 | 392,144 | -3.7\% | 377,520 |


|  | Yen |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | :---: |
| Basic net income per Common share | 161.78 | $\mathbf{1 4 4 . 8 1}$ | 418.99 | $\mathbf{4 0 9 . 4 3}$ |  |
| American depositary share | 80.89 | $\mathbf{7 2 . 4 0}$ | 209.49 | $\mathbf{2 0 4 . 7 1}$ |  |

## U.S. Dollar (millions)

| Three months <br> ended | Nine months <br> ended |
| ---: | ---: |
| Dec. 31, 2005 | Dec. 31, 2005 |
|  |  |
| $\mathbf{1 , 6 5 1}$ | $\mathbf{5 9 , 9 1 6}$ |
| $\mathbf{1 , 4 0 7}$ | $\mathbf{4 , 4 7 3}$ |
| $\mathbf{1 , 1 2 8}$ | $\mathbf{3 , 0 6 4}$ |

U.S. Dollar

|  | U.S. Dollar |  |
| :--- | :--- | :--- |
|  |  | $\mathbf{1 . 2 3}$ |
| Basic net income per Common share | $\mathbf{0 . 6 1}$ | $\mathbf{1 . 7 3}$ |

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## [4] Consolidated Statements of Income and Retained Earnings

(A) For the three months ended December 31, 2004 and 2005

Yen (millions)

|  |  | Three months ended |
| :---: | :---: | :---: |
|  | Three months ended Dec. 31, 2004 | Dec. 31, 2005 |
|  | (Unaudited) | (Unaudited) |
| Net sales and other operating revenue | 2,133,820 | 2,472,006 |
| Operating costs and expenses: |  |  |
| Cost of sales | 1,483,180 | 1,731,527 |
| Selling, general and administrative | 376,999 | 420,736 |
| Research and development | 116,005 | 124,757 |
|  |  |  |
| Operating income | 157,636 | 194,986 |
| Other income: |  |  |
| Interest | 2,850 | 7,236 |
| Other | 30,386 | 700 |
| Other expenses: |  |  |
| Interest | 2,103 | 1,719 |
| Other | 773 | 35,106 |
|  |  |  |
| Income before income taxes | 187,996 | 166,097 |


| Income taxes: |  |  |
| :---: | :---: | :---: |
| Current | 36,497 | 67,987 |
| Deferred | 30,117 | $(5,370)$ |
| Income before equity in income of affiliates | 121,382 | 103,480 |
| Equity in income of affiliates | 29,378 | 29,666 |
| Net income | 150,760 | 133,146 |
| Retained earnings: |  |  |
| Balance at beginning of period | 3,648,428 | 4,018,709 |
| Retirement of treasury stocks |  |  |
| Cash dividends paid | $(26,156)$ | $(36,841)$ |
| Transfer to legal reserves | (91) | (295) |
| Balance at end of period | 3,772,941 | 4,114,719 |


|  | Yen |  |
| :--- | ---: | ---: |
| Basic net income per | 161.78 | $\mathbf{1 4 4 . 8 1}$ |
| Common share | 80.89 | $\mathbf{7 2 . 4 0}$ |
| American depositary share |  |  |

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[4] Consolidated Statements of Income and Retained Earnings - continued
(B) For the nine months ended December 31, 2004 and 2005

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | Nine months ended Dec. 31, 2004 <br> (Unaudited) | Nine months ended Dec. 31, 2005 <br> (Unaudited) |
| Net sales and other operating revenue | 6,300,551 | 7,074,255 |
| Operating costs and expenses: |  |  |
| Cost of sales | 4,369,403 | 4,967,376 |
| Selling, general and administrative | 1,100,385 | 1,207,009 |
| Research and development | 340,202 | 371,797 |
| Operating income | 490,561 | 528,073 |
| Other income: |  |  |
| Interest | 7,741 | 17,162 |
| Other | 61,566 | 1,739 |
| Other expenses: |  |  |
| Interest | 8,003 | 8,456 |
| Other | 24,202 | 58,721 |
|  | - |  |
| Income before income taxes | 527,663 | 479,797 |
| Income taxes: |  |  |
| Current | 100,059 | 217,518 |
| Deferred | 111,971 | $(38,368)$ |
| Income before equity in income of affiliates | 315,633 | 300,647 |
| Equity in income of affiliates | 76,511 | 76,873 |
| Net income | 392,144 | 377,520 |
| Retained earnings: |  |  |
| Balance at beginning of period | 3,589,434 | 3,809,383 |
| Retirement of treasury stocks | $(158,570)$ |  |
| Cash dividends paid | $(47,797)$ | $(71,061)$ |
| Transfer to legal reserves | $(2,270)$ | $(1,123)$ |
| Balance at end of period | 3,772,941 | 4,114,719 |


|  | Yen |  |
| :--- | ---: | ---: | ---: |
| Basic net income per | 418.99 | $\mathbf{4 0 9 . 4 3}$ |
| Common share | 209.49 | $\mathbf{2 0 4 . 7 1}$ |
| American depositary share |  |  |

## Table of Contents

## [5] Consolidated Balance Sheets

|  | Yen (millions) |  |  | Yen (millions) |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Mar. 31, 2005 <br> (Audited) | Dec. 31, 2005 <br> (Unaudited) | Change | Dec. 31, 2004 <br> (Unaudited) | Change |
| Assets |  |  |  |  |  |
| Current assets: |  |  |  |  |  |
| Cash and cash equivalents | 773,538 | 634,836 | $(138,702)$ | 657,159 | $(22,323)$ |
| Trade accounts and notes receivable | 791,195 | 765,413 | $(25,782)$ | 625,649 | 139,764 |
| Finance subsidiaries-receivables, net | 1,021,116 | 1,295,772 | 274,656 | 1,033,600 | 262,172 |
| Inventories | 862,370 | 1,019,907 | 157,537 | 850,848 | 169,059 |
| Deferred income taxes | 214,059 | 214,020 | (39) | 195,526 | 18,494 |
| Other current assets | 346,464 | 432,682 | 86,218 | 322,018 | 110,664 |
| Total current assets | 4,008,742 | 4,362,630 | 353,888 | 3,684,800 | 677,830 |
| Finance subsidiaries-receivables, net | 2,623,909 | 2,934,244 | 310,335 | 2,461,705 | 472,539 |
| Investments and advances: |  |  |  |  |  |
| Investments in and advances to affiliates | 349,664 | 400,886 | 51,222 | 349,985 | 50,901 |
| Other | 264,926 | 285,288 | 20,362 | 284,446 | 842 |
| Total investments and advances | 614,590 | 686,174 | 71,584 | 634,431 | 51,743 |
| Property, plant and equipment, at cost: |  |  |  |  |  |
| Land | 365,217 | 378,467 | 13,250 | 359,407 | 19,060 |
| Buildings | 1,030,998 | 1,094,466 | 63,468 | 999,994 | 94,472 |
| Machinery and equipment | 2,260,826 | 2,454,230 | 193,404 | 2,171,149 | 283,081 |
| Construction in progress | 96,047 | 171,912 | 75,865 | 98,079 | 73,833 |
|  | 3,753,088 | 4,099,075 | 345,987 | 3,628,629 | 470,446 |
| Less accumulated depreciation | 2,168,836 | 2,347,541 | 178,705 | 2,117,488 | 230,053 |
| Net property, plant and equipment | 1,584,252 | 1,751,534 | 167,282 | 1,511,141 | 240,393 |
| Other assets | 485,477 | 515,798 | 30,321 | 463,906 | 51,892 |
| Total assets | 9,316,970 | 10,250,380 | 933,410 | 8,755,983 | 1,494,397 |

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## [5] Consolidated Balance Sheets - continued

|  | Yen (millions) |  |  | Yen (millions) |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Mar. 31, 2005 | Dec. 31, 2005 |  | Dec. 31, 2004 |  |
|  | (Audited) | (Unaudited) | Change | (Unaudited) | Change |
| Liabilities and Stockholders Equity |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |
| Short-term debt | 769,314 | 703,232 | $(66,082)$ | 700,243 | 2,989 |
| Current portion of long-term debt | 535,105 | 673,633 | 138,528 | 552,722 | 120,911 |
| Trade payables: |  |  |  |  |  |
| Notes | 26,727 | 27,847 | 1,120 | 21,437 | 6,410 |
| Accounts | 987,045 | 942,291 | $(44,754)$ | 810,970 | 131,321 |
| Accrued expenses | 913,721 | 950,502 | 36,781 | 775,928 | 174,574 |
| Income taxes payable | 65,029 | 103,495 | 38,466 | 32,806 | 70,689 |
| Other current liabilities | 451,623 | 465,470 | 13,847 | 436,027 | 29,443 |
| Total current liabilities | 3,748,564 | 3,866,470 | 117,906 | 3,330,133 | 536,337 |
| Long-term debt | 1,559,500 | 1,827,743 | 268,243 | 1,537,558 | 290,185 |
| Other liabilities | 719,612 | 737,458 | 17,846 | 731,104 | 6,354 |
| Total liabilities | 6,027,676 | 6,431,671 | 403,995 | 5,598,795 | 832,876 |
| Stockholders equity: |  |  |  |  |  |
| Common stock | 86,067 | 86,067 |  | 86,067 |  |
| Capital surplus | 172,531 | 172,531 |  | 172,529 | 2 |
| Legal reserves | 34,688 | 35,811 | 1,123 | 34,688 | 1,123 |
| Retained earnings | 3,809,383 | 4,114,719 | 305,336 | 3,772,941 | 341,778 |
| Accumulated other comprehensive income (loss) |  |  |  |  |  |
| Adjustments from foreign currency translation | $(624,937)$ | $(377,973)$ | 246,964 | $(665,026)$ | 287,053 |
| Net unrealized gains on marketable equity securities | 33,744 | 56,438 | 22,694 | 34,294 | 22,144 |
| Minimum pension liabilities adjustments | $(202,741)$ | $(202,779)$ | (38) | $(225,269)$ | 22,490 |
| Total Accumulated other comprehensive income (loss) | $(793,934)$ | (524,314) | 269,620 | $(856,001)$ | 331,687 |
| Treasury Stock | $(19,441)$ | $(66,105)$ | $(46,664)$ | $(53,036)$ | $(13,069)$ |
| Total stockholders equity | 3,289,294 | 3,818,709 | 529,415 | 3,157,188 | 661,521 |
| Total liabilities and stockholders equity | 9,316,970 | 10,250,380 | 933,410 | 8,755,983 | 1,494,397 |

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## [6] Consolidated Statements of Cash Flows

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  |  | Nine months ended |
|  | Nine months ended Dec. 31, 2004 | Dec. 31, 2005 |
|  | (Unaudited) | (Unaudited) |
| Cash flows from operating activities: |  |  |
| Net income | 392,144 | 377,520 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |
| Depreciation | 162,418 | 176,808 |
| Deferred income taxes | 111,971 | $(38,368)$ |
| Equity in income of affiliates | $(76,511)$ | $(76,873)$ |
| Provision for credit and lease residual losses on finance subsidiaries-receivables | 38,604 | 29,163 |
| Loss (gain) on derivative instrument and related others, net | $(65,292)$ | 4,263 |
| Decrease (increase) in assets: |  |  |
| Trade accounts and notes receivable | 88,432 | 29,637 |
| Inventories | $(78,414)$ | $(97,244)$ |
| Other current assets | $(13,061)$ | $(31,003)$ |
| Other assets | $(22,090)$ | $(39,653)$ |
| Increase (decrease) in liabilities: |  |  |
| Trade accounts and notes payable | $(89,204)$ | $(115,889)$ |
| Accrued expenses | $(33,823)$ | 2,608 |
| Income taxes payable | 1,920 | 33,046 |
| Other current liabilities | 24,818 | 13,093 |
| Other liabilities | $(15,734)$ | 766 |
| Other, net | 7,809 | 22,202 |
| Net cash provided by operating activities | 433,987 | 290,076 |
| Cash flows from investing activities: |  |  |
|  |  |  |
| Decrease (increase) in investments and advances | 19,790 | $(3,656)$ |
| Payment for purchase of available-for-sale securities | $(1,608)$ | (800) |
| Proceeds from sales of available-for-sale securities | 10,590 | 5,551 |
| Payment for purchase of held-to-maturity securities | $(13,371)$ | $(63,394)$ |
| Proceeds from redemption of held-to-maturity securities |  | 45,932 |
| Capital Expenditures | $(232,410)$ | $(302,617)$ |
| Proceeds from sales of property, plant and equipment | 8,915 | 28,460 |
| Acquisition of finance subsidiaries-receivables | $(1,992,722)$ | $(2,257,283)$ |
| Collection of finance subsidiaries-receivables | 1,102,638 | 1,366,978 |
| Proceeds from sales of finance subsidiaries-receivables | 500,516 | 686,876 |
|  | - | 工 |
| Net cash used in investing activities | $(597,662)$ | $(493,953)$ |
|  |  |  |
| Cash flows from financing activities: |  |  |
| Increase (decrease) in short-term debt | $(40,375)$ | $(115,224)$ |
| Proceeds from long-term debt | 560,836 | 661,248 |
| Repayment of long-term debt | $(322,944)$ | $(404,748)$ |
| Cash dividends paid | $(47,797)$ | $(71,061)$ |
| Increase (decrease) in commercial paper classified as long-term debt | 83 | 11 |
| Payment for purchase of treasury stock, net | $(60,131)$ | $(46,664)$ |


| Net cash provided by financing activities | 89,672 | 23,562 |
| :---: | :---: | :---: |
| Effect of exchange rate changes on cash and cash equivalents | 6,741 | 41,613 |
| Net change in cash and cash equivalents | $(67,262)$ | $(138,702)$ |
| Cash and cash equivalents at beginning of period | 724,421 | 773,538 |
| Cash and cash equivalents at end of period | 657,159 | 634,836 |

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[7] Segment Information

1. Business Segment Information
(A) For the three months ended December 31, 2004

|  | Yen (millions) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Motorcycle <br> Business | Automobile Business | Financial Services <br> Business | Power Product \& Other Businesses | Total | Eliminations | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |
| Sales to unaffiliated customers | 241,866 | 1,744,614 | 67,617 | 79,723 | 2,133,820 |  | 2,133,820 |
| Intersegment sales | 0 | 0 | 785 | 2,345 | 3,130 | $(3,130)$ |  |
| Total | 241,866 | 1,744,614 | 68,402 | 82,068 | 2,136,950 | $(3,130)$ | 2,133,820 |
| Cost of sales, SG\&A and R\&D expenses | 236,723 | 1,618,604 | 44,417 | 79,570 | 1,979,314 | $(3,130)$ | 1,976,184 |
| Operating income | 5,143 | 126,010 | 23,985 | 2,498 | 157,636 | 0 | 157,636 |

## For the three months ended December 31, 2005

|  | Yen (millions) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Motorcycle <br> Business | Automobile Business | Financial Services Business | Power Product \& Other Businesses | Total | Eliminations | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |
| Sales to unaffiliated customers | 283,462 | 2,015,891 | 80,253 | 92,400 | 2,472,006 |  | 2,472,006 |
| Intersegment sales | 0 | 0 | 812 | 2,668 | 3,480 | $(3,480)$ |  |
| Total | 283,462 | 2,015,891 | 81,065 | 95,068 | 2,475,486 | $(3,480)$ | 2,472,006 |
| Cost of sales, SG\&A and R\&D expenses | 270,023 | 1,864,798 | 59,053 | 86,626 | 2,280,500 | $(3,480)$ | 2,277,020 |
| Operating income | 13,439 | 151,093 | 22,012 | 8,442 | 194,986 | 0 | 194,986 |

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(B) For the nine months ended December 31, 2004

|  | Yen (millions) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Motorcycle Business | Automobile Business | Financial Services <br> Business | Power Product \& Other Businesses | Total | Eliminations | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |
| Sales to unaffiliated customers | 772,028 | 5,093,620 | 191,051 | 243,852 | 6,300,551 |  | 6,300,551 |
| Intersegment sales | 0 | 0 | 2,475 | 8,160 | 10,635 | $(10,635)$ |  |
| Total | 772,028 | 5,093,620 | 193,526 | 252,012 | 6,311,186 | $(10,635)$ | 6,300,551 |
| Cost of sales, SG\&A and R\&D expenses | 729,684 | 4,731,827 | 121,746 | 237,368 | 5,820,625 | $(10,635)$ | 5,809,990 |
| Operating income | 42,344 | 361,793 | 71,780 | 14,644 | 490,561 | 0 | 490,561 |
| Assets | 823,185 | 3,862,414 | 4,092,108 | 246,405 | 9,024,112 | $(268,129)$ | 8,755,983 |
| Depreciation and amortization | 20,324 | 136,191 | 285 | 5,618 | 162,418 |  | 162,418 |
| Capital expenditures | 28,838 | 195,999 | 1,036 | 6,537 | 232,410 |  | 232,410 |

## For the nine months ended December 31, 2005

|  | Yen (millions) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Motorcycle <br> Business | Automobile Business | Financial Services <br> 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:

1. 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:
2. Principal products of each segment.

## Edgar Filing: HONDA MOTOR CO LTD - Form 6-K

Business

Motorcycle business

Automobile business
Financial services business
Power product \& other businesses

## Principal products

Motorcycles, all-terrain vehicles (ATVs), personal watercrafts and relevant parts
Automobiles and relevant parts
Financial and insurance services
Power products and relevant parts, and others
3. 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.

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2. Geographical Segment Information
(A) For the three months ended December 31, 2004

|  | Yen (millions) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Japan | North <br> America | Europe | Asia | Other <br> Regions | Total | Eliminations | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |  |
| Sales to unaffiliated customers | 493,041 | 1,160,484 | 184,023 | 186,653 | 109,619 | 2,133,820 |  | 2,133,820 |
| Transfers between geographical segments | 573,771 | 27,525 | 59,823 | 18,669 | 4,536 | 684,324 | $(684,324)$ |  |
| Total | 1,066,812 | 1,188,009 | 243,846 | 205,322 | 114,155 | 2,818,144 | $(684,324)$ | 2,133,820 |
| Cost of sales, SG\&A and R\&D expenses | 1,019,319 | 1,106,277 | 238,286 | 189,052 | 104,859 | 2,657,793 | $(681,609)$ | 1,976,184 |
| Operating income | 47,493 | 81,732 | 5,560 | 16,270 | 9,296 | 160,351 | $(2,715)$ | 157,636 |

For the three months ended December 31, 2005

|  | Yen (millions) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Japan | North <br> America | Europe | Asia | Other <br> Regions | Total | Eliminations | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |  |
| Sales to unaffiliated customers | 477,803 | 1,441,801 | 202,984 | 207,142 | 142,276 | 2,472,006 |  | 2,472,006 |
| Transfers between geographical segments | 641,292 | 37,158 | 68,661 | 41,605 | 4,348 | 793,064 | $(793,064)$ |  |
| Total | 1,119,095 | 1,478,959 | 271,645 | 248,747 | 146,624 | 3,265,070 | $(793,064)$ | 2,472,006 |
| Cost of sales, SG\&A and R\&D expenses | 1,043,147 | 1,372,197 | 268,782 | 231,524 | 129,948 | 3,045,598 | $(768,578)$ | 2,277,020 |
| Operating income | 75,948 | 106,762 | 2,863 | 17,223 | 16,676 | 219,472 | $(24,486)$ | 194,986 |

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(B) For the nine months ended December 31, 2004

|  | Yen (millions) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Japan | North <br> America | Europe | Asia | Other <br> Regions | Total | Eliminations | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |  |
| Sales to unaffiliated customers | 1,474,676 | 3,336,937 | 609,043 | 559,640 | 320,255 | 6,300,551 |  | 6,300,551 |
| Transfers between geographical segments | 1,570,891 | 84,318 | 149,371 | 61,356 | 13,026 | 1,878,962 | $(1,878,962)$ |  |
| Total | 3,045,567 | 3,421,255 | 758,414 | 620,996 | 333,281 | 8,179,513 | $(1,878,962)$ | 6,300,551 |
| Cost of sales, SG\&A and R\&D expenses | 2,911,282 | 3,173,723 | 728,806 | 567,316 | 304,694 | 7,685,821 | $(1,875,831)$ | 5,809,990 |
| Operating income | 134,285 | 247,532 | 29,608 | 53,680 | 28,587 | 493,692 | $(3,131)$ | 490,561 |
| Assets | 2,431,959 | 4,805,081 | 596,259 | 531,093 | 190,412 | 8,554,804 | 201,179 | 8,755,983 |

For the nine months ended December 31, 2005

|  | Yen (millions) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Japan | North <br> America | Europe | Asia | Other <br> 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:

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

| North America | United States, Canada, Mexico |
| :--- | :--- |
| Europe | United Kingdom, Germany, France, Italy, Belgium |
| Asia | Thailand, Indonesia, China, India |

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Other Regions
Brazil, Australia
3. 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.

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## 3. Overseas Sales

## (A) For the three months ended December 31, 2004

|  |  |  | n (millions) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | North |  |  |  |  |
|  | America | Europe | Asia | Other <br> Regions | Total |
| Overseas sales | 1,157,347 | 186,419 | 235,417 | 135,869 | 1,715,052 |
| Consolidated sales |  |  |  |  | 2,133,820 |
| Overseas sales ratio to consolidated sales | 54.2\% | 8.7\% | 11.0\% | 6.5\% | 80.4\% |

## For the three months ended December 31, 2005

|  |  |  | n (millions) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | North |  |  |  |  |
|  | America | Europe | Asia | Other <br> Regions | Total |
| Overseas sales | 1,437,694 | 204,731 | 259,677 | 171,988 | 2,074,090 |
| Consolidated sales |  |  |  |  | 2,472,006 |
| Overseas sales ratio to consolidated sales | 58.2\% | 8.3\% | 10.5\% | 6.9\% | 83.9\% |

(B) For the nine months ended December 31, 2004

|  |  |  | n (millions) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | North |  |  |  |  |
|  | America | Europe | Asia | Other <br> Regions | Total |
| Overseas sales | 3,329,726 | 618,764 | 714,823 | 378,344 | 5,041,657 |
| Consolidated sales |  |  |  |  | 6,300,551 |
| Overseas sales ratio to consolidated sales | 52.8\% | 9.8\% | 11.3\% | 6.1\% | 80.0\% |

For the nine months ended December 31, 2005

|  |  |  | (millions) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | North |  |  |  |  |
|  |  |  |  | Other |  |
|  | America | Europe | Asia | 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:

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

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

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## [8] (A) Consolidated Balance Sheets

## Divided into non-financial services businesses and finance subsidiaries

|  | Yen (millions) |  |  | Yen (millions) |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { Mar. 31, } \\ 2005 \end{gathered}$ | Dec. 31, 2005 | Change | Dec. 31, <br> 2004 | Change |
| Assets |  |  |  |  |  |
| <Non-financial services businesses> |  |  |  |  |  |
| Current Assets: | 3,376,411 | 3,478,039 | 101,628 | 3,019,631 | 458,408 |
| Cash and cash equivalents | 757,894 | 612,920 | $(144,974)$ | 645,757 | $(32,837)$ |
| Trade accounts and notes receivable | 422,673 | 409,373 | $(13,300)$ | 352,874 | 56,499 |
| Inventories | 862,370 | 1,019,907 | 157,537 | 850,848 | 169,059 |
| Other current assets | 1,333,474 | 1,435,839 | 102,365 | 1,170,152 | 265,687 |
| Investments and advances | 830,698 | 930,742 | 100,044 | 841,109 | 89,633 |
| Property, plant and equipment, net | 1,564,762 | 1,731,203 | 166,441 | 1,492,011 | 239,192 |
| Other assets | 274,958 | 311,832 | 36,874 | 259,866 | 51,966 |
| Total assets | 6,046,829 | 6,451,816 | 404,987 | 5,612,617 | 839,199 |
| <Finance subsidiaries> |  |  |  |  |  |
| Cash and cash equivalents | 15,644 | 21,916 | 6,272 | 11,402 | 10,514 |
| Finance subsidiaries-short-term receivables, net | 1,028,488 | 1,321,406 | 292,918 | 1,051,865 | 269,541 |
| Finance subsidiaries-long-term receivables, net | 2,625,078 | 2,935,092 | 310,014 | 2,462,933 | 472,159 |
| Other assets | 692,886 | 641,043 | $(51,843)$ | 565,908 | 75,135 |
| Total assets | 4,362,096 | 4,919,457 | 557,361 | 4,092,108 | 827,349 |
| Eliminations among subsidiaries | $(1,091,955)$ | $(1,120,893)$ | $(28,938)$ | $(948,742)$ | $(172,151)$ |
| Total assets | 9,316,970 | 10,250,380 | 933,410 | 8,755,983 | 1,494,397 |
| Liabilities and Stockholders Equity |  |  |  |  |  |
| <Non-financial services businesses> |  |  |  |  |  |
| Current liabilities: | 2,281,768 | 2,201,840 | $(79,928)$ | 1,930,912 | 270,928 |
| Short-term debt | 228,558 | 194,313 | $(34,245)$ | 226,954 | $(32,641)$ |
| Current portion of long-term debt | 6,385 | 4,303 | $(2,082)$ | 5,216 | (913) |
| Trade payables | 1,022,394 | 982,026 | $(40,368)$ | 839,599 | 142,427 |
| Accrued expenses | 770,887 | 789,138 | 18,251 | 657,967 | 131,171 |
| Other current liabilities | 253,544 | 232,060 | $(21,484)$ | 201,176 | 30,884 |
| Long-term debt | 19,570 | 22,183 | 2,613 | 24,103 | $(1,920)$ |
| Other liabilities | 717,636 | 729,635 | 11,999 | 730,548 | (913) |
| Total liabilities | 3,018,974 | 2,953,658 | $(65,316)$ | 2,685,563 | 268,095 |
| <Finance subsidiaries> |  |  |  |  |  |
| Short-term debt | 1,310,678 | 1,290,244 | $(20,434)$ | 1,140,252 | 149,992 |
| Current portion of long-term debt | 535,825 | 672,473 | 136,648 | 556,726 | 115,747 |
| Accrued expenses | 151,867 | 172,567 | 20,700 | 123,871 | 48,696 |
| Long-term debt | 1,546,953 | 1,820,483 | 273,530 | 1,518,272 | 302,211 |
| Other liabilities | 352,317 | 418,447 | 66,130 | 328,184 | 90,263 |

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| Total liabilities | 3,897,640 | 4,374,214 | 476,574 | 3,667,305 | 706,909 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Eliminations among subsidiaries | $(888,938)$ | $(896,201)$ | $(7,263)$ | $(754,073)$ | $(142,128)$ |
| Total liabilities | 6,027,676 | 6,431,671 | 403,995 | 5,598,795 | 832,876 |
| Common stock | 86,067 | 86,067 |  | 86,067 |  |
| Capital surplus | 172,531 | 172,531 |  | 172,529 | 2 |
| Legal reserves | 34,688 | 35,811 | 1,123 | 34,688 | 1,123 |
| Retained earnings | 3,809,383 | 4,114,719 | 305,336 | 3,772,941 | 341,778 |
| Accumulated other comprehensive income (loss) | $(793,934)$ | $(524,314)$ | 269,620 | $(856,001)$ | 331,687 |
| Treasury stock | $(19,441)$ | $(66,105)$ | $(46,664)$ | $(53,036)$ | $(13,069)$ |
| Total stockholders equity | 3,289,294 | 3,818,709 | 529,415 | 3,157,188 | 661,521 |
| Total liabilities and stockholders equity | 9,316,970 | 10,250,380 | 933,410 | 8,755,983 | 1,494,397 |

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## [8] (B) Consolidated Statements of Cash Flows

## Divided into non-financial services businesses and finance subsidiaries

For the nine months ended December 31, 2004 and 2005

## For the nine months ended December 31, 2004

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | Non-financial services businesses | Finance subsidiaries |
| Cash flows from operating activities: |  |  |
| Net Income | 339,564 | 52,589 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |
| Depreciation | 162,133 | 285 |
| Deferred income taxes | 52,888 | 59,083 |
| Equity in income of affiliates | $(77,717)$ |  |
| Loss (gain) on derivative instrument and related others, net | $(26,377)$ | $(38,915)$ |
| Decrease (increase) in trade accounts and notes receivable | 35,006 | 51,782 |
| Decrease (increase) in inventories | $(78,414)$ |  |
| Increase (decrease) in trade payables | $(84,424)$ |  |
| Other, net | $(65,108)$ | 53,037 |
|  |  |  |
| Net cash provided by operating activities | 257,551 | 177,861 |
|  | — |  |
| Cash flows from investing activities: |  |  |
| * Decrease (increase) in investments and advances | $(7,338)$ |  |
| Capital expenditures | $(231,374)$ | $(1,036)$ |
| Proceeds from sales of property, plant and equipment | 8,729 | 186 |
| Decrease (increase) in finance subsidiaries-receivables |  | $(401,078)$ |
|  | - |  |
| Net cash used in investing activities | $(229,983)$ | $(401,928)$ |
|  |  |  |
| Free cash flow (Cash flows from operating and investing activities) | 27,568 | $(224,067)$ |
|  |  |  |
| Free cash flow of Non-financial services businesses excluding the decrease in loans to Finance subsidiaries (Note) | 46,618 |  |
| Cash flows from financing activities: |  |  |
| * Increase (decrease) in short-term debt | 12,059 | $(22,522)$ |
| * Proceeds from long-term debt | 6,050 | 555,796 |
| * Repayment of long-term debt | $(6,622)$ | $(316,322)$ |
| Proceeds from issuance of common stock |  | 1,911 |
| Cash dividends paid | $(47,806)$ |  |
| Increase (decrease) in commercial paper classified as long-term debt |  | 83 |
| Acquisition of treasury stock | $(60,131)$ |  |
|  |  |  |
| Net cash provided by (used in) financing activities | $(96,450)$ | 218,946 |


| Effect of exchange rate changes on cash and cash equivalents | - | $-6,722$ |
| :--- | :--- | :--- |
| Net change in cash and cash equivalents | - | -19 |
| Cash and cash equivalents at beginning of period | $702,160)$ | $(5,102)$ |
| Cash and cash equivalents at end of period | $-645,757$ | 16,504 |

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## [8] (B) Consolidated Statements of Cash Flows continued

## Divided into non-financial services businesses and finance subsidiaries

For the nine months ended December 31, 2004 and 2005

## For the nine months ended December 31, 2005

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | Non-financial services businesses | Finance subsidiaries |
| Cash flows from operating activities: |  |  |
| Net Income | 332,803 | 44,731 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |
| Depreciation | 176,251 | 557 |
| Deferred income taxes | (412) | $(37,956)$ |
| Equity in income of affiliates | $(80,134)$ |  |
| Loss (gain) on derivative instrument and related others, net | 7,177 | $(2,914)$ |
| Decrease (increase) in trade accounts and notes receivable | 43,436 | $(15,672)$ |
| Decrease (increase) in inventories | $(97,244)$ |  |
| Increase (decrease) in trade payables | $(112,623)$ |  |
| Other, net | $(78,635)$ | 129,175 |
|  |  |  |
| Net cash provided by operating activities | 190,619 | 117,921 |
|  | - | - |
| Cash flows from investing activities: |  |  |
| * Decrease (increase) in investments and advances | 60,487 |  |
| Capital expenditures | $(301,493)$ | $(1,124)$ |
| Proceeds from sales of property, plant and equipment | 28,284 | 176 |
| Decrease (increase) in finance subsidiaries-receivables |  | $(237,532)$ |
|  | — |  |
| Net cash used in investing activities | $(212,722)$ | $(238,480)$ |
|  |  |  |
| Free cash flow (Cash flows from operating and investing activities) | $(22,103)$ | $(120,559)$ |
|  | - |  |
| Free cash flow of Non-financial services businesses excluding the decrease in loans to Finance subsidiaries (Note) | $(98,957)$ |  |
| Cash flows from financing activities: |  |  |
| * Increase (decrease) in short-term debt | $(48,070)$ | $(131,081)$ |
| * Proceeds from long-term debt | 13,857 | 659,419 |
| * Repayment of long-term debt | $(11,485)$ | $(402,565)$ |
| Cash dividends paid | $(71,075)$ |  |
| Increase (decrease) in commercial paper classified as long-term debt |  | 11 |
| Acquisition of treasury stock | $(46,664)$ |  |
| Net cash provided by (used in) financing activities | $(163,437)$ | 125,784 |

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| Effect of exchange rate changes on cash and cash equivalents | 40,566 | 1,047 |
| :--- | ---: | ---: |
| Net change in cash and cash equivalents | $(144,974)$ | 6,272 |
| Cash and cash equivalents at beginning of period | 757,894 | 15,644 |
| Cash and cash equivalents at end of period | 612,920 | 21,916 |

Explanatory notes:

1. The cash flows derived from non-financial services businesses loans to finance subsidiaries were included in the items of Decrease (increase) in investments and advances of Non financial services businesses, and Increase (decrease) in short-term debt , Proceeds from long-term debt and Repayment of long-term debt of Finance subsidiaries (marked by *). Free cash flow of Non financial services businesses excluding the decrease in loans to finance subsidiaries are stated for the readers information.
Loans from non-financial services businesses to finance subsidiaries increased by 19,050 million yen for the fiscal nine months ended December 31, 2004, and decreased by 76,854 million yen for the same period in 2005.
2. Decrease (increase) in trade accounts and notes receivable for finance subsidiaries is due to the reclassification of finance subsidiaries-receivables which relate to sales of inventory in the unaudited consolidated statements of cash flows presented above.

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## Explanatory notes:

1. Consolidated subsidiaries

Number of consolidated subsidiaries: 329
2. Affiliated companies

Number of affiliated companies: 116
3. 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
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. All segment information, however, is prepared in accordance with the Ministerial Ordinance under the Securities and Exchange Law of Japan.
5. The average exchange rates for the fiscal third quarter ended December 31,2005 were $¥ 117.35=$ U.S. $\$ 1$ and $¥ 139.44=$ euro 1 . The average exchange rates for the same period last year were $¥ 105.96=$ U.S. $\$ 1$ and $¥ 137.16=$ euro 1 . The average exchange rates for the fiscal nine months ended December 31, 2005 were $¥ 112.11=$ U.S. $\$ 1$ and $¥ 136.91=$ euro 1 , as compared with $¥ 108.56=$ U.S. $\$ 1$ and $¥ 134.60=$ euro 1 for the same period last year.
6. 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.
7.

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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.
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.
9. Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or market.
10. Honda classifies its debt and equity securities in one of three categories: available-for-sale, trading, or held-to-maturity. Debt securities that are classified as held-to-maturity securities are reported at amortized cost. Debt and equity securities classified as trading securities are reported at fair value, with unrealized gains and losses included in earnings. Other debt and equity securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains or losses, net of deferred taxes included in accumulated other comprehensive income (loss) in the stockholders equity section of the consolidated balance sheets.
11. Honda does not amortize goodwill but instead is tested for impairment at least annually.
12. 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.
13. Honda does not apply hedge accounting for foreign exchange agreements and interest rate agreements.
14. The allowance for credit losses for finance-subsidiaries receivables is maintained at an amount management deems adequate to cover estimated losses on finance receivables. The allowance is based on management $s$ evaluation of many factors, including current economic trends, industry experience, inherent risks in the portfolio and the borrower s ability to pay.
15. The allowance for losses on lease residual values is maintained at an amount management deems adequate to cover estimated losses on the uninsured portion of the vehicles lease residual values. The allowance is also based on management $s$ evaluation of many factors, including current economic conditions, industry experience and the finance subsidiaries historical experience with residual value losses.

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16. Provisions for retirement benefits are provided based on the fair value of both projected benefit obligations and plan assets at the end of the fiscal year to cover for employees retirement benefits. If the provisions for retirement benefits are less than the unfunded accumulated benefit obligations, accrued pension cost is adjusted as an additional minimum pension liability that is at least equal to the unfunded accumulated benefit obligation. Unrecognized net transition obligation has been amortized over approximately 19 years since the fiscal year ended March 31, 1990. Unrecognized prior service cost (benefit) is amortized by using the straight-line method and the estimated average remaining service years of employees.

Unrecognized actuarial loss is amortized if unrecognized net gain or loss exceeds ten percent of the greater of the projected benefit obligation or the market-related value of plan assets by using the straight-line method and the estimated average remaining service years of employees.
17. Our warranty expense accruals are costs for general warranties on product we sell, products recalls and service actions outside the general warranties. Estimated warranty expenses are provided based on historical warranty claim experience with consideration given to the expected level of future warranty costs as well as current information on repair costs.

## 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, 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 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

1. 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 <br> receivables | 9,710 |  | $\mathbf{1 0 , 1 6 3}$ | 9,818 |
| The allowance for credit losses for financial-subsidiaries <br> receivables | 30,926 | $\mathbf{3 3 , 9 8 7}$ | 30,649 |  |

2. Net book value of property, plant and equipment which were subject to specific mortgages securing indebtedness are as follows; Yen (millions)

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| Property, plant and equipment | 12,881 | $\mathbf{1 0 , 4 0 8}$ | 10,103 |
| :--- | :---: | :---: | :---: |
| A finance subsidiary pledged as collateral finance <br> subsidiaries-receivables | 22,597 | $\mathbf{1 3 , 0 0 2}$ | 28,927 |

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3. 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 | 48,877 | 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.


[^0]:    * New record

[^1]:    * 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 nine months, the number of products $100 \%$ locally procured, manufactured and sold by affiliates in India and China increased to approximately 1,530 thousands units.

[^2]:    Table of Contents

