

HONDA MOTOR CO LTD
Form 6-K
September 21, 2011
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No.1-7628

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF September 2011

COMMISSION FILE NUMBER: 1-07628

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(Name of registrant)

HONDA MOTOR CO., LTD.

(Translation of registrant's name into English)

1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ☒ 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): ☐

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): ☐

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Exhibit 1:

On September 6, 2011, Honda Motor Co., Ltd. submitted an Amendments to the Extraordinary Report in Japan amending the Extraordinary Report.

Exhibit 2:

Honda Motor Co., Ltd. filed its consolidated financial statements for the fiscal three months ended June 30, 2011 with Financial Services Agency in Japan.

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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/ Fumihiko Ike
Fumihiko Ike
Senior Managing Officer and Director
Chief Financial Officer
Honda Motor Co., Ltd.

Date: September 21, 2011

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September 14, 2011

To: Shareholders of Honda Motor Co., Ltd.

From: Honda Motor Co., Ltd.
1-1, Minami-Aoyama 2-chome,

Minato-ku, Tokyo, 107-8556

Takanobu Ito

President and Representative Director

Correction to Notice of Resolutions Passed by the 87th Ordinary General Meeting of Shareholders and Results of Voting

We hereby would like to make corrections to the Notice of Resolutions Passed by the 87th Ordinary General Meeting of Shareholders and Results of Voting (the Notice) dated June 24, 2011 in which the contents of the Extraordinary Report filed in Japan on June 24, 2011 (the Extraordinary Report) were described. On September 6, 2011, we submitted an Amendments to the Extraordinary Report in Japan amending the Extraordinary Report of which contents are as follows.

Particulars

1. Reason for the Correction to the Extraordinary Report

Errors in the ratio of affirmative votes occurred as a result of insufficient counting of proxy votes. Also, one wrong notation of the number of votes resulted in the wrong ratio of affirmative votes.

2. Item to be Corrected in the Extraordinary Report

- (3) Number of affirmative votes, negative votes and abstentions in respect of the matters for resolution described above, results of voting and requirements for the approval of such matters for resolution:

3. Details of the Correction

The underlines indicate the portions to be corrected.

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- (3) Number of affirmative votes, negative votes and abstentions in respect of the matters for resolution described above, results of voting and requirements for the approval of such matters for resolution:

Proposals	Number of affirmative votes	Number of negative votes	Number of abstentions	Ratio of affirmative votes (%)	Approved/ disapproved
First Item	13,736,046	194,833	22,448	<u>94.15</u>	Approved
Second Item	13,900,210	31,470	22,020	<u>95.28</u>	Approved
Third Item					
Koichi Kondo	13,608,539	328,638	<u>165,539</u>	<u>92.34</u>	Approved
Takanobu Ito	13,569,427	343,060	41,227	<u>93.01</u>	Approved
Akio Hamada	13,799,657	137,521	16,539	<u>94.59</u>	Approved
Tatsuhiro Oyama	13,788,632	148,547	16,539	<u>94.51</u>	Approved
Fumihiko Ike	13,714,328	222,850	16,539	<u>94.00</u>	Approved
Tomohiko Kawanabe	13,788,520	148,658	16,539	<u>94.51</u>	Approved
Kensaku Hogen	13,891,433	55,230	7,057	<u>95.22</u>	Approved
Nobuo Kuroyanagi	11,944,297	1,992,518	16,901	<u>81.87</u>	Approved
Takeo Fukui	13,669,737	267,441	16,539	<u>93.70</u>	Approved
Takuji Yamada	13,788,646	148,532	16,539	<u>94.51</u>	Approved
Masahiro Yoshida	13,788,318	148,860	16,539	<u>94.51</u>	Approved
Yoshiharu Yamamoto	13,763,872	173,306	16,539	<u>94.34</u>	Approved
Fourth Item					
Hirotake Abe	13,884,909	47,328	21,428	<u>95.17</u>	Approved
Tomochika Iwashita	10,318,815	3,613,380	21,461	<u>70.73</u>	Approved
Fifth Item	12,705,172	1,220,805	27,738	<u>87.09</u>	Approved
Sixth Item	13,665,034	259,429	29,300	<u>93.67</u>	Approved

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- (3) Number of affirmative votes, negative votes and abstentions in respect of the matters for resolution described above, results of voting and requirements for the approval of such matters for resolution:

Proposals	Number of affirmative votes	Number of negative votes	Number of abstentions	Ratio of affirmative votes (%)	Approved/ disapproved
First Item	13,736,046	194,833	22,448	<u>91.84</u>	Approved
Second Item	13,900,210	31,470	22,020	<u>92.94</u>	Approved
Third Item					
Koichi Kondo	13,608,539	328,638	<u>16,539</u>	<u>90.99</u>	Approved
Takanobu Ito	13,569,427	343,060	41,227	<u>90.73</u>	Approved
Akio Hamada	13,799,657	137,521	16,539	<u>92.27</u>	Approved
Tatsuhiro Oyama	13,788,632	148,547	16,539	<u>92.19</u>	Approved
Fumihiko Ike	13,714,328	222,850	16,539	<u>91.70</u>	Approved
Tomohiko Kawanabe	13,788,520	148,658	16,539	<u>92.19</u>	Approved
Kensaku Hogen	13,891,433	55,230	7,057	<u>92.88</u>	Approved
Nobuo Kuroyanagi	11,944,297	1,992,518	16,901	<u>79.86</u>	Approved
Takeo Fukui	13,669,737	267,441	16,539	<u>91.40</u>	Approved
Takuji Yamada	13,788,646	148,532	16,539	<u>92.19</u>	Approved
Masahiro Yoshida	13,788,318	148,860	16,539	<u>92.19</u>	Approved
Yoshiharu Yamamoto	13,763,872	173,306	16,539	<u>92.03</u>	Approved
Fourth Item					
Hirotake Abe	13,884,909	47,328	21,428	<u>92.84</u>	Approved
Tomochika Iwashita	10,318,815	3,613,380	21,461	<u>68.99</u>	Approved
Fifth Item	12,705,172	1,220,805	27,738	<u>84.95</u>	Approved
Sixth Item	13,665,034	259,429	29,300	<u>91.37</u>	Approved

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2011

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2011 and June 30, 2011

Assets	Yen (millions)	
	March 31, 2011 audited	June 30, 2011 unaudited
Current assets:		
Cash and cash equivalents	¥ 1,279,024	¥ 1,261,356
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥7,904 million at March 31, 2011 and ¥6,949 million at June 30, 2011 (notes 3 and 7)	787,691	631,210
Finance subsidiaries-receivables, net (notes 2, 3, 4 and 7)	1,131,068	1,117,312
Inventories (notes 5 and 7)	899,813	802,751
Deferred income taxes	202,291	197,155
Other current assets (notes 3, 6, 7 and 11)	390,160	338,770
Total current assets	4,690,047	4,348,554
Finance subsidiaries-receivables, net (notes 2, 3, 4 and 7)	2,348,913	2,332,351
Investments and advances:		
Investments in and advances to affiliates	440,026	473,040
Other, including marketable equity securities (notes 3, 4 and 6)	199,906	190,924
Total investments and advances	639,932	663,964
Property on operating leases:		
Vehicles	1,645,517	1,622,875
Less accumulated depreciation	287,885	272,040
Net property on operating leases	1,357,632	1,350,835
Property, plant and equipment, at cost (note 7):		
Land	483,654	483,468
Buildings	1,473,067	1,466,711
Machinery and equipment	3,166,353	3,183,452
Construction in progress	202,186	186,391
	5,325,260	5,320,022
Less accumulated depreciation and amortization	3,385,904	3,412,122
Net property, plant and equipment	1,939,356	1,907,900
Other assets, net of allowance for doubtful accounts of ¥23,275 million at March 31, 2011 and ¥23,167 million at June 30, 2011 (notes 3, 4 and 11)	594,994	618,655
Total assets	¥ 11,570,874	¥ 11,222,259

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2011 and June 30, 2011

Liabilities and Equity	Yen (millions)	
	March 31, 2011 audited	June 30, 2011 unaudited
Current liabilities:		
Short-term debt (note 4)	¥ 1,094,740	¥ 1,123,151
Current portion of long-term debt (note 4)	962,455	1,043,637
Trade payables:		
Notes	25,216	22,813
Accounts	691,520	526,334
Accrued expenses (note 12)	525,540	456,171
Income taxes payable	31,960	26,964
Other current liabilities (note 11)	236,761	226,615
Total current liabilities	3,568,192	3,425,685
Long-term debt, excluding current portion (note 4)	2,043,240	1,865,129
Other liabilities (notes 4 and 12)	1,376,530	1,385,550
Total liabilities	6,987,962	6,676,364
Equity:		
Honda Motor Co., Ltd. shareholders' equity (note 9):		
Common stock, authorized 7,086,000,000 shares at March 31, 2011 and at June 30, 2011; issued 1,811,428,430 shares at March 31, 2011 and at June 30, 2011	86,067	86,067
Capital surplus	172,529	172,529
Legal reserves	46,330	46,340
Retained earnings (note 13(a))	5,666,539	5,671,292
Accumulated other comprehensive income (loss), net (notes 6 and 11)	(1,495,380)	(1,526,761)
Treasury stock, at cost 9,126,716 shares at March 31, 2011 and 9,127,277 shares at June 30, 2011	(26,110)	(26,112)
Total Honda Motor Co., Ltd. shareholders' equity	4,449,975	4,423,355
Noncontrolling interests (note 9)	132,937	122,540
Total equity (note 9)	4,582,912	4,545,895
Commitments and contingent liabilities (note 12)		
Total liabilities and equity	¥ 11,570,874	¥ 11,222,259

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the three months ended June 30, 2010 and 2011

	Yen (millions)	
	June 30, 2010 unaudited	June 30, 2011 unaudited
Net sales and other operating revenue (note 1(e))	¥ 2,361,463	¥ 1,714,596
Operating costs and expenses:		
Cost of sales (note 1(e))	1,684,136	1,289,640
Selling, general and administrative (note 1(e))	324,609	292,167
Research and development	118,275	110,210
	2,127,020	1,692,017
Operating income	234,443	22,579
Other income (expenses):		
Interest income	5,060	7,836
Interest expense	(2,174)	(2,544)
Other, net (notes 6 and 11)	18,820	1,428
	21,706	6,720
Income before income taxes and equity in income of affiliates	256,149	29,299
Income tax expense (notes 1(d) and 8):		
Current	12,500	22,478
Deferred	(1,089)	1,428
	11,411	23,906
Income before equity in income of affiliates	244,738	5,393
Equity in income of affiliates	35,691	28,638
Net income	280,429	34,031
Less: Net income attributable to noncontrolling interests	7,942	2,234
Net income attributable to Honda Motor Co., Ltd.	¥ 272,487	¥ 31,797

	Yen	
	June 30, 2010	June 30, 2011
Basic net income attributable to Honda Motor Co., Ltd. per common share (note 15):	¥ 150.27	¥ 17.64

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended June 30, 2010 and 2011

	Yen (millions)	
	June 30, 2010 unaudited	June 30, 2011 unaudited
Cash flows from operating activities:		
Net income	¥ 280,429	¥ 34,031
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation excluding property on operating leases	89,452	77,459
Depreciation of property on operating leases	55,934	51,679
Deferred income taxes	(1,089)	1,428
Equity in income of affiliates	(35,691)	(28,638)
Dividends from affiliates	10,752	9,806
Provision for credit and lease residual losses on finance subsidiaries-receivables	1,830	1,137
Impairment loss on investments in securities		193
Impairment loss on long-lived assets excluding property on operating leases	419	
Loss (gain) on derivative instruments, net	(34,770)	(10,434)
Decrease (increase) in assets:		
Trade accounts and notes receivable	32,764	144,351
Inventories	1,483	90,193
Other current assets	49,005	70,907
Other assets	2,694	4,149
Increase (decrease) in liabilities:		
Trade accounts and notes payable	(52,478)	(147,329)
Accrued expenses	(24,742)	(61,496)
Income taxes payable	41,686	(5,626)
Other current liabilities	21,592	(13,613)
Other liabilities	(82,129)	(2,014)
Other, net	(19,188)	(14,485)
Net cash provided by operating activities	337,953	201,698
Cash flows from investing activities:		
Increase in investments and advances	(3,378)	(10,760)
Decrease in investments and advances	4,244	4,179
Proceeds from sales of available-for-sale securities	18	
Payments for purchases of held-to-maturity securities	(13,800)	(9,867)
Proceeds from redemptions of held-to-maturity securities	11,510	25,366
Capital expenditures	(53,230)	(73,552)
Proceeds from sales of property, plant and equipment	4,886	8,668
Acquisitions of finance subsidiaries-receivables	(575,150)	(507,113)
Collections of finance subsidiaries-receivables	563,213	463,039
Purchases of operating lease assets	(227,094)	(186,481)
Proceeds from sales of operating lease assets	112,572	106,680
Net cash used in investing activities	(176,209)	(179,841)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	80,349	50,500
Proceeds from long-term debt	165,203	185,827
Repayments of long-term debt	(240,834)	(229,805)

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Dividends paid (note 13(a))	(21,775)	(27,034)
Dividends paid to noncontrolling interests	(7,704)	(12,548)
Sales (purchases) of treasury stock, net	(9,809)	(2)
Net cash used in financing activities	(34,570)	(33,062)
Effect of exchange rate changes on cash and cash equivalents	(42,954)	(6,463)
Net change in cash and cash equivalents	84,220	(17,668)
Cash and cash equivalents at beginning of the period	1,119,902	1,279,024
Cash and cash equivalents at end of the period	¥ 1,204,122	¥ 1,261,356

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) General and Summary of Significant Accounting Policies

(a) Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S.GAAP). In the opinion of management, all adjustments which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the year. For further information, refer to the March 31, 2011 consolidated financial statements and notes thereto included in Honda Motor Co., Ltd. and Subsidiaries Annual Report for the year ended March 31, 2011. Consolidated financial statements for the year ended March 31, 2011 are derived from the audited consolidated financial statements, while consolidated financial statements for the three months ended June 30, 2011 are unaudited.

(b) Basis of Presenting Consolidated Financial Statements

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries generally maintain their books of account in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner and reflect the adjustments which are necessary to conform them with U.S. GAAP.

(c) Changes in Accounting Procedures for Consolidated Quarterly Financial Results

None

(d) Accounting Policies Specifically Applied for Quarterly Consolidated Financial Statements

Income taxes

Honda computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the three months ended June 30, 2011. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

(e) Out-of-period adjustments

During the three months ended December 31, 2010, certain overstatements were found in trade accounts and notes receivable, inventories, net sales and other operating revenue, and cost of sales in previously issued consolidated financial statements, pertaining to the Company's inventory management trading activities at a domestic subsidiary. This domestic subsidiary temporarily purchases sea food products from seafood companies with the promise that they will buy back such products after certain period, in order to bridge the gap between the purchasing period

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(the fishing season) and the sales period for sea food products. In the Company's consolidated statements of income for the three months ended December 31, 2010, the Company adjusted net sales and other operating revenue amounted to ¥4,529 million and operating income amounted to ¥128 million overstated in the Company's consolidated statements of income for the three months ended June 30, 2010, in conjunction with the overstatements for the three months ended September 30, 2010 and the related cumulative loss amounted to ¥14,123 million as of March 31, 2010. Honda believes that these overstatements are immaterial to the Company's consolidated financial statements or results of operations in prior periods.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Allowances for Finance Subsidiaries-receivables

	Yen (millions)	
	March	
	31, 2011	June 30, 2011
Finance subsidiaries-receivables		
Allowance for credit losses	¥ 24,890	¥ 23,378
Allowance for losses on lease residual values	7,225	6,507

(3) Credit Quality of Finance Receivables and Allowance for Credit Losses

The finance subsidiaries of the Company provide retail lending and leasing to customers and wholesale financing to dealers primarily to support sales of our products. Honda classifies retail and direct financing lease receivables derived from those services as finance subsidiaries-receivables. Operating leases are classified as property on operating leases. Certain finance receivables related to sales of inventory are included in trade accounts and notes receivable and other assets in the consolidated balance sheets. Receivables on past due operating lease rental payments are included in other current assets in the consolidated balance sheets.

Finance subsidiaries-receivables, net, consisted of the following at March 31, 2011 and June 30, 2011:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Retail	¥ 3,368,014	¥ 3,333,580
Direct financing lease	362,136	354,611
Wholesale flooring	267,526	182,871
Commercial loans	34,116	35,306
Total finance receivables	4,031,792	3,906,368
Less:		
Allowance for credit losses	28,437	26,683
Allowance for losses on lease residual values	7,225	6,507
Unearned interest income and fees	19,916	19,063
	3,976,214	3,854,115
Less:		
Finance receivables included in trade accounts and notes receivable, net	332,195	244,097
Finance receivables included in other assets, net	164,038	160,355
Finance subsidiaries-receivables, net	3,479,981	3,449,663

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Less current portion	1,131,068	1,117,312
Noncurrent finance subsidiaries-receivables, net	¥ 2,348,913	¥ 2,332,351

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The majority of the credit risk is with consumer financing and to a lesser extent with dealer financing. Credit risk is affected by general economic conditions such as a rise in unemployment rates or declines in used vehicle prices. The finance subsidiaries of the Company estimate losses incurred on retail and direct financing lease receivables and recognize them in the allowance for credit losses. Consumer finance receivables consist of a large number of smaller-balance homogenous loans and leases. The finance subsidiaries of the Company segment these receivables into groups with common characteristics, and estimate collectively the allowance for credit losses on consumer finance receivables by the group. The finance subsidiaries of the Company take into consideration various methodologies when estimating the allowance including vintage loss rate analysis and delinquency roll rate analysis. When performing the vintage loss rate analysis, consumer finance receivables are segregated between retail and direct financing lease, and further segmented into groups with common risk characteristics including collateral type, credit grades and original terms. Loss rates are projected for these pools based on historical rates and adjusted for considerations of emerging trends and changing economic conditions. The roll rate analysis is used primarily by the finance subsidiaries of the Company in North America. This analysis tracks the migration of finance receivables through various stages of delinquency and ultimately to charge-offs. Roll rates are projected based on historical results while also taking into consideration trends and changing economic conditions.

Wholesale receivables are considered to be impaired when it is probable that they will be unable to collect all amounts due according to the original terms of the contract. The finance subsidiaries of the company recognize estimated losses on them in the allowance for credit losses. Credit risk on wholesale receivables is affected primarily by the financial strength of the dealers within the portfolio. Wholesale receivables are evaluated for impairment on an individual dealer basis. Ongoing evaluations of dealerships are performed to determine whether there is evidence of impairment. Factors can include payment performance, overall dealership financial performance, or known difficulties experienced by the dealership.

Honda regularly reviews the adequacy of the allowance for credit losses. The estimates are based on information available as of each reporting date. However actual losses may differ from the original estimates as a result of actual results varying from those assumed in our estimates with inherently uncertain items.

The following table presents the changes of the allowance for credit losses on finance receivables for the three months ended June 30, 2011.

	Yen (millions)			
		Direct financing lease	Wholesale	Total
	Retail			
Allowance for credit losses				
Balance at beginning of the period	¥ 25,578	¥ 1,455	¥ 1,404	¥ 28,437
Provision (reversal)	1,156	10	(132)	1,034
Charge-offs	(4,791)	(195)	(25)	(5,011)
Recoveries	2,418	105	23	2,546
Adjustments from foreign currency translation	(277)	(18)	(28)	(323)
Balance at end of the period	¥ 24,084	¥ 1,357	¥ 1,242	¥ 26,683

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In the finance subsidiaries of the Company in North America, retail and direct financing lease receivables are charged off when they become 120 days past due or earlier if they have been specifically identified as uncollectible. Wholesale receivables are charged off when they have been individually identified as uncollectible. In the finance subsidiaries of the Company in other areas except for North America, finance receivables are charged off when they have been identified as substantially uncollectible according to the internal standards of each subsidiary.

Delinquencies

In the finance subsidiaries of the Company in North America, retail and direct financing lease receivables are considered delinquent if more than 10% of a monthly scheduled payment is contractually past due on a cumulative basis. Wholesale receivables are considered delinquent when any principal payments are past due. In the finance subsidiaries of the Company in other areas except for North America, finance receivables are considered delinquent when any principal payments are past due.

The following tables present an age analysis of past due finance receivables at March 31, 2011 and June 30, 2011.

As of March 31, 2011

	Yen (millions)					
	30-59 days past due	60-89 days past due	90 days and greater past due	Total past due	Current*	Total finance receivables
Retail						
New auto	¥ 14,127	¥ 1,625	¥ 3,191	¥ 18,943	¥ 2,762,373	¥ 2,781,316
Used & certified auto	5,325	591	474	6,390	421,605	427,995
Others	1,666	468	895	3,029	155,674	158,703
Total retail	21,118	2,684	4,560	28,362	3,339,652	3,368,014
Direct financing lease	1,375	179	584	2,138	359,998	362,136
Wholesale						
Wholesale flooring	125	38	273	436	267,090	267,526
Commercial loans					34,116	34,116
Total wholesale	125	38	273	436	301,206	301,642
Total finance receivables	¥ 22,618	¥ 2,901	¥ 5,417	¥ 30,936	¥ 4,000,856	¥ 4,031,792

As of June 30, 2011

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	Yen (millions)					
	30-59 days past due	60-89 days past due	90 days and greater past due	Total past due	Current*	Total finance receivables
Retail						
New auto	¥ 15,394	¥ 2,572	¥ 6,039	¥ 24,005	¥ 2,729,557	¥ 2,753,562
Used & certified auto	6,154	947	454	7,555	416,110	423,665
Others	1,802	683	936	3,421	152,932	156,353
Total retail	23,350	4,202	7,429	34,981	3,298,599	3,333,580
Direct financing lease	1,260	432	601	2,293	352,318	354,611
Wholesale						
Wholesale flooring	10	12	326	348	182,523	182,871
Commercial loans					35,306	35,306
Total wholesale	10	12	326	348	217,829	218,177
Total finance receivables	¥ 24,620	¥ 4,646	¥ 8,356	¥ 37,622	¥ 3,868,746	¥ 3,906,368

* Includes recorded investment of finance receivables that are less than 30 days past due.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Credit Quality Indicators

The collection experience of consumer finance receivables provides an indication of the credit quality of consumer finance receivables. The likelihood of accounts charging off becomes significantly higher once an account becomes 60 days delinquent. The table below segments the Company's portfolio of consumer finance receivables between groups the Company considers to be performing and nonperforming. Accounts that are delinquent for 60 days or greater are included in the nonperforming group and all other accounts are considered to be performing.

The following tables present the balances of consumer finance receivables by the credit quality indicator at March 31, 2011 and June 30, 2011.

As of March 31, 2011

	Yen (millions)		Total consumer finance receivables
	Performing	Nonperforming	
Retail			
New auto	¥ 2,776,500	¥ 4,816	¥ 2,781,316
Used & certified auto	426,930	1,065	427,995
Others	157,340	1,363	158,703
Total retail	3,360,770	7,244	3,368,014
Direct financing lease	361,373	763	362,136
Total	¥ 3,722,143	¥ 8,007	¥ 3,730,150

As of June 30, 2011

	Yen (millions)		Total consumer finance receivables
	Performing	Nonperforming	
Retail			
New auto	¥ 2,744,951	¥ 8,611	¥ 2,753,562
Used & certified auto	422,264	1,401	423,665
Others	154,734	1,619	156,353
Total retail	3,321,949	11,631	3,333,580
Direct financing lease	353,578	1,033	354,611

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Total	¥ 3,675,527	¥	12,664	¥	3,688,191
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A credit quality indicator for wholesale receivables is the internal risk ratings for the dealerships. Dealerships are assigned an internal risk rating based primarily on their financial condition. At a minimum, risk ratings for dealerships are updated annually and more frequently for dealerships with weaker risk ratings. The table below presents outstanding wholesale receivables balances by the internal risk rating group. Group A includes the loans of dealerships with the highest credit quality characteristics in the strongest risk rating tier. Group B includes the loans of all remaining dealers and are considered to have weaker credit quality characteristics. Although the likelihood of losses can be higher for dealerships in Group B, the overall risk of losses is not considered to be significant.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the balance of wholesale receivables by credit quality indicators at March 31, 2011 and June 30, 2011.

As of March 31, 2011

	Group A	Yen (millions) Group B	Total
Wholesale			
Wholesale flooring	¥ 144,118	¥ 123,408	¥ 267,526
Commercial loans	14,024	20,092	34,116
Total	¥ 158,142	¥ 143,500	¥ 301,642

As of June 30, 2011

	Group A	Yen (millions) Group B	Total
Wholesale			
Wholesale flooring	¥ 99,994	¥ 82,877	¥ 182,871
Commercial loans	20,044	15,262	35,306
Total	¥ 120,038	¥ 98,139	¥ 218,177

Other Finance Receivables

Except for the finance subsidiaries-receivables, the other finance receivables about which credit quality information and the allowance for credit losses are required to be disclosed by the FASB Accounting Standards Codification (ASC) 310 Receivables of ¥59,520 million and ¥59,848 million were included in other current assets, investments and advances-other and other assets in the consolidated balance sheets at March 31, 2011 and June 30, 2011, respectively. Honda estimates individually the collectibility of the other finance receivables based on the financial condition of the debtor. The impaired finance receivables amounted to ¥19,574 million and ¥19,558 million at March 31, 2011 and June 30, 2011, respectively, for which the allowance for credit losses was recorded in the same amount.

Regarding the other finance receivables which are not impaired, there are no past due receivables.

(4) Variable Interest Entities

Honda considers its involvement with a variable interest entity (VIE) under the FASB Accounting Standards Codification (ASC) 810 Consolidation. This standard prescribes that the reporting entity shall consolidate a VIE as its primary beneficiary when it deemed to have a

controlling financial interest in a VIE, meeting both of the following characteristics:

- (a) The power to direct the activities of a VIE that most significantly impact the VIE's economic performance.
- (b) The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The finance subsidiaries of the Company periodically securitize for liquidity and funding purposes and transfer finance receivables to the trust which is newly established to issue asset-backed securities. The finance subsidiaries of the Company deemed to have the power to direct the activities of these trusts that most significantly impact the trusts' economic performance, as they retain servicing rights in all securitizations, and manage delinquencies and defaults of the underlying receivables. Furthermore, the finance subsidiaries of the Company deemed to have the obligation to absorb losses of these trusts that could potentially be significant to these trusts, as they would absorb the majority of the expected losses of these trusts by retaining certain subordinated interests of these trusts. Therefore, the Company has consolidated these trusts, as it deemed to have controlling financial interests in these trusts.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents the balances of the assets and liabilities of consolidated VIEs at March 31, 2011 and June 30, 2011.

	Yen (millions)	
	March 31, 2011	June 30, 2011
Finance subsidiaries-receivables, net	¥ 500,208	¥ 521,915
Restricted cash ^{*1}	7,931	10,704
Other assets	1,688	1,586
Total assets	¥ 509,827	¥ 534,205
Secured debt ^{*2}	¥ 495,695	¥ 515,161
Other liabilities	532	431
Total liabilities	¥ 496,227	¥ 515,592

^{*1} Restricted cash as collateral for the payment of the related secured debt obligation was included in investment and advances-other on the consolidated balance sheets.

^{*2} Secured debt was included in short-term and long-term debt on the consolidated balance sheets.

The creditors of these trusts do not have recourse to the finance subsidiaries' general credit with the exception of representations and warranties customary in the industry provided by the finance subsidiaries to these trusts.

There is no VIE in which Honda holds a significant variable interest but is not the primary beneficiary as of March 31, 2011 and June 30, 2011.

(5) Inventories

Inventories at March 31, 2011 and June 30, 2011 are summarized as follows:

	Yen (millions)	
	March 31, 2011	June 30, 2011

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Finished goods	¥ 531,071	¥ 432,845
Work in process	49,606	41,431
Raw materials	319,136	328,475
	¥ 899,813	¥ 802,751

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Investments and Advances-Other

Investments and advances at March 31, 2011 and June 30, 2011 consist of the following:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Current		
Corporate debt securities	¥ 331	¥ 320
Advances	790	767
Certificates of deposit	1,366	1,000
Other		54
	¥ 2,487	¥ 2,141

Investments and advances due within one year are included in other current assets.

	Yen (millions)	
	March 31, 2011	June 30, 2011
Noncurrent		
Auction rate securities (non-marketable)	¥ 6,948	¥ 6,714
Marketable equity securities	92,421	97,278
Government bonds	1,999	1,999
U.S. government and agency debt securities	37,029	20,183
Non-marketable equity securities accounted for under the cost method		
Non-marketable preferred stocks	969	969
Other	12,178	11,367
Guaranty deposits	23,735	23,256
Advances	1,159	1,526
Other	23,468	27,632
	¥ 199,906	¥ 190,924

Certain information with respect to available-for-sale securities and held-to-maturity securities at March 31, 2011 and June 30, 2011 is summarized below:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Available-for-sale		
Cost	¥ 46,017	¥ 44,986
Fair value	99,369	103,992
Gross unrealized gains	56,019	61,366
Gross unrealized losses	2,667	2,360
Held-to-maturity		
Amortized cost	¥ 40,725	¥ 23,502
Fair value	40,649	23,538
Gross unrealized gains	91	103
Gross unrealized losses	167	67

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Maturities of debt securities classified as held-to-maturity at June 30, 2011 are as follows:

	Yen (millions)
Due within one year	¥ 1,320
Due after one year through five years	22,182
Due after five years through ten years	
Total	¥ 23,502

There was no amount of realized gains and losses from available-for-sale securities included in other income (expenses) other, net for the three months ended June 30, 2010 and 2011.

Gross unrealized losses on available-for-sale securities and held-to-maturity securities, and fair value of the related securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at March 31, 2011 and June 30, 2011 are as follows:

	Yen (millions)			
	March 31, 2011		June 30, 2011	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale				
Less than 12 months	¥ 9,054	¥ 1,516	¥ 8,551	¥ 1,165
12 months or longer	7,759	1,151	7,568	1,195
	¥ 16,813	¥ 2,667	¥ 16,119	¥ 2,360
Held-to-maturity				
Less than 12 months	¥ 31,042	¥ 167	¥ 5,994	¥ 67
12 months or longer				
	¥ 31,042	¥ 167	¥ 5,994	¥ 67

Honda does not believe the decline in fair value of any of its investment securities to be other than temporary, which is based on factors such as financial and operating conditions of the issuer, the industry in which the issuer operates, degree and period of the decline in fair value and other relevant factors.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Pledged Assets

Pledged assets at March 31, 2011 and June 30, 2011 are as follows:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Trade accounts and notes receivable	¥ 13,808	¥ 7,147
Inventories	11,691	11,811
Other current assets	5,337	
Property, plant and equipment	24,548	35,648
Finance subsidiaries-receivables	504,587	526,649

(8) Income taxes

Proportion of adjustments for unrecognized tax benefits to income before income taxes and equity in income of affiliates increases for the three months ended June 30, 2011. Due primarily to the item, the effective tax rate of Honda for the three months ended June 30, 2011 differs from Honda's statutory income tax rate, which is 40% for the fiscal year ending March 31, 2012.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(9) Equity**

The changes in equity for the three months ended June 30, 2010 and 2011 are as follows:

For the three months ended June 30, 2010

	Yen (millions)		
	Honda Motor Co., Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at March 31, 2010	¥ 4,328,640	¥ 127,790	¥ 4,456,430
Cumulative effect of adjustments resulting from the adoption of new accounting standards on variable interest entities, net of tax	1,432		1,432
Adjusted balances at March 31, 2010	¥ 4,330,072	¥ 127,790	¥ 4,457,862
Dividends paid to Honda Motor Co., Ltd. shareholders	(21,775)		(21,775)
Dividends paid to noncontrolling interests		(7,704)	(7,704)
Comprehensive income (loss):			
Net income	272,487	7,942	280,429
Other comprehensive income (loss), net of tax			
Adjustments from foreign currency translation	(154,868)	(2,389)	(157,257)
Unrealized gains (losses) on available-for-sale securities, net	(5,969)	(28)	(5,997)
Unrealized gains (losses) on derivative instruments, net	566		566
Pension and other postretirement benefits adjustments	2,184	37	2,221
Total comprehensive income (loss)	114,400	5,562	119,962
Purchase of treasury stock	(9,809)		(9,809)
Balance at June 30, 2010	¥ 4,412,888	¥ 125,648	¥ 4,538,536

For the three months ended June 30, 2011

	Yen (millions)		
	Honda Motor Co., Ltd. shareholders equity	Noncontrolling interests	Total equity

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Balance at March 31, 2011	¥ 4,449,975	¥ 132,937	¥ 4,582,912
Dividends paid to Honda Motor Co., Ltd. shareholders	(27,034)		(27,034)
Dividends paid to noncontrolling interests		(12,548)	(12,548)
Comprehensive income (loss):			
Net income	31,797	2,234	34,031
Other comprehensive income (loss), net of tax			
Adjustments from foreign currency translation	(36,467)	(123)	(36,590)
Unrealized gains (losses) on available-for-sale securities, net	3,297	8	3,305
Unrealized gains (losses) on derivative instruments, net	115		115
Pension and other postretirement benefits adjustments	1,674	32	1,706
Total comprehensive income (loss)	416	2,151	2,567
Purchase of treasury stock	(2)		(2)
Balance at June 30, 2011	¥ 4,423,355	¥ 122,540	¥ 4,545,895

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Fair Value Measurement

In accordance with FASB Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, Honda uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 Unobservable inputs for the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and June 30, 2011.

As of March 31, 2011

	Yen (millions)					
	Level 1	Level 2	Level 3	Gross fair value	Netting adjustment	Net amount
Assets:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ 57,880	¥	¥ 57,880	¥	¥
Interest rate instruments (note 11)		29,759	154	29,913		
Total derivative instruments		87,639	154	87,793	(26,641)	61,152
Available-for-sale securities						
Marketable equity securities	92,421			92,421		92,421
Auction rate securities			6,948	6,948		6,948
Total available-for-sale securities	92,421		6,948	99,369		99,369
Total	¥ 92,421	¥ 87,639	¥ 7,102	¥ 187,162	¥ (26,641)	¥ 160,521

Liabilities:

Derivative instruments

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Foreign exchange instruments (note 11)	¥	¥ (15,712)	¥	¥ (15,712)	¥	¥
Interest rate instruments (note 11)		(32,435)	(155)	(32,590)		
Total derivative instruments		(48,147)	(155)	(48,302)	26,641	(21,661)
Total	¥	¥ (48,147)	¥ (155)	¥ (48,302)	¥ 26,641	¥ (21,661)

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of June 30, 2011

	Yen (millions)					
	Level 1	Level 2	Level 3	Gross fair value	Netting adjustment	Net amount
Assets:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ 66,580	¥	¥ 66,580	¥	¥
Interest rate instruments (note 11)		28,298	94	28,392		
Total derivative instruments		94,878	94	94,972	(20,717)	74,255
Available-for-sale securities						
Marketable equity securities	97,278			97,278		97,278
Auction rate securities			6,714	6,714		6,714
Total available-for-sale securities	97,278		6,714	103,992		103,992
Total	¥ 97,278	¥ 94,878	¥ 6,808	¥ 198,964	¥ (20,717)	¥ 178,247
Liabilities:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ (6,968)	¥	¥ (6,968)	¥	¥
Interest rate instruments (note 11)		(29,862)	(94)	(29,956)		
Total derivative instruments		(36,830)	(94)	(36,924)	20,717	(16,207)
Total	¥	¥ (36,830)	¥ (94)	¥ (36,924)	¥ 20,717	¥ (16,207)

Derivative asset and liability positions are presented net by counterparty on the consolidated balance sheets when valid master netting agreement exists and the other conditions set out in the FASB Accounting Standards Codification (ASC) 210-20 Balance Sheet-Offsetting are met.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present a reconciliation during the three months ended June 30, 2010 and 2011 for all Level 3 assets and liabilities measured at fair value on a recurring basis.

For the three months ended June 30, 2010

	Yen (millions)			
	Retained interests in securitizations	Interest rate instruments (note 11)	Auction rate securities	Total
Balance at beginning of the year	¥ 27,555	¥ 1,025	¥ 10,041	¥ 38,621
Adjustment resulting from the adoption of new accounting standards on variable interest entities	(27,555)	(1,027)		(28,582)
Total realized/unrealized gains or losses				
Included in earnings				
Included in other comprehensive income (loss)				
Purchases, issuances, settlements and sales, net			(18)	(18)
Foreign currency translation		(1)	(492)	(493)
Balance at end of the period	¥	¥ (3)	¥ 9,531	¥ 9,528

The amounts of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets and liabilities still held at the reporting date

Included in earnings	¥	¥ (1)	¥	¥ (1)
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Included in other comprehensive income (loss)

For the three months ended June 30, 2011

	Yen (millions)			
	Retained interests in securitizations	Interest rate instruments (note 11)	Auction rate securities	Total
Balance at beginning of the year	¥	¥ (1)	¥ 6,948	¥ 6,947
Total realized/unrealized gains or losses				
Included in earnings				
Included in other comprehensive income (loss)				
Purchases, issuances, settlements and sales				
Purchases				
Issuances				
Settlements				
Sales			(33)	(33)
Foreign currency translation		1	(201)	(200)
Balance at end of the period	¥	¥	¥ 6,714	¥ 6,714

The amounts of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets and liabilities still held at the reporting date

Included in earnings	¥	¥	¥	¥
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Included in other comprehensive income (loss)

Total realized/unrealized gains or losses related to interest rate instruments, including those held at the reporting date, are included in other income (expenses) other, net, in the consolidated statements of income.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The valuation methodologies the assets and liabilities measured at fair value on a recurring basis are as follows:

Foreign exchange and interest rate instruments (see note 11)

The fair values of foreign currency forward exchange contracts and foreign currency option contracts are estimated using market observable inputs such as spot exchange rates, discount rates and implied volatility. Fair value measurement for foreign currency forward exchange contracts and foreign currency option contracts are classified as Level 2. The fair values of currency swap agreements and interest rate swap agreements are estimated by discounting future cash flows using market observable inputs such as LIBOR rates, swap rates, and foreign exchange rates. Fair value measurement for these currency swap agreements and interest rate swap agreements are classified as Level 2.

The fair values of a limited number of interest rate swap agreements related to certain off balance sheet securitizations are estimated using significant assumptions including market observable inputs, as well as internally developed prepayment assumptions as an input into the model, in order to forecast future notional amounts on these structured derivative contracts. Accordingly, fair value measurement for these derivative contracts is classified as Level 3.

The credit risk of Honda and its counterparties are considered on the valuation of foreign exchange and interest rate instruments.

Marketable equity securities

The fair value of marketable equity securities is estimated using quoted market prices. Fair value measurement for marketable equity securities is classified as Level 1.

Auction rate securities

The subsidiary's auction rate securities (ARS) holdings were AAA rated and are insured by qualified guarantee agencies, and reinsured by the Secretary of Education and United States Government, and are guaranteed about 95% by the United States Government. The ARS market has been illiquid, and no readily observable prices exist, Honda measured the fair value of the ARS based on the discounted future cash flows. In order to assess various kinds of risks, such as liquidity risk, Honda used third-party developed valuation model which obtains a wide array of market observable inputs, as well as unobservable inputs including probability of passing or failing auction at each auction. Fair value measurement for auction rate securities is classified as Level 3.

Honda does not have significant assets and liabilities measured at fair value on a nonrecurring basis for the year ended March 31, 2011 and the three months ended June 30, 2011.

Honda has not elected the fair value option for the year ended March 31, 2011 and the three months ended June 30, 2011.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The estimated fair values of significant financial instruments at March 31, 2011 and June 30, 2011 are as follows:

	Yen (millions)			
	March 31, 2011		June 30, 2011	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Finance subsidiaries-receivables*	¥ 3,642,235	¥ 3,701,218	¥ 3,527,058	¥ 3,587,248
Held-to-maturity securities	40,725	40,649	23,502	23,538
Debt	(4,100,435)	(4,159,300)	(4,031,917)	(4,095,242)

* The carrying amounts of finance subsidiaries-receivables at March 31, 2011 and June 30, 2011 in the table exclude ¥333,979 million and ¥327,057 million, respectively, of direct financing leases, net, classified as finance subsidiaries-receivables in the consolidated balance sheets. The carrying amounts of finance subsidiaries-receivables at March 31, 2011 and June 30, 2011 in the table also include ¥496,233 million and ¥404,452 million of finance receivables classified as trade accounts and notes receivable and other assets in the consolidated balance sheets, respectively.

The estimated fair values have been determined using relevant market information and appropriate valuation methodologies. However, these estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The effect of using different assumptions and/or estimation methodologies may be significant to the estimated fair values.

The methodologies and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents, trade accounts and notes receivable and trade payables

The carrying amounts approximate fair values because of the short maturity of these instruments.

Finance subsidiaries-receivables

The fair values of retail receivables and commercial loans were estimated by discounting future cash flows using the current rates for these instruments of similar remaining maturities. Given the short maturities of wholesale flooring receivables, the carrying amount of those receivables approximates fair value.

Held-to-maturity securities

The fair values of Government bonds and U.S. government and agency debt securities were estimated by using quoted market prices. The carrying amount of certificates of deposit approximates fair value because of the short maturity of the instrument.

Debt

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The fair values of bonds and notes were estimated based on the quoted market prices for the same or similar issues. The fair value of long-term loans was estimated by discounting future cash flows using rates currently available for loans of similar terms and remaining maturities. The carrying amounts of short-term bank loans and commercial paper approximate fair values because of the short maturity of these instruments.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11) Risk Management Activities and Derivative Financial Instruments

Honda uses derivative financial instruments in the normal course of business to reduce their exposure to fluctuations in foreign exchange rates and interest rates (see note 10). Currency swap agreements are used to manage currency risk exposure on foreign currency denominated debt. Foreign currency forward exchange contracts and purchased option contracts are used to hedge currency risk of sale commitments denominated in foreign currencies (principally U.S. dollars). Foreign currency written option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts. Interest rate swap agreements are mainly used to manage interest rate risk exposure and to convert floating rate financing, such as commercial paper, to (normally three-five years) fixed rate financing in order to match financing costs with income from finance receivables. These instruments involve, to varying degrees, elements of credit, exchange rate and interest rate risks in excess of the amount recognized in the consolidated balance sheets.

The aforementioned instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Honda minimizes the risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. Management of Honda does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default. Honda currently does not require or place collateral for these financial instruments with any counterparties.

Contract amounts outstanding for foreign currency forward exchange contracts, foreign currency option contracts and currency swap agreements and the notional principal amounts of interest rate swap agreements at March 31, 2011 and June 30, 2011 are as follows:

Derivatives designated as hedging instruments:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Foreign currency forward exchange contracts	¥ 15,050	¥ 7,835
Foreign exchange instruments	¥ 15,050	¥ 7,835

Derivatives not designated as hedging instruments:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Foreign currency forward exchange contracts	¥ 611,359	¥ 450,766
Foreign currency option contracts	44,237	
Currency swap agreements	549,099	521,003

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Foreign exchange instruments	¥ 1,204,695	¥ 971,769
Interest rate swap agreements	¥ 3,566,605	¥ 3,349,509
Interest rate instruments	¥ 3,566,605	¥ 3,349,509

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements***Cash flow hedge*

The Company applies hedge accounting for certain foreign currency forward exchange contracts related to forecasted foreign currency transactions between the Company and its subsidiaries. Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognized in other comprehensive income (loss). The amounts are reclassified into earnings in the same period when forecasted hedged transactions affect earnings. The amounts recognized in accumulated other comprehensive income (loss) at March 31, 2011 and June 30, 2011 were ¥156 million loss and ¥41 million loss, respectively. All amounts recorded in accumulated other comprehensive income (loss) as of June 30, 2011 are expected to be recognized in earnings within the next twelve months.

The period that hedges the changes in cash flows related to the risk of foreign currency rate is at most around two months. There are no derivative financial instruments where hedge accounting has been discontinued due to the forecasted transaction no longer being probable. The Company excludes financial instruments' time value component from the assessment of hedge effectiveness. There is no portion of hedging instruments that has been assessed as hedge ineffectiveness.

Derivative financial instruments not designated as accounting hedges

Changes in the fair value of derivative financial instruments not designated as accounting hedges are recognized in earnings in the period of the change.

The estimated fair values of derivative instruments at March 31, 2011 and June 30, 2011 are as follows.

As of March 31, 2011*Derivatives designated as hedging instruments:*

	Gross fair value		Yen (millions)		
	Asset derivatives	Liability derivatives	Balance sheet location		
			Other current assets	Other assets	Other current liabilities
Foreign exchange instruments	¥	¥ (114)	¥	¥	¥ (114)

Derivatives not designated as hedging instruments:

	Gross fair value		Yen (millions)		
	Asset derivatives	Liability derivatives	Balance sheet location		
			Other current assets	Other assets	Other current liabilities
Foreign exchange instruments	¥ 57,880	¥ (15,598)	¥ 20,174	¥ 31,702	¥ (9,594)
Interest rate instruments	29,913	(32,590)	(2,082)	11,358	(11,953)

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Total	¥ 87,793	¥ (48,188)	¥ 18,092	¥ 43,060	¥ (21,547)
Netting adjustment	(26,641)	26,641			
Net amount	¥ 61,152	¥ (21,547)			

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of June 30, 2011Derivatives designated as hedging instruments:

	Gross fair value		Yen (millions)		
	Asset derivatives	Liability derivatives	Balance sheet location		
			Other current assets	Other assets	Other current liabilities
Foreign exchange instruments	¥ 55	¥	¥ 55	¥	¥

Derivatives not designated as hedging instruments:

	Gross fair value		Yen (millions)		
	Asset derivatives	Liability derivatives	Balance sheet location		
			Other current assets	Other assets	Other current liabilities
Foreign exchange instruments	¥ 66,525	¥ (6,968)	¥ 32,227	¥ 31,870	¥ (4,540)
Interest rate instruments	28,392	(29,956)	(1,847)	11,950	(11,667)
Total	¥ 94,917	¥ (36,924)	¥ 30,380	¥ 43,820	¥ (16,207)
Netting adjustment	(20,717)	20,717			
Net amount	¥ 74,200	¥ (16,207)			

Derivative asset and liability positions are presented net by counterparty on the consolidated balance sheets when valid master netting agreement exists and the other conditions set out in the FASB Accounting Standards Codification (ASC) 210-20 Balance Sheet-Offsetting are met.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The pre-tax effects of derivative instruments on the Company's results of operations for the three months ended June 30, 2010 and 2011 are as follows:

For the three months ended June 30, 2010Derivatives designated as hedging instruments

Cash flow hedge:

	Yen (millions)				
	Gain (Loss) recognized in other comprehensive income (loss) (effective portion) Amount	Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion)		Gain (Loss) recognized in earnings (financial instruments time value component excluded from the assessment of hedge effectiveness)	
		Location	Amount	Location	Amount
Foreign exchange instruments:	¥ 1,032	Other income (expenses) -	¥ 86	Other income (expenses) -	¥ 97
		Other, net		Other, net	

Derivatives not designated as hedging instruments

	Yen (millions)	
	Gain (Loss) recognized in earnings	Amount
	Location	
Foreign exchange instruments	Other income (expenses) - Other, net	¥ 14,817
Interest rate instruments	Other income (expenses) - Other, net	(598)
Total		¥ 14,219

For the three months ended June 30, 2011Derivatives designated as hedging instruments

Cash flow hedge:

	Yen (millions)			
	Gain (Loss) recognized in other comprehensive income (loss) (effective portion) Amount	Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion) Location	Amount	Gain (Loss) recognized in earnings (financial instruments time value component excluded from the assessment of hedge effectiveness) Location
Foreign exchange instruments:	¥ (68)	Other income (expenses) -	¥ (260)	Other income (expenses) -
		Other, net		Other, net

Derivatives not designated as hedging instruments

	Yen (millions)	
	Gain (Loss) recognized in earnings	
	Location	Amount
Foreign exchange instruments	Other income (expenses) - Other, net	¥ 24,711
Interest rate instruments	Other income (expenses) - Other, net	(4,327)
Total		¥ 20,384

The gains and losses are included in other income (expenses) other, net on a net basis with related items, such as foreign currency translation.

Table of Contents**HONDA MOTOR CO., LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(12) Contingent Liabilities**

Honda has entered into various guarantee and indemnification agreements. At March 31, 2011 and June 30, 2011, Honda has guaranteed ¥30,393 million and ¥29,640 million of bank loans of employees for their housing costs, respectively. If an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. The undiscounted maximum amount of Honda's obligation to make future payments in the event of defaults is ¥30,393 million and ¥29,640 million, respectively, at March 31, 2011 and June 30, 2011. At June 30, 2011, no amount has been accrued for any estimated losses under the obligations, as it is probable that the employees will be able to make all scheduled payments.

Honda warrants its products for specific periods of time. Product warranties vary depending upon the nature of the product, the geographic location of its sale and other factors.

The changes in provisions for those product warranties for the year ended March 31, 2011 and the three months ended June 30, 2011 are as follows:

	Yen (millions)	
	March 31, 2011	June 30, 2011
Balance at beginning of the period	¥ 226,038	¥ 213,943
Warranty claims paid during the period	(82,080)	(24,604)
Liabilities accrued for warranties issued during the period	84,920	19,944
Changes in liabilities for pre-existing warranties during the period	(3,550)	258
Foreign currency translation	(11,385)	(2,087)
Balance at end of the period	¥ 213,943	¥ 207,454

With respect to product liability, personal injury claims or lawsuits, Honda believes that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by Honda's insurance and accrued liabilities. Punitive damages are claimed in certain of these lawsuits. Honda is also subject to potential liability under other various lawsuits and claims including 1 purported class action in the United States. Honda recognizes an accrued liability for loss contingencies when it is probable that an obligation has been incurred and the amount of loss can be reasonably estimated. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recorded for these contingent liabilities, if necessary, by considering the nature of lawsuits and claims, the progress of the case and the opinions of legal counsel. After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims including 1 purported class action in the United States should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position, results of operations or cash flows.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Information Related to Honda Motor Co., Ltd. Shareholders' Equity

For the three months ended June 30, 2010

*(a) Information concerning dividends**1. Dividend payout*

Resolution	The ordinary general meeting of shareholders on June 24, 2010
Type of shares	Common stock
Total amount of dividends (million yen)	21,775
Dividend per share of common stock (yen)	12.00
Record date	March 31, 2010
Effective date	June 25, 2010
Resource for dividend	Retained earnings

2. Dividends payable of which record date was in the three months ended June 30, 2010, effective after the period

Resolution	The board of directors meeting on July 30, 2010
Type of shares	Common stock
Total amount of dividends (million yen)	21,733
Dividend per share of common stock (yen)	12.00
Record date	June 30, 2010
Effective date	August 26, 2010
Resource for dividend	Retained earnings

(b) Significant changes in Honda Motor Co., Ltd. shareholders' equity

None

For the three months ended June 30, 2011

(a) Information concerning dividends

1. *Dividend payout*

Resolution	The ordinary general meeting of shareholders on June 23, 2011
Type of shares	Common stock
Total amount of dividends (million yen)	27,034
Dividend per share of common stock (yen)	15.00
Record date	March 31, 2011
Effective date	June 24, 2011
Resource for dividend	Retained earnings

2. *Dividends payable of which record date was in the three months ended June 30, 2011, effective after the period*

Resolution	The board of directors meeting on August 1, 2011
Type of shares	Common stock
Total amount of dividends (million yen)	27,034
Dividend per share of common stock (yen)	15.00
Record date	June 30, 2011
Effective date	August 24, 2011
Resource for dividend	Retained earnings

(b) *Significant changes in Honda Motor Co., Ltd. shareholders' equity*

None

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(14) Segment Information**

Honda has four reportable segments: the Motorcycle business, the Automobile business, the Financial services business and the Power product and other businesses, which are based on Honda's organizational structure and characteristics of products and services. Operating segments are defined as components of Honda's about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The accounting policies used for these reportable segments are consistent with the accounting policies used in Honda's consolidated financial statements.

Principal products and services, and functions of each segment are as follows:

Segment	Principal products and services	Functions
Motorcycle business	Motorcycles, all-terrain vehicles	Research & Development
	(ATVs) and relevant parts	Manufacturing
		Sales and related services
Automobile business	Automobiles and relevant parts	Research & Development
		Manufacturing
		Sales and related services
Financial services business	Financial, insurance services	Retail loan and lease related to
		Honda products
		Others
Power product and other businesses	Power products and relevant parts, and others	Research & Development
		Manufacturing
		Sales and related services
		Others

Segment Information

As of and for the three months ended June 30, 2010

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	Yen (millions)							
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Other Adjustments	Consolidated
Net sales and other operating revenue:								
External customers	¥ 320,244	¥ 1,813,033	¥ 149,487	¥ 74,170	¥ 2,356,934	¥	¥ 4,529	¥ 2,361,463
Intersegment		1,401	3,081	7,081	11,563	(11,563)		
Total	¥ 320,244	¥ 1,814,434	¥ 152,568	¥ 81,251	¥ 2,368,497	¥ (11,563)	¥ 4,529	¥ 2,361,463
Segment income (loss)	¥ 31,317	¥ 148,937	¥ 54,642	¥ (581)	¥ 234,315	¥	¥ 128	¥ 234,443
Assets	¥ 972,499	¥ 4,894,088	¥ 5,558,046	¥ 298,658	¥ 11,723,291	¥ (231,588)	¥ 8,551	¥ 11,500,254
Depreciation and amortization	¥ 10,377	¥ 75,689	¥ 56,319	¥ 3,001	¥ 145,386	¥	¥	¥ 145,386
Capital expenditures	¥ 7,728	¥ 36,671	¥ 227,362	¥ 1,185	¥ 272,946	¥	¥	¥ 272,946

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the three months ended June 30, 2011

	Yen (millions)							
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Other Adjustments	Consolidated
Net sales and other operating revenue:								
External customers	¥ 330,364	¥ 1,176,913	¥ 135,823	¥ 71,496	¥ 1,714,596	¥	¥	¥ 1,714,596
Intersegment		1,915	2,806	4,975	9,696	(9,696)		
Total	¥ 330,364	¥ 1,178,828	¥ 138,629	¥ 76,471	¥ 1,724,292	¥ (9,696)	¥	¥ 1,714,596
Segment income (loss)	¥ 44,933	¥ (76,228)	¥ 53,614	¥ 260	¥ 22,579	¥	¥	¥ 22,579
Assets	¥ 1,065,166	¥ 4,473,884	¥ 5,445,704	¥ 353,722	¥ 11,338,476	¥ (116,217)	¥	¥ 11,222,259
Depreciation and amortization	¥ 9,712	¥ 64,936	¥ 52,061	¥ 2,429	¥ 129,138	¥	¥	¥ 129,138
Capital expenditures	¥ 11,182	¥ 50,067	¥ 187,244	¥ 2,010	¥ 250,503	¥	¥	¥ 250,503
Explanatory notes:								

1. Segment income (loss) of each segment is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses), except Other Adjustments, which is out-of-period adjustments. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable. For further information on Other adjustments, see note 1(e). The amount of out-of-period adjustments are not reported to or used by the chief operating decision maker in deciding how to allocate resources and in assessing the Company's operating performance. Therefore, Honda adjusted the amount in Power product and other businesses for the three months ended June 30, 2010. The adjustments are included in Other Adjustments.
2. Assets of each segment are defined as total assets and other adjustments, including derivative financial instruments, investments in affiliates, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.
3. Intersegment sales and revenues are generally made at values that approximate arm's-length prices.

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4. Unallocated corporate assets, included in reconciling items, amounted to ¥348,160 million as of June 30, 2010 and ¥354,296 million as of June 30, 2011 respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of intersegment transactions.
5. Depreciation and amortization of the Financial services business include ¥55,934 million for the three months ended June 30, 2010 and ¥51,679 million for the three months ended June 30, 2011, respectively, of depreciation of property on operating leases.
6. Capital expenditure of the Financial services business includes ¥227,094 million for the three months ended June 30, 2010 and ¥186,481 million for the three months ended June 30, 2011 respectively, of purchase of operating lease assets.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****Supplemental Geographical Information**

In addition to the disclosure required by U.S. GAAP, Honda provides the following supplemental information in order to provide financial statements users with useful information:

Supplemental geographical information based on the location of the Company and its subsidiaries**As of and for the three months ended June 30, 2010**

	Yen (millions)								
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Other Adjustments	Consolidated
Net sales and other operating revenue:									
External customers	¥ 464,830	¥ 1,085,434	¥ 171,951	¥ 408,700	¥ 226,019	¥ 2,356,934	¥	¥ 4,529	¥ 2,361,463
Transfers between geographic areas	456,736	52,408	17,885	61,538	10,307	598,874	(598,874)		
Total	¥ 921,566	¥ 1,137,842	¥ 189,836	¥ 470,238	¥ 236,326	¥ 2,955,808	¥ (598,874)	¥ 4,529	¥ 2,361,463
Operating income (loss)	¥ 53,139	¥ 110,787	¥ 4,071	¥ 44,435	¥ 20,252	¥ 232,684	¥ 1,631	¥ 128	¥ 234,443
Assets	¥ 2,945,424	¥ 6,234,090	¥ 517,653	¥ 1,080,229	¥ 636,244	¥ 11,413,640	¥ 78,063	¥ 8,551	¥ 11,500,254
Long-lived assets	¥ 1,088,535	¥ 1,811,576	¥ 98,397	¥ 230,184	¥ 155,709	¥ 3,384,401	¥	¥	¥ 3,384,401

As of and for the three months ended June 30, 2011

	Yen (millions)								
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Other Adjustments	Consolidated
Net sales and other operating revenue:									
External customers	¥ 338,598	¥ 691,849	¥ 136,600	¥ 321,757	¥ 225,792	¥ 1,714,596	¥	¥	¥ 1,714,596
Transfers between geographic areas	286,778	42,093	14,313	51,695	4,131	399,010	(399,010)		
Total	¥ 625,376	¥ 733,942	¥ 150,913	¥ 373,452	¥ 229,923	¥ 2,113,606	¥ (399,010)	¥	¥ 1,714,596

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Operating income	¥	(45,898)	¥	18,512	¥	(6,100)	¥	25,107	¥	15,744	¥	7,365	¥	15,214	¥	¥	22,579
(loss)																	
Assets	¥	2,860,699	¥	6,022,027	¥	490,959	¥	1,016,487	¥	689,407	¥	11,079,579	¥	142,680	¥	¥	11,222,259
Long-lived assets	¥	1,041,330	¥	1,820,632	¥	105,220	¥	230,674	¥	152,075	¥	3,349,931	¥	¥	¥	¥	3,349,931

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Explanatory notes:

1. Major countries or regions in each geographic area:

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

2. Operating income (loss) of each geographical region is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses), except Other Adjustments, which is out-of-period adjustments. For further information on Other adjustments, see note 1(e). Honda adjusted the amount in Japan for the three months ended June 30, 2010. The adjustments are included in Other Adjustments.
3. Assets of each geographical region are defined as total assets and other adjustments, including derivative financial instruments, investments in affiliates, and deferred tax assets.
4. Sales and revenues between geographic areas are generally made at values that approximate arm's-length prices.
5. Unallocated corporate assets, included in reconciling items, amounted to ¥348,160 million as of June 30, 2010 and ¥354,296 million as of June 30, 2011 respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of transactions between geographic areas.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(15) Per Share Data

Basic net income attributable to Honda Motor Co., Ltd. per common share and the bases of computation are as follows:

For the three months ended June 30, 2010 and 2011

	Yen	
	June 30, 2010	June 30, 2011
Basic net income attributable to Honda Motor Co., Ltd. per common share	¥ 150.27	¥ 17.64

	Yen (millions)	
	June 30, 2010	June 30, 2011
The bases of computation		
Net income attributable to Honda Motor Co., Ltd.	¥ 272,487	¥ 31,797
Amount not applicable to common stock		
Net income attributable to Honda Motor Co., Ltd. applicable to common stock	¥ 272,487	¥ 31,797
Weighted average number of common shares	1,813,288,509 shares	1,802,301,432 shares

* Diluted net income attributable to Honda Motor Co., Ltd. per common share is not provided as there is no potential dilution effect.