

HONDA MOTOR CO LTD  
Form 6-K  
November 20, 2006  
Table of Contents

No.1-7628

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# 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 October 2006

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):

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.

Yes  No

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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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**Table of Contents**

Contents

**Exhibit 1:**

On October 17, 2006, at the National Business Aviation Association (NBAA) convention, GE Honda Aero Engines has signed business agreements to power two new business jets: the Spectrum Freedom and the HondaJet.

**Exhibit 2:**

On October 17, 2006, Honda Aircraft Company, Inc. began sales of HondaJet at the National Business Aviation Association (NBAA) convention with the announcement of the price, production specifications and a sales and service network for its advanced light jet. Scheduled to go into production in the U.S. in 2010, pricing is set at \$3.65 million for HondaJet in its standard configuration.

**Exhibit 3:**

On October 19, 2006, Honda Aircraft Company announced that it received well over 100 individual customer orders with deposits for the \$3.65 million HondaJet during the National Business Aviation Association (NBAA) convention in Orlando, Florida. The company began sales of its advanced light jet on October 17 and has experienced demand in excess of expectations over three days of sales.

**Exhibit 4:**

On October 23, 2006, Honda announced that it will enhance its ability to match flexible manufacturing capacity with market demand in a move that will make it possible to increase North American production of fuel efficient 4-cylinder Civic models in early 2007 by up to 60,000 units on an annual basis.

**Exhibit 5:**

On October 24, 2006, Honda Motor Co., Ltd., announced its summary of automobile production, domestic sales, and export results for the first half of fiscal year 2007 (April to September 2006) and for the month of September 2006. (Ref.# C06-097)

**Exhibit 6:**

On October 25, 2006, Honda Motor Co., Ltd. announced its consolidated financial results for the fiscal second quarter ended September 30, 2006.

**Table of Contents**

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

Chief Operating Officer for  
Business Management Operation

Honda Motor Co., Ltd.

Date: November 17, 2006

**Table of Contents**

**GE-Honda Jet Engine Launched on Two New Business Jets**

ORLANDO, Fla., U.S.A., October 17, 2006 At the National Business Aviation Association (NBAA) convention here this week, GE Honda Aero Engines has signed business agreements to power two new business jets: the Spectrum Freedom and the HondaJet.

GE Honda Aero Engines, a 50/50 joint company created in 2004 by General Electric Company (GE) and Honda, has been engaged in aggressive development and component testing for its new HF120 jet engine, with the first engine scheduled to run in early 2007.

Certification for the HF120 production engine is targeted for 2009; the Freedom and HondaJet business jets are targeted for entry into service in 2010.

GE Honda's HF120 engine will be rated at 2,050 pounds of thrust. It is a higher-thrust successor to Honda's original HF118 development engine, which has accumulated more than 4,000 hours of testing on the ground and in-flight.

We couldn't be more excited by these two launch aircraft for our new company," said Gary Leonard, president of GE Honda Aero Engines.

The emergence of small, less expensive business jets creates considerable opportunity for highly reliable and durable jet engines. The GE Honda HF120 durability will be ideally suited for highly utilized aircraft, such as the emerging air taxi segment. Lightweight, efficient design enables the performance, range and comfort required of the business jet customer.

GE Honda Aero Engines envisions annual sales of at least 400 aircraft in the thrust class of the HF120 engine.

**Table of Contents**

**Honda Begins Sales of its HondaJet Advanced Light Jet**

**Price, Sales and Service Network, Production Specifications Announced**

ORLANDO, Fla., U.S.A., October 17, 2006 Honda Aircraft Company, Inc. began sales of HondaJet at the National Business Aviation Association (NBAA) convention with the announcement of the price, production specifications and a sales and service network for its advanced light jet. Scheduled to go into production in the U.S. in 2010, pricing is set at \$3.65 million for HondaJet in its standard configuration.

Takeo Fukui, president & CEO of Honda Motor Co., Ltd.

Honda also took another step toward the market introduction of HondaJet with the announcement that it submitted, on October 11, its application for FAA type certification, and anticipates achieving both type and production certification within 3 to 4 years.

A passion for aviation propelled HondaJet into the air, but a strong business case is what is taking it to the customer, said Takeo Fukui, president & CEO of Honda Motor Co., Ltd. In every one of our business activities, our goal is to create new value for the customer. HondaJet meets this challenging objective.

Key production specifications and performance figures for HondaJet establish it as the fastest and most fuel efficient jet in its class while setting a new standard for interior space and comfort. HondaJet features a class-topping cruise speed of 420 knots with an IFR range of 1180 nautical miles<sup>1</sup>, and a 30-35 percent gain in fuel efficiency versus other jets of comparable performance. HondaJet's cabin is about 1-foot longer than even larger light jet offerings, and features a fully-private lavatory along with a spacious 57-cubic foot aft cargo hold.

<sup>1</sup> (\*Includes take-off, climb cruise at FL410, descent, and 45 minute reserve, 1 Pilot plus 3 Passengers (600 lb))

**Sales and Service Network**

HondaJet will be sold through five regional sales groups (East, Southeast, Midwest, Southwest and Northwest) operating 14 offices around the country to provide HondaJet customers with a truly superior sales and ownership experience. The HondaJet dealer network was developed in collaboration with Piper Aircraft, Inc., as a result of a business alliance announced in July 2006. Honda Aircraft Company will also seek to establish a network of service facilities within 90-minutes flight time from any location in the U.S. to further advance its goal of establishing a new level of customer service and support.

Just as we have targeted real innovation with HondaJet design itself, we are equally committed to creating an innovative sales and service network, said Michimasa Fujino, president & CEO of Honda Aircraft Company, Inc. We will be working with our retail partners to ensure that every HondaJet customer is the recipient of unprecedented levels of sales and service for the life of their ownership experience.

## **Table of Contents**

### **HondaJet innovation**

HondaJet sets new standards for performance, quality and comfort with a series of new technologies and design features that signify a revolutionary departure from conventional light jet designs. Its most unique and recognizable feature—the over-the-wing engine mount (OTWEM) configuration—liberates precious fuselage space by eliminating the carry-through structures of conventional fuselage-mounted engine designs while significantly reducing aerodynamic drag at high speeds. Its natural laminar flow (NLF) wing and fuselage nose further reduce drag, contributing to HondaJet's class-topping speed and fuel efficiency.

HondaJet's all-composite fuselage uses a combination of honeycomb sandwich and stiffened panel structures cured integrally using a patented process. This unique construction results in lower fuselage weight while contributing to HondaJet's unusually sleek and smooth appearance.

An advanced, customized, all-glass cockpit based on the state-of-the-art Garmin avionics platform, will boast new features and capabilities unique to HondaJet.

### **HondaJet Performance**

With a top speed of 420 knots, a 43,000-foot service ceiling and a 30-35 percent increase in fuel efficiency versus comparable light jets, HondaJet embodies Honda's commitment to superior efficiency and performance through the application of advanced technology. In addition, HondaJet's optimized control surfaces result in a highly refined, sporty and responsive flying characteristic.

Two GE-Honda HF120 turbofan engines, each rated at 1880 pounds (at take-off thrust) deliver higher fuel efficiency and the lowest engine emissions and quietest operation in their thrust class<sup>2</sup>.

### **HondaJet Comfort**

HondaJet will be offered in two interior configurations: with seating for seven (2 pilots and 5 passengers) in standard configuration, and with seating for eight (2 pilots and six forward-facing passenger seats) in air taxi configuration.

HondaJet's cabin offers its passengers unprecedented levels of comfort with as much as six inches more leg room (per passenger) than competitive offerings. HondaJet's 57 cubic-foot aft cargo hold is as much as 50 percent larger than other jets in its class. Additional cargo storage is provided by a nine cubic-foot nose cargo hold.

### **HondaJet Quality**

HondaJet was developed with Honda's legendary commitment to quality and world-class engineering. Attention to detail in every aspect of its design, testing and construction ensures an aircraft of the highest quality and design integrity. To date, HondaJet has logged more than 260 hours of in-flight testing with superior results.

<sup>2</sup> Based on 2,000lbf thrust class

### **Production Plans**

HondaJet will be produced in the United States at a location to be determined in the future, with a projected capacity scheduled to reach 70 jets per year within several years of its 2010 production start. The company will maintain a significant degree of flexibility in its production plan and will continue to evaluate demand as it moves closer to actual production.

### **About Honda Aircraft Company, Inc.**

Headquartered in Greensboro, North Carolina, Honda Aircraft Company, Inc. is a subsidiary of Honda Motor Co. Ltd., established in August 2006 to oversee certification, production, sales and service of HondaJet. More information about HondaJet including complete specifications is available at [hondajet.honda.com](http://hondajet.honda.com).

**Table of Contents**

**Sales of HondaJet Off to Impressive Start After 3-day NBAA Convention**

ORLANDO, Fla., U.S.A., October 19, 2006 Honda Aircraft Company announced that it received well over 100 individual customer orders with deposits for the \$3.65 million HondaJet during the National Business Aviation Association (NBAA) convention in Orlando, Florida. The company began sales of its advanced light jet on October 17 and has experienced demand in excess of expectations over three days of sales.

**HondaJet**

We are extremely pleased with the early customer response to HondaJet. In addition to the strong demand we have experienced from individuals, we are negotiating with a number of fleet customers as well, said Michimasa Fujino, president & CEO of Honda Aircraft Co., Inc. Due to this overwhelming response, we are now considering an increase in our production plan to meet the needs of our customers.

HondaJet will be produced by the Honda Aircraft Company at a dedicated manufacturing facility in the United States. Toward this end, on October 11 of this year, the company submitted its application for type certification of HondaJet with the Federal Aviation Administration.

Setting new standards for performance, quality and comfort, HondaJet introduces a series of new technologies that signify a revolutionary departure from conventional light jet designs. Its most unique and recognizable feature - the over-the-wing engine mount (OTWEM) configuration - liberates precious fuselage space for increased room in the cabin and cargo stowage, while significantly reducing aerodynamic drag at high speeds for major improvements in performance and fuel efficiency.

HondaJet features a class-topping cruise speed of 420 knots with an IFR range of 1180 nautical miles, and a 30-35 percent gain in fuel efficiency at cruise speed versus other jets of comparable performance. HondaJet's luxuriously-appointed cabin is about 1-foot longer than even larger light jets and features a fully-private lavatory.

Clearly, our customers understand that HondaJet creates new value by combining class-leading speed, comfort and fuel efficiency... matched by the promise of Honda's reputation for the highest quality, said Fujino.

A sales network incorporating five regional sales groups has been established for sales of HondaJet - HondaJet East, HondaJet Southeast, HondaJet Midwest, HondaJet Southwest and HondaJet Northwest - operating 14 offices around the country to provide HondaJet customers with a superior sales and ownership experience. The company will also establish a network of service facilities within 90-minutes flight time from any location in the U.S.



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**Table of Contents**

**Honda to Raise Production of Fuel Efficient Civics in North America**

**Move Will Match Flexible Manufacturing Capacity to Market Demand**

On October 23, 2006, Honda will enhance its ability to match flexible manufacturing capacity with market demand in a move that will make it possible to increase North American production<sup>1</sup> of fuel efficient 4-cylinder Civic models in early 2007 by up to 60,000 units on an annual basis.

The most fuel-efficient car company in America<sup>2</sup>, Honda is striving to meet demand for its popular 4-cylinder passenger cars in a timely fashion, since higher fuel prices rekindled consumer interest in fuel economy. Key components of the plan include:

**From February 2007, production of Pilot sport utility vehicles in Canada will be gradually shifted to Honda's Lincoln, Alabama plant.** This will return the Alabama plant's production to a full annual capacity of 300,000 vehicles and engines and will make it the sole source for both Pilot and Odyssey models after the shift.

**From April 2007, production of Civic Sedan models will be added for the first time to Honda's Plant 2 in Alliston, Ontario, Canada,** which has produced only light truck models since opening in fall 1998. Plant 1 in Canada already builds Civic Sedans and Coupes. The added Civic production will not impact the plant's current production capacity of 390,000 units.

We have been challenged to keep up with record customer demand for our lineup of fuel efficient cars and trucks, said Dick Colliver, executive vice president of American Honda Motor Co, Inc. Our flexible production system is a wonderful tool that enables Honda to better meet the demand of our customers and dealers in an efficient and timely way.

Sales in the U.S. of the hot Civic lineup are up 7.1% through September 2006, over 2005, while overall passenger car sales (up 3.9%) and light truck sales (up 8.2%) are leading American Honda toward a 10th consecutive annual sales record and a 13th straight year of increasing sales.

As previously announced, Honda has added production this year of two light truck models at its Ohio auto plants. Honda's East Liberty Plant in Ohio began production of the all-new 2007 Honda CR-V in September, and the Marysville Auto Plant began producing the all-new Acura RDX in July, after building only passenger cars since opening in 1982. Increasing production of the Civic will strengthen Honda's passenger car production in North America and further its ability to meet strong customer demand in a timely manner.

Currently, Honda builds Civic models at two North American plants—the East Liberty Plant and the Alliston Plant. Over the past few months, both plants have added overtime production in an effort to meet customer demand.

Further, on June 28, Honda announced plans to increase its North American capacity to by an additional 200,000 units with the construction of an auto plant near Greensburg, Indiana for the production of 4-cylinder vehicles and a 200,000-unit engine plant in Canada to build 4-cylinder engines. These plants are scheduled to begin operation in 2008.

Honda began operations in the U.S. in 1959 with the establishment of American Honda Motor Co., Inc., Honda's first overseas subsidiary. Honda began U.S. production operations in 1979. Honda has invested more than \$8.5 billion in its North American operations with 14 major manufacturing plants, employment of more than 33,000 associates and the annual purchase of more than \$16 billion in parts and materials from suppliers in North America. Nearly 8 of 10 Honda and Acura cars and light trucks sold in America are produced in North America.

1 Honda products are produced using domestic and globally-sourced parts

2 Based on model year 2005 CAFE ratings and weighted sales for passenger car and light truck fleets sold in the U.S. by major manufacturers

**Table of Contents**

Ref.#C06-097

**Honda Sets All-Time Records for Overseas and Worldwide Production**

**For the First Half of a Fiscal Year**

October 24, 2006 Honda Motor Co., Ltd., today announced its summary of automobile production, domestic sales, and export results for the first half of fiscal year 2007 (April to September 2006) and for the month of September 2006.

**<Production>**

First Half of FY2007 (April - September 2006)

For the third consecutive year since FY2005, worldwide production increased during the first half of FY 2007 over the same period of the previous year. Honda set an all-time record for worldwide production for the first half of the fiscal year.

Due to an increase in production of exports, for the third consecutive year since FY2005, domestic production increased during the first half of FY2007 over the same period of the previous year.

Based on production increases in Asia and North America, for the tenth consecutive year since FY1998, overseas production increased compared to the same period of the previous year. Honda set an all-time record for overseas production for the first half of the fiscal year, including record production in North America and Asia.

September 2006

For the fourteenth consecutive month since August 2005, worldwide production increased in September over the same month a year ago. Honda achieved a new monthly record for the month of September.

Due to an increase in production of exports, it is the fourth consecutive month since June 2006 for a year on year increase in domestic production.

Based on production increases in Asia and North America, for the fourteenth consecutive month since August 2005, overseas production increased compared to the same month a year ago. Honda achieved a new monthly record for overseas production for the month of September, including record production in North America. Production in Asia also set an all-time monthly record.

**<Domestic Sales>**

First Half of FY2007 (April - September 2006)

Total domestic sales declined for the first time in the last three years (since FY2004).

New vehicle registrations declined for the first time in the last three years (FY2004) due to decreased sales of Air Wave and Step Wagon.

Based on increased sales of Zest, which launched in March, mini vehicle sales increased for the third consecutive year since FY2005, compared to the same period of the previous year.

**Table of Contents**

*September 2006*

As a result of increasing sales of mini vehicles, total domestic sales increased over the same month a year ago for the first time in the last six months (since March 2006).

Due to decreased sales of Air Wave and Step Wagon, it is the sixth consecutive month, since April 2006, for a decline in new vehicle registrations.

Due to an increase in sales of Zest and Life, it is the seventh consecutive month since March 2006 for a year on year increase in mini vehicle sales.

<Vehicle registrations ~ excluding mini vehicle>

For the first time in the last nine months (since December 2005) Fit ranked as the industry's best selling car among new vehicle registrations for the month of September, with sales of 11,068 units. Stream, which was re-modeled in July, was the industry's fourth best selling car among new vehicle registration for the month of September, with sales of 10,187 units.

<Mini vehicle ~ under 660cc>

Life ranked as the industry's third best selling vehicle among mini vehicles, with sales of 12,998 units, ranking Honda's best selling car for the month of September. Zest, which has enjoyed strong sales, ranked as the industry's seventh best selling vehicle among mini vehicles for the month of September, with sales of 7,365 units.

<Exports>

*First Half of FY2007 (April - September 2006)*

Due mainly to an increase in exports to North America, it is the third consecutive year since FY2005 for total exports to increase over the same period of the previous year. Strong sales of the Fit and CR-V contributed to this increase.

*September 2006*

Due primarily to increased exports for North America, total exports increased for the fourth consecutive month year on year since June 2006.

**Table of Contents**

## Production

|                        | <b>*1st Half</b>        |                |                  |                | <b>Year-to-Date Total</b> |                |
|------------------------|-------------------------|----------------|------------------|----------------|---------------------------|----------------|
|                        | <b>Fiscal Year 2007</b> |                | <b>September</b> |                | <b>(Jan - Sep 2006)</b>   |                |
|                        | <b>Units</b>            | <b>vs.2006</b> | <b>Units</b>     | <b>vs.9/05</b> | <b>Units</b>              | <b>vs.2005</b> |
| Domestic (CBU+CKD)     | 637,557                 | +5.7%          | 119,014          | +2.3%          | 967,140                   | +1.7%          |
| Overseas (CBU only)    | 1,155,566               | +5.8%          | 199,932          | +6.6%          | 1,731,677                 | +7.1%          |
| <b>Worldwide Total</b> | <b>1,793,123</b>        | <b>+5.8%</b>   | <b>318,946</b>   | <b>+5.0%</b>   | <b>2,698,817</b>          | <b>+5.1%</b>   |

\* (April/01/2006~September/30/2007)

## Overseas Production

|                       | <b>*1st Half</b>        |                |                  |                | <b>Year-to-Date Total</b> |                |
|-----------------------|-------------------------|----------------|------------------|----------------|---------------------------|----------------|
|                       | <b>Fiscal Year 2007</b> |                | <b>September</b> |                | <b>(Jan-Sep 2006)</b>     |                |
|                       | <b>Units</b>            | <b>vs.2006</b> | <b>Units</b>     | <b>vs.9/05</b> | <b>Units</b>              | <b>vs.2005</b> |
| North America         | 686,424                 | +2.3%          | 115,152          | +3.8%          | 1,049,540                 | +3.6%          |
| (USA only)            | 479,438                 | +2.2%          | 80,186           | +1.1%          | 737,866                   | +4.7%          |
| Europe                | 91,333                  | -2.1%          | 16,967           | -4.9%          | 143,202                   | +0.7%          |
| Asia                  | 329,072                 | +14.4%         | 59,068           | +13.1%         | 468,606                   | +16.3%         |
| (China only)          | 179,975                 | +23.6%         | 35,997           | +34.5%         | 253,411                   | +28.0%         |
| Others                | 48,737                  | +21.7%         | 8,745            | +33.9%         | 70,329                    | +20.9%         |
| <b>Overseas Total</b> | <b>1,155,566</b>        | <b>+5.8%</b>   | <b>199,932</b>   | <b>+6.6%</b>   | <b>1,731,677</b>          | <b>+7.1%</b>   |

\* (April/01/2006~September/30/2007)

## Japan Domestic Sales

| Vehicle type             | <b>*1st Half</b>        |                |                  |                | <b>Year-to-Date Total</b> |                |
|--------------------------|-------------------------|----------------|------------------|----------------|---------------------------|----------------|
|                          | <b>Fiscal Year 2007</b> |                | <b>September</b> |                | <b>(Jan - Sep 2006)</b>   |                |
|                          | <b>Units</b>            | <b>vs.2006</b> | <b>Units</b>     | <b>vs.9/05</b> | <b>Units</b>              | <b>vs.2005</b> |
| Registrations            | 197,166                 | -17.4%         | 45,644           | -11.5%         | 318,255                   | -11.5%         |
| Mini Vehicles            | 149,358                 | +21.2%         | 31,634           | +34.1%         | 212,515                   | +11.5%         |
| <b>Honda Brand Total</b> | <b>346,524</b>          | <b>-4.2%</b>   | <b>77,278</b>    | <b>+2.8%</b>   | <b>530,770</b>            | <b>-3.6%</b>   |

\* (April/01/2006~September/30/2007)

## Exports

|  | <b>*1st Half</b>        |                |                  |                | <b>Year-to-Date Total</b> |                |
|--|-------------------------|----------------|------------------|----------------|---------------------------|----------------|
|  | <b>Fiscal Year 2007</b> |                | <b>September</b> |                | <b>(Jan - Sep 2006)</b>   |                |
|  | <b>Units</b>            | <b>vs.2006</b> | <b>Units</b>     | <b>vs.9/05</b> | <b>Units</b>              | <b>vs.2005</b> |

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|               | Units   | vs.2006 | Units  | vs.9/05 | Units   | vs.2005 |
|---------------|---------|---------|--------|---------|---------|---------|
| North America | 171,721 | +41.8%  | 32,681 | +79.3%  | 256,907 | +31.9%  |
| (USA only)    | 153,418 | +42.3%  | 31,400 | +95.5%  | 229,909 | +32.7%  |
| Europe        | 57,411  | -16.2%  | 7,517  | -7.4%   | 97,592  | -7.0%   |
| Asia          | 8,886   | +8.5%   | 1,668  | +4.1%   | 13,782  | +7.2%   |
| Others        | 61,784  | +10.1%  | 6,031  | -44.8%  | 87,165  | +7.6%   |
| Total         | 299,802 | +18.1%  | 47,897 | +23.3%  | 455,446 | +15.7%  |

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\* (April/01/2006~September/30/2007)

**Table of Contents**

October 25, 2006

**HONDA MOTOR CO., LTD. REPORTS**

**CONSOLIDATED FINANCIAL RESULTS**

**FOR THE FISCAL SECOND QUARTER AND**

**THE FIRST HALF ENDED SEPTEMBER 30, 2006**

Tokyo, October 25, 2006 Honda Motor Co., Ltd. today announced its consolidated financial results for the fiscal second quarter and the fiscal first half ended September 30, 2006.

**Second Quarter Results**

Honda's consolidated net income for the fiscal second quarter ended September 30, 2006 totaled JPY 127.9 billion (USD 1,085 million), a decrease of 4.3% from the corresponding period in 2005. Basic net income per Common share for the quarter amounted to JPY 70.05 (USD 0.59), compared to JPY 72.45 for the corresponding period in 2005. One of Honda's American Depository Shares represents one Common Share.

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

Consolidated net sales and other operating revenue (herein referred to as revenue) for the quarter amounted to JPY 2,630.8 billion (USD 22,314 million), an increase of 12.5% from the corresponding period in 2005. This increase was due mainly to increased revenue in automobile business in North America and Asia. Honda estimates that if the exchange rate of the Japanese yen had remained unchanged from the corresponding period in 2005, revenue for the quarter would have increased by approximately 7.2%.

Consolidated operating income for the quarter totaled JPY 193.0 billion (USD 1,637 million), an increase of 18.6% compared to the corresponding period in 2005. This increase in operating income was primarily due to the positive impact of increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix, the soaring raw material costs, the increased SG&A expenses and the increased R&D expenses.

**Table of Contents**

Consolidated income before income taxes and equity in income of affiliates for the quarter totaled JPY 158.8 billion (USD 1,348 million), a decrease of 6.2% from the corresponding period in 2005. This decrease was primarily due to the loss on derivative instruments.

Equity in income of affiliates, which is mainly attributable to increased sales in automobile business in China, amounted to JPY 27.4 billion (USD 233 million) for the quarter, an increase of 5.3% from the corresponding period in 2005.

**Business Segment**

With respect to Honda's sales for the fiscal second quarter by business segment, unit sales of motorcycles totaled 2,816 thousand units, an increase of 13.1% from the corresponding period in 2005. Unit sales in Japan was 98 thousand units, a decrease of 5.8%. Overseas unit sales was 2,718 thousand units, an increase of 14.0%\*, due mainly to the healthy unit sales in India and Brazil, offsetting the negative impact of the decrease in unit sales of parts for local production at Honda's affiliates accounted for under the equity method in Indonesia which was caused by a decline in the market environment. Revenue from unaffiliated customers increased 16.6%, to JPY 335.5 billion (USD 2,846 million) from the corresponding period in 2005, due mainly to the increased unit sales and the positive impact of the currency translation effects. Operating income increased by 8.3% to JPY 32.0 billion (USD 272 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, offsetting the negative impact of the increased SG&A expenses.

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\* Of the net sales of Honda-brand motorcycle products that are manufactured and sold by overseas affiliates accounted for under the equity method, those with respect to which parts for manufacturing were not supplied from Honda or such subsidiaries are not included in net sales and other operating revenue, in conformity with U.S. generally accepted accounting principles. Accordingly, these unit sales are not included in the financial results. Such products amounted to approximately 560 thousand units for the quarter.

**Table of Contents**

Honda's unit sales of automobiles was 884 thousand units, increased by 6.0% from the corresponding period in 2005. In Japan, unit sales decreased 6.6% to 171 thousand units. Overseas unit sales increased 9.5% to 713 thousand units, due to the increased unit sales in North America attributable to good sales of, for example, the *Civic* and the *Fit* and the increase in unit sales of parts for local production at Honda's affiliates accounted for under the equity method in China. Revenue from unaffiliated customers increased 10.9% to JPY 2,098.8 billion (USD 17,802 million) from the corresponding period in 2005, due to the increased unit sales and the positive impact of the currency translation effects. Operating income increased 29.5% to JPY 130.8 billion (USD 1,110 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue, the change in sales price in North America, continuing cost reduction effects, the decreased SG&A expenses and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix and the soaring raw material costs.

Revenue from unaffiliated customers in financial services business increased 30.7% to JPY 98.0 billion (USD 832 million) from the corresponding period in 2005, due to the increased sale attributable to the increase of finance subsidiaries-receivables from the growth of automobile business in North America and the positive impact of the currency translation effects. Operating income decreased 8.7% to JPY 22.6 billion (USD 192 million) from the corresponding period in 2005, due primarily to the negative impacts of the increase in funding costs and SG&A expenses, despite the positive impact of the increased profit from attributable to higher revenue due to an increased finance subsidiaries-receivables from the growth of business and the currency effects caused by the depreciation of the Japanese yen.

Honda's unit sales of power products was 1,187 thousand units, up by 4.0 % from the corresponding period in 2005. In Japan, unit sales totaled 127 thousand units, an increase of 7.6%. Overseas unit sales was 1,060 thousand units, an increase of 3.6%, due mainly to the positive impact of the increased unit sales of general-purpose engines in North America and Asia. Revenue from unaffiliated customers in power product and other businesses increased by 19.7% to JPY 98.4 billion (USD 835 million) from the corresponding period in 2005, due mainly to the increased unit sales of power products and the positive impact of the currency translation effects. Operating income was JPY 7.4 billion (USD 63 million), which was approximately the same level as the corresponding period in 2005. This was primarily due to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, which exactly offset the negative impact of the increased SG&A expenses.



**Table of Contents**

*Geographical Segment*

With respect to Honda's sales for the fiscal second quarter by geographical segment, in Japan, revenue for domestic and exports sales was JPY 1,175.8 billion (USD 9,973 million), up by 9.0% compared to the corresponding period in 2005, due primarily to the increased revenue from exports in automobile business, which offset the negative impact of the decreased unit sales in domestic automobile business. Operating income was JPY 68.9 billion (USD 585 million) from the corresponding period in 2005, up by 9.6%, due primarily to the positive impact of the increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix, the soaring raw material costs and the increased SG&A expenses.

In North America, revenue increased by 12.5% to JPY 1,421.0 billion (USD 12,053 million) from the corresponding period in 2005, due mainly to the increased unit sales in automobile and power product businesses and the positive impact of the currency translation effects. Operating income increased by 39.7% to JPY 95.7 billion (USD 812 million) from the corresponding period in 2005, due primarily to the positive impact of the increased profit attributable to higher revenue, the change in sales price in automobile business, the decreased SG&A expenses and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the soaring raw material costs, the increased sales incentives and the change in model mix.

In Europe, revenue increased by 16.4% to JPY 310.7 billion (USD 2,636 million) compared to the corresponding period in 2005, due primarily to the increased unit sales in automobile business and the positive impact of the currency translation effects. Operating income increased by 1,009.2% to JPY 9.0 billion (USD 77 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix.

**Table of Contents**

In Asia, revenue increased by 35.6% to JPY 313.5 billion (USD 2,659 million) from the corresponding period in 2005, due primarily to the increased unit sales in all of the business segments and the positive impact of the currency translation effects. Operating income increased by 15.4% to JPY 18.2 billion (USD 155 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the increased SG&A 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 increased by 33.8% to JPY 196.3 billion (USD 1,665 million) compared to the corresponding period in 2005, due mainly to the increased unit sales in all of the business segments and the positive impact of the currency translation effects. Operating income increased by 41.5% to JPY 21.4 billion (USD 182 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, offsetting the negative impact of the increased SG&A expenses.

**Table of Contents**

**First Half-Year Results**

Honda's consolidated net income for the fiscal first half year ended September 30, 2006 totaled JPY 271.3 billion (USD 2,301 million), an increase of 11.0% from the corresponding period in 2005. Basic net income per Common share for the period amounted to JPY 148.52 (USD 1.26), compared to JPY 132.32 for the corresponding period in 2005. One of Honda's American Depository Shares represents one Common Share.

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

Consolidated revenue for the period amounted to JPY 5,230.5 billion (USD 44,365 million), an increase of 13.7% from the corresponding period in 2005. Honda estimates that if the exchange rate of the Japanese yen had remained unchanged from the corresponding period in 2005, revenue for the period would have increased by approximately 7.5%.

Consolidated operating income for the period totaled JPY 396.5 billion (USD 3,363 million), an increase of 19.1% compared to the corresponding period in 2005. This increase in operating income was primarily due to the positive impact of the increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix, the soaring raw material costs and increased SG&A expenses.

Consolidated income before income taxes and equity in income of affiliates for the period totaled JPY 345.8 billion (USD 2,934 million), an increase of 10.3% from the corresponding period in 2005.

Equity in income of affiliates amounted to JPY 57.6 billion (USD 489 million) for the period, an increase of 22.1% from the corresponding period in 2005.

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**Table of Contents**

**Business Segment**

With respect to Honda's sales for the fiscal first half year by business segment, unit sales of motorcycles totaled 5,196 thousand units, an increase of 2.5% from the corresponding period in 2005. Unit sales in Japan was 187 thousand units, a decrease of 6.0%. Overseas unit sales was 5,009 thousand units, an increase of 2.8%\*, due mainly to an increase in unit sales in other regions. Revenue from unaffiliated customers increased 17.2%, to JPY 645.6 billion (USD 5,476 million) from the corresponding period in 2005, due mainly to the increased unit sales and the positive impact of the currency translation effects. Operating income increased by 13.2% to JPY 45.2 billion (USD 384 million) from the corresponding period in 2005, due mainly to the positive impacts of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, offsetting the negative impact of the increased SG&A expenses.

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\* Of the net sales of Honda-brand motorcycle products that are manufactured and sold by overseas affiliates accounted for under the equity method, those with respect to which parts for manufacturing were not supplied from Honda or such subsidiaries are not included in net sales and other operating revenue, in conformity with U.S. generally accepted accounting principles. Accordingly, these unit sales are not included in the financial results. Such products amounted to approximately 1,060 thousand units for the period.

Honda's unit sales of automobiles was 1,780 thousand units, increased by 6.3% from the corresponding period in 2005. In Japan, unit sales decreased 6.6% to 327 thousand units. Overseas unit sales increased 9.7% to 1,453 thousand units, due mainly to the increased unit sales in North America, Europe, Asia and other regions. Revenue from unaffiliated customers increased 12.2% to JPY 4,194.4 billion (USD 35,576 million) from the corresponding period in 2005, due to the increased unit sales and the positive impact of the currency translation effects. Operating income increased 20.0% to JPY 280.9 billion (USD 2,383 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix, the soaring raw material costs and the increased SG&A expenses.

Revenue from unaffiliated customers in financial services business increased 30.8% to JPY 188.0 billion (USD 1,595 million) from the corresponding period in 2005. Operating income increased 16.3% to JPY 51.8 billion (USD 440 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue, the decreased SG&A expenses and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the increase in funding costs.

**Table of Contents**

Honda's unit sales of power products was 2,911 thousand units, up by 11.0 % from the corresponding period in 2005. In Japan, unit sales totaled 264 thousand units, an increase of 10.5%. Overseas unit sales was 2,647 thousand units, an increased of 11.0%, due mainly to the increased unit sales in North America and Europe. Revenue from unaffiliated customers in power product and other businesses increased by 19.9% to JPY 202.4 billion (USD 1,717 million) from the corresponding period in 2005, due mainly to the increased unit sales of power products and the positive impact of the currency translation effects. Operating income was JPY 18.4 billion (USD 157 million), an increase of 29.1% from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the increased SG&A expenses.

**Table of Contents**

*Geographical Segment*

With respect to Honda's sales for the fiscal first half year by geographical segment, in Japan, revenue for domestic and exports sales was JPY 2,285.1 billion (USD 19,382 million), up by 6.8% compared to the corresponding period in 2005, due primarily to the increased revenue from exports in automobile business, which offset the negative impact of the decreased unit sales in domestic automobile business. Operating income was JPY 117.9 billion (USD 1,000 million) from the corresponding period in 2005, up by 7.0%, due primarily to the positive impact of the increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix, the soaring raw material costs and the increased SG&A expenses.

In North America, revenue increased by 15.0% to JPY 2,888.9 billion (USD 24,504 million) from the corresponding period in 2005, due mainly to the increased unit sales in automobile and power product businesses and the positive impact of the currency translation effects. Operating income increased by 48.8% to JPY 210.2 billion (USD 1,783 million) from the corresponding period in 2005, due primarily to the positive impact of the increased profit attributable to higher revenue, the decreased SG&A expenses and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix and the soaring raw material costs.

In Europe, revenue increased by 12.7% to JPY 635.9 billion (USD 5,394 million) compared to the corresponding period in 2005, due primarily to the increased unit sales in automobile and power product businesses and the positive impact of the currency translation effects. Operating income increased by 14.3% to JPY 15.5 billion (USD 132 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue, continuing cost reduction effects and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the change in model mix and the increased SG&A expenses.

**Table of Contents**

In Asia, revenue increased by 29.9% to JPY 601.0 billion (USD 5,098 million) from the corresponding period in 2005, due primarily to the increased unit sales in motorcycle and automobile businesses and the positive impact of the currency translation effects. Operating income increased by 7.7% to JPY 37.6 billion (USD 320 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, which offset the negative impact of the increased SG&A 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 increased by 41.5% to JPY 373.2 billion (USD 3,166 million) compared to the corresponding period in 2005, due mainly to the increased unit sales in all of the business segments and the positive impact of the currency translation effects. Operating income increased by 27.4% to JPY 36.6 billion (USD 311 million) from the corresponding period in 2005, due mainly to the positive impact of the increased profit attributable to higher revenue and the currency effects caused by the depreciation of the Japanese yen, offsetting the negative impact of the increased SG&A expenses.

**Table of Contents**

**Consolidated Statements of Cash Flows for the Fiscal First Half**

Cash and cash equivalents at the end of the period from April 1, 2006 through September 30, 2006 increased by JPY 45.1 billion (USD 383 million) from March 31, 2006, to JPY 792.4 billion (USD 6,722 million). 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 454.9 billion (USD 3,859 million) for the fiscal first half ended September 30, 2006, mainly attributable to net income and decrease in trade accounts and notes receivable, which offset decrease in trade accounts and notes payable. Cash inflows from operating activities increased by JPY 134.4 billion (USD 1,140 million) compared with the corresponding period in 2005.

**Cash flows from investing activities**

Net cash used in investing activities amounted to JPY 769.5 billion (USD 6,527 million), due mainly to capital expenditures and acquisitions of finance subsidiaries-receivables, which exceeded collections of finance subsidiaries-receivables and proceeds from finance subsidiaries-receivables. Cash outflows from investing activities increased by JPY 317.2 billion (USD 2,691 million) compared with the corresponding period in 2005.

**Cash flows from financing activities**

Net cash provided by financing activities amounted to JPY 350.2 billion (USD 2,971 million), which was attributable to proceeds from long-term debt and increase in short-term debt, which exceeded repayment of long-term debt and cash dividends paid. Cash inflows from financing activities increased by JPY 283.5 billion (USD 2,405 million) compared with the corresponding period in 2005.



**Table of Contents***Supplemental information for cash flows*

|  | <b>FY2004</b>   | <b>FY2005</b>              | <b>FY2005</b>   | <b>FY2006</b>              |
|--|-----------------|----------------------------|-----------------|----------------------------|
|  | <b>Year-end</b> | <b>1<sup>st</sup> half</b> | <b>Year-end</b> | <b>1<sup>st</sup> half</b> |
| Shareholders' equity ratio (%)                         | 35.3            | 36.7                       | 39.0            | <b>38.9</b>                |
| Shareholders' equity ratio (%) on a market price basis | 53.5            | 60.3                       | 63.3            | <b>65.0</b>                |
| Repayment period (years)                               | 3.7             | 4.8                        | 5.6             | <b>4.1</b>                 |
| Non-financial services businesses (years)              | 0.4             | 0.4                        | 0.4             | <b>0.2</b>                 |
| Interest coverage ratio                                | 10.3            | 7.8                        | 6.8             | <b>7.6</b>                 |
| Non-financial services businesses                      | 56.8            | 41.0                       | 47.7            | <b>55.8</b>                |

Shareholders' equity ratio: shareholders' equity / total assets

Shareholders' equity ratio on a market price basis: issued common stock stated at market price / total assets

Repayment period: interest bearing debt / cash flows from operating activities

Interest coverage ratio: (cash flows from operating activities + interest paid) / interest paid

Explanatory notes:

- All figures are calculated based on the information included in the consolidated financial statements.
- Cash flows from operating activities are obtained from the consolidated statement of cash flows. Interest bearing debt represents Honda's outstanding debt with interest payments, which are included on the consolidated balance sheets. Interest bearing debt and cash flow from operating activities for the non-financial services businesses are obtained from the consolidated balance sheets and consolidated statements of cash flows which are separated by non-financial services businesses and finance subsidiaries. Management has classified cash dividends received from affiliates in operating activities in the consolidated statements of cash flows. Consequently management has revised the consolidated statements of cash flows for the fiscal first half ended September 30, 2005 to include such cash dividends in operating activities, instead of investing activities, to achieve a comparable presentation for all periods presented herein.

**Table of Contents****Forecasts for the Fiscal Year Ending March 31, 2007**

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2007, Honda projects consolidated and unconsolidated results to be as shown below:

**FY2007 Forecasts for Consolidated Results****Fiscal year ending March 31, 2007**

|   | Yen (billions) | Changes from FY 2006 |
|---|----------------|----------------------|
| Net sales and other operating revenue                         | 11,000         | +11.0%               |
| Operating income  | 820            | - 5.6%               |
| Income before income taxes and equity in income of affiliates | 745            | - 8.5%               |
| Net income  | 555            | - 7.0%               |
| Basic net income per Common share                             | 304.33         |                      |

**FY2007 Forecasts for Unconsolidated Results****Fiscal year ending March 31, 2007**

|                  | Yen (billions) | Changes from FY 2006 |
|------------------|----------------|----------------------|
| Net sales        | 4,010          | +6.7%                |
| Operating income | 200            | - 16.6%              |
| Ordinary income  | 325            | +1.0%                |
| Net income       | 265            | - 12.2%              |

These forecasts are based on the assumption that the average exchange rates for the Japanese yen to the U.S. dollar and the Euro for the second half year ending March 31, 2007 will be JPY 115 and JPY 145 and for the full year ending March 31, 2007, JPY 115 and JPY 145, respectively.

**Table of Contents**

**Dividend per Share of Common Stock for Fiscal Year 2007**

During the year ending March 31, 2007, the Company decided to distribute the interim cash dividend of JPY 30 per share as of the record dated September 30, 2006. It also intends to distribute third quarter and the year-end cash dividends of JPY 17 per share of the record date on December 31, 2006 and March 31, 2007, respectively. As a result, total cash dividends for the year ending March 31, 2007 are planned to be JPY 64 per share. The Company did a two-for-one stock split for the Company's common stock effective July 1, 2006. Had the stock split not been carried out, interim dividends would have corresponded to JPY 60 per share, an increase of JPY 20 per share for the interim dividends paid during the previous fiscal year, and annual dividends would have corresponded to JPY 128, an increase of JPY 28 per share from the annual dividends paid for fiscal 2006.

This announcement contains forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on management's assumptions and beliefs taking into account information currently available to it. Therefore, please be advised that Honda's actual results could materially differ from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in Honda's principal markets and foreign exchange rates between the Japanese yen and the U.S. dollar, the Euro and other major currencies, as well as other factors detailed from time to time. The various factors for increases and decreases in income have been classified in accordance with a method that Honda considers reasonable.

## **Table of Contents**

### **Risk Factors**

You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, Honda's business, financial condition or results of operations could be adversely affected. In that event, the trading prices of Honda's common stock and American Depositary Shares could decline, and you may lose all or part of your investment. Additional risks not currently known to Honda or that Honda now deems immaterial may also harm Honda and affect your investment.

#### **Relating to Honda's Industry**

##### **Honda may be adversely affected by market conditions**

Honda conducts its operations in Japan and throughout the world, including North America, Europe and Asia. A continued economic slowdown, recession or sustained loss of consumer confidence in these markets, which may be caused by rising fuel prices or other factors, could trigger a decline in demand for automobiles, motorcycles and power products that may adversely affect Honda's results of operations.

##### **Prices for automobiles, motorcycles and power products can be volatile**

Prices for automobiles, motorcycles and power products in certain markets may experience sharp changes over short periods of time. This volatility is caused by many factors, including increasingly fierce competition, short-term fluctuations in demand from underlying economic conditions, changes in import regulations, shortages of certain supplies, high material prices and sales incentives by Honda or other manufacturers or dealers. There can be no assurance that such price volatility will not continue or intensify or that price volatility will not occur in markets that to date have not experienced such volatility. Overcapacity within the industry has increased and will likely continue to increase if the economic downturn continues in Honda's major markets or worldwide, leading, potentially, to further increased price pressure. Price volatility in any or all of Honda's markets could adversely affect Honda's results of operations in a particular period.

### **General Risks Relating to Honda's Business**

#### **Currency and Interest Rate Risks**

##### **Honda's operations are subject to currency fluctuations**

Honda has manufacturing operations throughout the world, including Japan, and exports products and components to various countries. Honda purchases materials and parts, and sells its products in foreign currencies. Therefore, currency fluctuations may affect Honda's pricing of products sold and materials purchased. Accordingly, currency fluctuations have an effect on Honda's results of operations and financial condition, as well as Honda's competitiveness, which will over time affect its results. Since Honda exports many products and components from Japan and generates a substantial portion of its revenues in currencies other than the yen, Honda's results of operations would be adversely affected by an appreciation of the yen against other currencies, particularly the U.S. dollar.

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**Table of Contents**

*Honda's hedging of currency and interest rate risk exposes Honda to other risks*

Although it is impossible to hedge against all currency or interest risk, Honda uses derivative financial instruments to reduce the substantial effects of currency fluctuations and interest rate exposure on its cash flow and financial condition. These instruments include foreign currency forward contracts, currency swap agreements and currency option contracts, as well as interest rate swap agreements. Honda has entered into, and expects to continue to enter into, such hedging arrangements. As with all hedging instruments, there are risks associated with the use of such instruments. While limiting to some degree our risk fluctuations in currency exchange and interest rates by utilizing such hedging instruments, Honda potentially forgoes benefits that might result from other fluctuations in currency exchange and interest rates. Honda also is exposed to the risk that its counterparties to hedging contracts will default on their obligations. Honda manages exposure to counterparty credit risk by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. However, any default by such counterparties might have an adverse effect on Honda.

**Legal and Regulatory Risks**

*The automobile, motorcycle and power product industries are subject to extensive environmental and other governmental regulation*

Regulations regarding vehicle emission levels, fuel economy, noise, safety and noxious substances, as well as levels of pollutants from production plants, are extensive within the automobile, motorcycle and power product industries. These regulations are subject to change, and are often made more restrictive. The costs to comply with these regulations can be significant to Honda's operations.

*Honda is reliant on the protection and preservation of its intellectual property*

Honda owns or otherwise has rights in a number of patents and trademarks relating to the products it manufactures, which have been obtained over a period of years. These patents and trademarks have been of value in the growth of Honda's business and may continue to be of value in the future. Honda does not regard any of its businesses as being dependent upon any single patent or related group of patents. However, an inability to protect this intellectual property generally, or the illegal breach of some or a large group of Honda's intellectual property rights, would have an adverse effect on Honda's operations.

**Risks Relating to Honda's Operations**

*Honda's financial services business conducts business under highly competitive conditions in an industry with inherent risks*

Honda's financial services business offers customers various financing plans designed to increase the opportunity for sales of its products. However, customers can also obtain financing for the lease or purchase of Honda's products through a variety of other sources that compete with its financing services, including commercial banks and finance and leasing companies. The financial services offered by us also involve risks relating to residual value, credit risk and cost of capital. Competition for customers and/or these risks that are specific to the financing business may affect Honda's results of operations in the future.

**Table of Contents**

*Honda relies on various suppliers for the provision of certain raw materials and components*

Honda purchases raw materials, and certain components and parts, from numerous external suppliers, and relies on some key suppliers for some items and the raw materials it uses in the manufacture of its products. Honda's ability to continue to obtain these supplies in an efficient and cost-effective manner is subject to a number of factors, some of which are not within Honda's control. These factors include the ability of its suppliers to provide a continued source of supply and Honda's ability to compete with other users in obtaining the supplies. Loss of a key supplier in particular may affect our production and increase our costs.

*Honda conducts its operations in various regions of the world*

Honda conducts its businesses worldwide and in several countries through joint ventures with local entities, in part due to the legal and other requirements of those countries. These businesses are subject to various regulations, including the legal and other requirements of each country. If these regulations or the business conditions or policies of these local entities change, it may have an adverse affect on Honda's business, financial condition or results of operations.

*Honda may be adversely affected by wars, use of force by foreign countries, terrorism, multinational conflicts, political instability, natural disasters, epidemics and labor strikes*

Honda conducts its businesses worldwide, and its operations may variously be subject to wars, use of force by foreign countries, terrorism, multinational conflicts, political instability, natural disasters, epidemics, labor strikes and other events beyond its control which may delay or disrupt Honda's local operations in the affected regions, including the purchase of raw materials and parts, the manufacture, sales and distribution of products and the provision of services. Delays or disruptions in one region may in turn affect our global operations. If such delay or disruption occurs and continues for a long period of time, Honda's business, financial condition or results of operations may be adversely affected.

Honda undertakes no obligation and has no intention to publicly update any forward-looking statement after the date of this document. Investors are advised to consult any further disclosures by Honda in its subsequent filings pursuant to the Securities and Exchange Act of 1934.

**Table of Contents****[1] Unit Sales Breakdown**

|                       | Unit (thousands) |                |               |                |
|-----------------------|------------------|----------------|---------------|----------------|
|                       | Three months     | Three months   | Six months    | Six months     |
|                       | ended            | ended          | ended         | ended          |
|                       | Sep. 30, 2005    | Sep. 30, 2006  | Sep. 30, 2005 | Sep. 30, 2006  |
| <b>MOTORCYCLES</b>    |                  |                |               |                |
| Japan                 | 104              | <b>98</b>      | 199           | <b>187</b>     |
|                       | (104)            | <b>(98)</b>    | (199)         | <b>(187)</b>   |
| North America         | 159              | <b>143</b>     | 244           | <b>232</b>     |
|                       | (80)             | <b>(70)</b>    | (128)         | <b>(123)</b>   |
| Europe                | 78               | <b>71</b>      | 194           | <b>176</b>     |
|                       | (74)             | <b>(69)</b>    | (188)         | <b>(171)</b>   |
| Asia                  | 1,833            | <b>2,163</b>   | 3,932         | <b>3,972</b>   |
|                       | (1,833)          | <b>(2,163)</b> | (3,932)       | <b>(3,972)</b> |
| Other Regions         | 315              | <b>341</b>     | 501           | <b>629</b>     |
|                       | (312)            | <b>(337)</b>   | (493)         | <b>(622)</b>   |
| Total                 | 2,489            | <b>2,816</b>   | 5,070         | <b>5,196</b>   |
|                       | (2,403)          | <b>(2,737)</b> | (4,940)       | <b>(5,075)</b> |
| <b>AUTOMOBILES</b>    |                  |                |               |                |
| Japan                 | 183              | <b>171</b>     | 350           | <b>327</b>     |
| North America         | 394              | <b>411</b>     | 814           | <b>867</b>     |
| Europe                | 73               | <b>79</b>      | 145           | <b>150</b>     |
| Asia                  | 134              | <b>163</b>     | 267           | <b>316</b>     |
| Other Regions         | 50               | <b>60</b>      | 98            | <b>120</b>     |
| Total                 | 834              | <b>884</b>     | 1,674         | <b>1,780</b>   |
| <b>POWER PRODUCTS</b> |                  |                |               |                |
| Japan                 | 118              | <b>127</b>     | 239           | <b>264</b>     |
| North America         | 464              | <b>494</b>     | 1,254         | <b>1,465</b>   |
| Europe                | 266              | <b>254</b>     | 524           | <b>636</b>     |
| Asia                  | 197              | <b>207</b>     | 441           | <b>369</b>     |
| Other Regions         | 96               | <b>105</b>     | 165           | <b>177</b>     |
| Total                 | 1,141            | <b>1,187</b>   | 2,623         | <b>2,911</b>   |
| Explanatory notes:    |                  |                |               |                |

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

**Table of Contents****[2] Net Sales Breakdown**

(A) For the three months ended September 30, 2005 and 2006

|   | Yen (millions)                      |          |                                     |          |
|---|-------------------------------------|----------|-------------------------------------|----------|
|   | Three months ended<br>Sep. 30, 2005 |          | Three months ended<br>Sep. 30, 2006 |          |
| <b>MOTORCYCLE BUSINESS</b>                  |                                     |          |                                     |          |
| Japan                                       | 27,052                              | (9.4)%   | 25,970                              | (7.7)%   |
| North America                               | 78,123                              | (27.1)%  | 83,120                              | (24.8)%  |
| Europe                                      | 42,099                              | (14.6)%  | 41,705                              | (12.4)%  |
| Asia  | 74,980                              | (26.1)%  | 95,303                              | (28.4)%  |
| Other Regions                               | 65,501                              | (22.8)%  | 89,402                              | (26.7)%  |
| Total                                       | 287,755                             | (100.0)% | 335,500                             | (100.0)% |
| <b>AUTOMOBILE BUSINESS</b>                  |                                     |          |                                     |          |
| Japan                                       | 383,840                             | (20.3)%  | 357,086                             | (17.0)%  |
| North America                               | 1,056,463                           | (55.8)%  | 1,176,651                           | (56.1)%  |
| Europe                                      | 175,166                             | (9.3)%   | 216,500                             | (10.3)%  |
| Asia  | 185,528                             | (9.8)%   | 225,100                             | (10.7)%  |
| Other Regions                               | 91,662                              | (4.8)%   | 123,493                             | (5.9)%   |
| Total                                       | 1,892,659                           | (100.0)% | 2,098,830                           | (100.0)% |
| <b>FINANCIAL SERVICES BUSINESS</b>          |                                     |          |                                     |          |
| Japan                                       | 5,415                               | (7.2)%   | 5,365                               | (5.5)%   |
| North America                               | 65,674                              | (87.6)%  | 86,958                              | (88.7)%  |
| Europe                                      | 2,070                               | (2.8)%   | 3,153                               | (3.2)%   |
| Asia  | 470                                 | (0.6)%   | 692                                 | (0.7)%   |
| Other Regions                               | 1,377                               | (1.8)%   | 1,884                               | (1.9)%   |
| Total                                       | 75,006                              | (100.0)% | 98,052                              | (100.0)% |
| <b>POWER PRODUCT &amp; OTHER BUSINESSES</b> |                                     |          |                                     |          |
| Japan                                       | 29,957                              | (36.4)%  | 38,768                              | (39.4)%  |
| North America                               | 29,715                              | (36.1)%  | 29,740                              | (30.2)%  |
| Europe                                      | 12,251                              | (14.9)%  | 16,160                              | (16.4)%  |
| Asia  | 6,060                               | (7.4)%   | 8,723                               | (8.8)%   |
| Other Regions                               | 4,267                               | (5.2)%   | 5,101                               | (5.2)%   |
| Total                                       | 82,250                              | (100.0)% | 98,492                              | (100.0)% |
| <b>TOTAL</b>                                |                                     |          |                                     |          |
| Japan                                       | 446,264                             | (19.1)%  | 427,189                             | (16.2)%  |
| North America                               | 1,229,975                           | (52.6)%  | 1,376,469                           | (52.3)%  |
| Europe                                      | 231,586                             | (9.9)%   | 277,518                             | (10.5)%  |
| Asia  | 267,038                             | (11.4)%  | 329,818                             | (12.5)%  |
| Other Regions                               | 162,807                             | (7.0)%   | 219,880                             | (8.5)%   |
| Total                                       | 2,337,670                           | (100.0)% | 2,630,874                           | (100.0)% |



**Table of Contents****[2] Net Sales Breakdown**

(B) For the six months ended September 30, 2005 and 2006

|   | Yen (millions)                    |          |                                   |          |
|---|-----------------------------------|----------|-----------------------------------|----------|
|   | Six months ended<br>Sep. 30, 2005 |          | Six months ended<br>Sep. 30, 2006 |          |
| <b>MOTORCYCLE BUSINESS</b>                  |                                   |          |                                   |          |
| Japan                                       | 53,584                            | (9.7)%   | 52,846                            | (8.2)%   |
| North America                               | 129,212                           | (23.5)%  | 139,483                           | (21.6)%  |
| Europe                                      | 108,477                           | (19.7)%  | 106,714                           | (16.5)%  |
| Asia  | 150,275                           | (27.3)%  | 178,273                           | (27.6)%  |
| Other Regions                               | 109,394                           | (19.8)%  | 168,330                           | (26.1)%  |
| Total                                       | 550,942                           | (100.0)% | 645,646                           | (100.0)% |
| <b>AUTOMOBILE BUSINESS</b>                  |                                   |          |                                   |          |
| Japan                                       | 728,142                           | (19.5)%  | 686,984                           | (16.4)%  |
| North America                               | 2,127,720                         | (56.9)%  | 2,433,068                         | (58.0)%  |
| Europe                                      | 343,209                           | (9.2)%   | 407,388                           | (9.7)%   |
| Asia  | 360,274                           | (9.6)%   | 425,564                           | (10.1)%  |
| Other Regions                               | 179,285                           | (4.8)%   | 241,432                           | (5.8)%   |
| Total                                       | 3,738,630                         | (100.0)% | 4,194,436                         | (100.0)% |
| <b>FINANCIAL SERVICES BUSINESS</b>          |                                   |          |                                   |          |
| Japan                                       | 10,529                            | (7.3)%   | 10,772                            | (5.7)%   |
| North America                               | 125,315                           | (87.2)%  | 166,114                           | (88.3)%  |
| Europe                                      | 4,541                             | (3.2)%   | 5,948                             | (3.2)%   |
| Asia  | 905                               | (0.6)%   | 1,318                             | (0.7)%   |
| Other Regions                               | 2,469                             | (1.7)%   | 3,888                             | (2.1)%   |
| Total                                       | 143,759                           | (100.0)% | 188,040                           | (100.0)% |
| <b>POWER PRODUCT &amp; OTHER BUSINESSES</b> |                                   |          |                                   |          |
| Japan                                       | 58,126                            | (34.4)%  | 72,679                            | (35.9)%  |
| North America                               | 60,642                            | (35.9)%  | 67,197                            | (33.2)%  |
| Europe                                      | 30,345                            | (18.0)%  | 36,825                            | (18.2)%  |
| Asia  | 11,820                            | (7.0)%   | 16,679                            | (8.2)%   |
| Other Regions                               | 7,985                             | (4.7)%   | 9,096                             | (4.5)%   |
| Total                                       | 168,918                           | (100.0)% | 202,476                           | (100.0)% |
| <b>TOTAL</b>                                |                                   |          |                                   |          |
| Japan                                       | 850,381                           | (18.5)%  | 823,281                           | (15.7)%  |
| North America                               | 2,442,889                         | (53.1)%  | 2,805,862                         | (53.6)%  |
| Europe                                      | 486,572                           | (10.6)%  | 556,875                           | (10.6)%  |
| Asia  | 523,274                           | (11.4)%  | 621,834                           | (11.9)%  |
| Other Regions                               | 299,133                           | (6.4)%   | 422,746                           | (8.2)%   |
| Total                                       | 4,602,249                         | (100.0)% | 5,230,598                         | (100.0)% |
| Explanatory notes:                          |                                   |          |                                   |          |

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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.

- 20 -

**Table of Contents****[3] Consolidated Financial Summary**

For the three months and six months ended September 30, 2005 and 2006

**Financial Highlights**

|   | Three months  |        | Yen (millions)            |                               |        |                         |
|---|---------------|--------|---------------------------|-------------------------------|--------|-------------------------|
|   | ended         | %      | Three months              | Six months                    |        | Six months              |
|   |               |        | ended                     | ended                         | ended  | ended                   |
|   | Sep. 30, 2005 | Change | Sep. 30, 2006             | Sep. 30, 2005                 | Change | Sep. 30, 2006           |
| Net sales and other operating revenue                         | 2,337,670     | 12.5%  | <b>2,630,874</b>          | 4,602,249                     | 13.7%  | <b>5,230,598</b>        |
| Operating income  | 162,694       | 18.6%  | <b>193,024</b>            | 333,087                       | 19.1%  | <b>396,545</b>          |
| Income before income taxes and equity in income of affiliates | 169,392       | -6.2%  | <b>158,888</b>            | 313,700                       | 10.3%  | <b>345,872</b>          |
| Net income  | 133,708       | -4.3%  | <b>127,909</b>            | 244,374                       | 11.0%  | <b>271,311</b>          |
|   |               |        |                           | <b>Yen</b>                    |        |                         |
| Basic net income per Common share                             | 72.45         |        | <b>70.05</b>              | 132.32                        |        | <b>148.52</b>           |
| American depository share                                     | 72.45         |        | <b>70.05</b>              | 132.32                        |        | <b>148.52</b>           |
|   |               |        |                           | <b>U.S. Dollar (millions)</b> |        |                         |
|   |               |        | <b>Three months ended</b> |                               |        | <b>Six months ended</b> |
|   |               |        | <b>Sep. 30, 2006</b>      |                               |        | <b>Sep. 30, 2006</b>    |
| Net sales and other operating revenue                         |               |        | <b>22,314</b>             |                               |        | <b>44,365</b>           |
| Operating income  |               |        | <b>1,637</b>              |                               |        | <b>3,363</b>            |
| Income before income taxes and equity in income of affiliates |               |        | <b>1,348</b>              |                               |        | <b>2,934</b>            |
| Net income  |               |        | <b>1,085</b>              |                               |        | <b>2,301</b>            |
|   |               |        |                           | <b>U.S. Dollar</b>            |        |                         |
| Basic net income per Common share                             |               |        | <b>0.59</b>               |                               |        | <b>1.26</b>             |
| American depository share                                     |               |        | <b>0.59</b>               |                               |        | <b>1.26</b>             |

Explanatory note:

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

**Table of Contents****[4] Consolidated Statements of Income**

(A) For the three months ended September 30, 2005 and 2006

|  | Yen (millions)     |                    |
|--|--------------------|--------------------|
|  | Three months ended | Three months ended |
|  | Sep. 30, 2005      | Sep. 30, 2006      |
| <b>Net sales and other operating revenue</b>                         | 2,337,670          | 2,630,874          |
| <b>Operating costs and expenses:</b>                                 |                    |                    |
| Cost of sales  | 1,644,719          | 1,884,533          |
| Selling, general and administrative                                  | 405,797            | 424,686            |
| Research and development   | 124,460            | 128,631            |
| <b>Operating income</b>  | 162,694            | 193,024            |
| <b>Other income:</b>   |                    |                    |
| Interest   | 4,565              | 9,991              |
| Other  | 18,580             | 4,308              |
| <b>Other expenses:</b>   |                    |                    |
| Interest   | 3,003              | 2,944              |
| Other  | 13,444             | 45,491             |
| <b>Income before income taxes and equity in income of affiliates</b> | 169,392            | 158,888            |
| <b>Income tax (benefit) expense:</b>                                 |                    |                    |
| Current  | 88,310             | 67,311             |
| Deferred   | (26,562)           | (8,890)            |
| <b>Income before equity in income of affiliates</b>                  | 107,644            | 100,467            |
| <b>Equity in income of affiliates</b>                                | 26,064             | 27,442             |
| <b>Net income</b>  | 133,708            | 127,909            |
|  |                    | <b>Yen</b>         |
| <b>Basic net income per</b>  |                    |                    |
| Common share   | 72.45              | 70.05              |
| American depository share  | 72.45              | 70.05              |

**Table of Contents****[4] Consolidated Statements of Income - continued**

(B) For the six months ended September 30, 2005 and 2006

|  | Yen (millions)                    |                                   |
|--|-----------------------------------|-----------------------------------|
|  | Six months ended<br>Sep. 30, 2005 | Six months ended<br>Sep. 30, 2006 |
| <b>Net sales and other operating revenue</b>                         | 4,602,249                         | 5,230,598                         |
| <b>Operating costs and expenses:</b>                                 |                                   |                                   |
| Cost of sales  | 3,235,849                         | 3,745,799                         |
| Selling, general and administrative                                  | 786,273                           | 843,308                           |
| Research and development   | 247,040                           | 244,946                           |
| <b>Operating income</b>  | 333,087                           | 396,545                           |
| <b>Other income:</b>   |                                   |                                   |
| Interest   | 9,926                             | 20,125                            |
| Other  | 4,516                             | 5,334                             |
| <b>Other expenses:</b>   |                                   |                                   |
| Interest   | 6,737                             | 6,682                             |
| Other  | 27,092                            | 69,450                            |
| <b>Income before income taxes and equity in income of affiliates</b> | 313,700                           | 345,872                           |
| <b>Income tax (benefit) expense:</b>                                 |                                   |                                   |
| Current  | 149,531                           | 134,444                           |
| Deferred   | (32,998)                          | (2,248)                           |
| <b>Income before equity in income of affiliates</b>                  | 197,167                           | 213,676                           |
| <b>Equity in income of affiliates</b>                                | 47,207                            | 57,635                            |
| <b>Net income</b>  | 244,374                           | 271,311                           |

|                             | Yen    |        |
|-----------------------------|--------|--------|
| <b>Basic net income per</b> |        |        |
| Common share                | 132.32 | 148.52 |
| American depositary share   | 132.32 | 148.52 |
| Explanatory note:           |        |        |

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

**Table of Contents****[5] Consolidated Balance Sheets**

|  | Yen (millions)<br>Sep. 30, |                   |           | Yen (millions)   |           |
|--|----------------------------|-------------------|-----------|------------------|-----------|
|  | Mar. 31,<br>2006           | 2006              | change    | Sep. 30,<br>2005 | change    |
| <b>Assets</b>                                  |                            |                   |           |                  |           |
| <b>Current assets:</b>                         |                            |                   |           |                  |           |
| Cash and cash equivalents                      | 747,327                    | <b>792,489</b>    | 45,162    | 731,199          | 61,290    |
| Trade accounts and notes receivable            | 963,320                    | <b>796,245</b>    | (167,075) | 672,160          | 124,085   |
| Finance subsidiaries-receivables, net          | 1,230,912                  | <b>1,471,967</b>  | 241,055   | 1,214,243        | 257,724   |
| Inventories                                    | 1,036,304                  | <b>1,109,412</b>  | 73,108    | 941,161          | 168,251   |
| Deferred income taxes                          | 198,033                    | <b>198,848</b>    | 815       | 225,255          | (26,407)  |
| Other current assets                           | 450,002                    | <b>469,075</b>    | 19,073    | 372,583          | 96,492    |
| <b>Total current assets</b>                    | <b>4,625,898</b>           | <b>4,838,036</b>  | 212,138   | 4,156,601        | 681,435   |
| <b>Finance subsidiaries-receivables, net</b>   | 2,982,425                  | <b>3,290,975</b>  | 308,550   | 2,909,017        | 381,958   |
| <b>Investments and advances:</b>               |                            |                   |           |                  |           |
| Investments in and advances to affiliates      | 408,993                    | <b>426,029</b>    | 17,036    | 377,682          | 48,347    |
| Other, including marketable equity securities  | 298,460                    | <b>250,095</b>    | (48,365)  | 310,285          | (60,190)  |
| <b>Total investments and advances</b>          | 707,453                    | <b>676,124</b>    | (31,329)  | 687,967          | (11,843)  |
| <b>Property, plant and equipment, at cost:</b> |                            |                   |           |                  |           |
| Land   | 384,447                    | <b>402,338</b>    | 17,891    | 370,472          | 31,866    |
| Buildings                                      | 1,149,517                  | <b>1,217,806</b>  | 68,289    | 1,062,707        | 155,099   |
| Machinery and equipment                        | 2,562,507                  | <b>2,700,806</b>  | 138,299   | 2,341,808        | 358,998   |
| Construction in progress                       | 115,818                    | <b>201,600</b>    | 85,782    | 153,614          | 47,986    |
|  | 4,212,289                  | <b>4,522,550</b>  | 310,261   | 3,928,601        | 593,949   |
| Less accumulated depreciation and amortization | 2,397,022                  | <b>2,548,790</b>  | 151,768   | 2,270,024        | 278,766   |
| <b>Net property, plant and equipment</b>       | 1,815,267                  | <b>1,973,760</b>  | 158,493   | 1,658,577        | 315,183   |
| <b>Other assets</b>                            | 440,638                    | <b>423,562</b>    | (17,076)  | 470,517          | (46,955)  |
| <b>Total assets</b>                            | 10,571,681                 | <b>11,202,457</b> | 630,776   | 9,882,679        | 1,319,778 |

**Table of Contents****[5] Consolidated Balance Sheets continued**

|  | Yen (millions)<br>Sep. 30, |                   |                  | Yen (millions)   |                  |
|--|----------------------------|-------------------|------------------|------------------|------------------|
|  | Mar. 31,<br>2006           | 2006              | change           | Sep. 30,<br>2005 | change           |
| <b>Liabilities and Stockholders Equity</b>         |                            |                   |                  |                  |                  |
| <b>Current liabilities:</b>                        |                            |                   |                  |                  |                  |
| Short-term debt                                    | 693,557                    | <b>1,221,228</b>  | 527,671          | 725,771          | 495,457          |
| Current portion of long-term debt                  | 657,645                    | <b>749,127</b>    | 91,482           | 567,250          | 181,877          |
| Trade payables:                                    |                            |                   |                  |                  |                  |
| Notes  | 31,698                     | <b>26,890</b>     | (4,808)          | 24,684           | 2,206            |
| Accounts   | 1,099,902                  | <b>1,031,255</b>  | (68,647)         | 931,950          | 99,305           |
| Accrued expenses                                   | 930,115                    | <b>951,445</b>    | 21,330           | 947,571          | 3,874            |
| Income taxes payable                               | 110,160                    | <b>62,644</b>     | (47,516)         | 80,505           | (17,861)         |
| Other current liabilities                          | 466,332                    | <b>481,845</b>    | 15,513           | 435,155          | 46,690           |
| <b>Total current liabilities</b>                   | <b>3,989,409</b>           | <b>4,524,434</b>  | <b>535,025</b>   | <b>3,712,886</b> | <b>811,548</b>   |
| <b>Long-term debt, excluding current portion</b>   | <b>1,879,000</b>           | <b>1,745,205</b>  | <b>(133,795)</b> | <b>1,800,814</b> | <b>(55,609)</b>  |
| <b>Other liabilities</b>                           | <b>577,522</b>             | <b>576,037</b>    | <b>(1,485)</b>   | <b>742,313</b>   | <b>(166,276)</b> |
| <b>Total liabilities</b>                           | <b>6,445,931</b>           | <b>6,845,676</b>  | <b>399,745</b>   | <b>6,256,013</b> | <b>589,663</b>   |
| <b>Stockholders equity:</b>                        |                            |                   |                  |                  |                  |
| Common stock                                       | 86,067                     | <b>86,067</b>     |                  | 86,067           |                  |
| Capital surplus                                    | 172,529                    | <b>172,529</b>    |                  | 172,531          | (2)              |
| Legal reserves                                     | 35,811                     | <b>37,332</b>     | 1,521            | 35,516           | 1,816            |
| Retained earnings                                  | 4,267,886                  | <b>4,482,612</b>  | 214,726          | 4,018,709        | 463,903          |
| Accumulated other comprehensive income (loss), net | (407,187)                  | <b>(387,749)</b>  | 19,438           | (644,464)        | 256,715          |
| Treasury Stock                                     | (29,356)                   | <b>(34,010)</b>   | (4,654)          | (41,693)         | 7,683            |
| <b>Total stockholders equity</b>                   | <b>4,125,750</b>           | <b>4,356,781</b>  | <b>231,031</b>   | <b>3,626,666</b> | <b>730,115</b>   |
| <b>Total liabilities and stockholders equity</b>   | <b>10,571,681</b>          | <b>11,202,457</b> | <b>630,776</b>   | <b>9,882,679</b> | <b>1,319,778</b> |

**Table of Contents****[6] Consolidated Statements of Stockholders Equity**

|   | Yen (millions)  |                    |                   |                      |  |                   |                                 |
|---|-----------------|--------------------|-------------------|----------------------|--|-------------------|---------------------------------|
|   | Common<br>stock | Capital<br>surplus | Legal<br>reserves | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss),<br>net | Treasury<br>stock | Total<br>stockholders<br>equity |
| Balance at March 31, 2005   | 86,067          | 172,531            | 34,688            | 3,809,383            | (793,934)  | (19,441)          | 3,289,294                       |
| Transfer to legal reserves  |                 |                    | 828               | (828)                |  |                   |                                 |
| Cash dividends  |                 |                    |                   | (34,220)             |  |                   | (34,220)                        |
| Accumulated other comprehensive income (loss):                            |                 |                    |                   |                      |  |                   |                                 |
| Net income for the period   |                 |                    |                   | 244,374              |  |                   | 244,374                         |
| Other comprehensive income (loss) for the period,<br>net of tax           |                 |                    |                   |                      |  |                   |                                 |
| Adjustments from foreign currency translation                             |                 |                    |                   |                      | 135,039  |                   | 135,039                         |
| Unrealized gains (losses) on marketable equity<br>securities:             |                 |                    |                   |                      |  |                   |                                 |
| Unrealized holding gains (losses) arising during the<br>period            |                 |                    |                   |                      | 14,862   |                   | 14,862                          |
| Reclassification adjustments for losses (gains)<br>realized in net income |                 |                    |                   |                      | (464)  |                   | (464)                           |
| Unrealized gains (losses) on derivative<br>instruments:                   |                 |                    |                   |                      |  |                   |                                 |
| Unrealized holding gains (losses) arising during the<br>period            |                 |                    |                   |                      |  |                   |                                 |
| Reclassification adjustments for losses (gains)<br>realized in net income |                 |                    |                   |                      |  |                   |                                 |
| Minimum pension liabilities adjustment                                    |                 |                    |                   |                      | 33   |                   | 33                              |
| <b>Total comprehensive income for the period</b>                          |                 |                    |                   |                      |  |                   | <b>393,844</b>                  |
| Purchase of treasury stock  |                 |                    |                   |                      |  | (22,252)          | (22,252)                        |
| Reissuance of treasury stock  |                 |                    |                   |                      |  |                   |                                 |
| Retirement of treasury stock  |                 |                    |                   |                      |  |                   |                                 |
| Balance at September 30, 2005   | 86,067          | 172,531            | 35,516            | 4,018,709            | (644,464)  | (41,693)          | 3,626,666                       |
| Balance at March 31, 2006   | <b>86,067</b>   | <b>172,529</b>     | <b>35,811</b>     | <b>4,267,886</b>     | <b>(407,187)</b>   | <b>(29,356)</b>   | <b>4,125,750</b>                |
| Transfer to legal reserves  |                 |                    | 1,521             | (1,521)              |  |                   |                                 |
| Cash dividends  |                 |                    |                   | (54,784)             |  |                   | (54,784)                        |
| Accumulated other comprehensive income (loss):                            |                 |                    |                   |                      |  |                   |                                 |
| Net income for the period   |                 |                    |                   | 271,311              |  |                   | 271,311                         |
| Other comprehensive income (loss) for the period,<br>net of tax           |                 |                    |                   |                      |  |                   |                                 |
| Adjustments from foreign currency translation                             |                 |                    |                   |                      | 29,277   |                   | 29,277                          |
| Unrealized gains (losses) on marketable equity<br>securities:             |                 |                    |                   |                      |  |                   |                                 |
| Unrealized holding gains (losses) arising during the<br>period            |                 |                    |                   |                      | (7,667)  |                   | (7,667)                         |
| Reclassification adjustments for losses (gains)<br>realized in net income |                 |                    |                   |                      | (2,155)  |                   | (2,155)                         |



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|  |        |         |        |           |           |          |           |
|--|--------|---------|--------|-----------|-----------|----------|-----------|
| Unrealized gains (losses) on derivative instruments:                   |        |         |        |           |           |          |           |
| Unrealized holding gains (losses) arising during the period            |        |         |        |           | (581)     |          | (581)     |
| Reclassification adjustments for losses (gains) realized in net income |        |         |        |           | 588       |          | 588       |
| Minimum pension liabilities adjustment                                 |        |         |        |           | (24)      |          | (24)      |
| Total comprehensive income for the period                              |        |         |        |           |           |          | 290,749   |
| Purchase of treasury stock   |        |         |        |           | (23,531)  |          | (23,531)  |
| Reissuance of treasury stock   |        |         |        |           | (280)     | 18,877   | 18,597    |
| Retirement of treasury stock   |        |         |        |           |           |          |           |
| Balance at September 30, 2006  | 86,067 | 172,529 | 37,332 | 4,482,612 | (387,749) | (34,010) | 4,356,781 |

- 26 -

**Table of Contents****[7] Consolidated Statements of Cash Flows**

|  | Yen (millions)                    |                                   |
|--|-----------------------------------|-----------------------------------|
|  | Six months ended<br>Sep. 30, 2005 | Six months ended<br>Sep. 30, 2006 |
| <b>Cash flows from operating activities:</b>                                       |                                   |                                   |
| Net income   | 244,374                           | 271,311                           |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                                   |                                   |
| Depreciation and amortization  | 112,970                           | 155,535                           |
| Deferred income taxes  | (32,998)                          | (2,248)                           |
| Equity in income of affiliates   | (47,207)                          | (57,635)                          |
| Cash dividends from affiliates   | 23,858                            | 27,483                            |
| Provision for credit and lease residual losses on finance subsidiaries-receivables | 19,147                            | 17,943                            |
| Loss (gain) on derivative instruments, net   | (12,034)                          | 48,489                            |
| Decrease (increase) in assets:   |                                   |                                   |
| Trade accounts and notes receivable  | 141,577                           | 194,998                           |
| Inventories  | (49,627)                          | (54,682)                          |
| Other current assets   | (233)                             | (22,981)                          |
| Other assets   | (37,861)                          | (12,380)                          |
| Increase (decrease) in liabilities:  |                                   |                                   |
| Trade accounts and notes payable   | (92,307)                          | (79,715)                          |
| Accrued expenses   | 5,227                             | 17,477                            |
| Income taxes payable   | 12,615                            | (47,984)                          |
| Other current liabilities  | (14,054)                          | 6,855                             |
| Other liabilities  | (2,629)                           | (4,068)                           |
| Other, net   | 49,679                            | (3,437)                           |
| <b>Net cash provided by operating activities</b>                                   | <b>320,497</b>                    | <b>454,961</b>                    |
| <b>Cash flows from investing activities:</b>                                       |                                   |                                   |
| Increase in investments and advances   | (6,082)                           | (3,568)                           |
| Decrease in investments and advances   | 1,048                             | 437                               |
| Payment for purchase of available-for-sale securities                              | (800)                             | (1,828)                           |
| Proceeds from sales of available-for-sale securities                               | 5,446                             | 3,730                             |
| Payment for purchase of held-to-maturity securities                                | (24,034)                          |                                   |
| Proceeds from redemption of held-to-maturity securities                            | 136                               | 8,860                             |
| Capital Expenditures   | (169,726)                         | (282,283)                         |
| Proceeds from sales of property, plant and equipment                               | 6,288                             | 11,542                            |
| Acquisitions of finance subsidiaries-receivables                                   | (1,589,949)                       | (1,701,651)                       |
| Collections of finance subsidiaries-receivables                                    | 898,705                           | 1,061,179                         |
| Proceeds from sales of finance subsidiaries-receivables                            | 426,688                           | 134,048                           |
| <b>Net cash used in investing activities</b>                                       | <b>(452,280)</b>                  | <b>(769,534)</b>                  |
| <b>Cash flows from financing activities:</b>                                       |                                   |                                   |
| Increase (decrease) in short-term debt   | (71,194)                          | 287,673                           |
| Proceeds from long-term debt   | 503,428                           | 485,027                           |
| Repayment of long-term debt  | (309,049)                         | (344,570)                         |
| Cash dividends paid  | (34,220)                          | (54,784)                          |
| Payment for purchase of treasury stock, net  | (22,252)                          | (23,093)                          |
| <b>Net cash provided by financing activities</b>                                   | <b>66,713</b>                     | <b>350,253</b>                    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                | <b>22,731</b>                     | <b>9,482</b>                      |

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|   |          |                |
|---|----------|----------------|
| <b>Net change in cash and cash equivalents</b>          | (42,339) | <b>45,162</b>  |
| <b>Cash and cash equivalents at beginning of period</b> | 773,538  | <b>747,327</b> |
| <b>Cash and cash equivalents at end of period</b>       | 731,199  | <b>792,489</b> |

- 27 -

**Table of Contents****[8] Segment Information**

Operating segments reported below are defined as components of Honda's about which separate financial information is available that is evaluated regularly by management 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.

Honda has four reportable business segments: the motorcycle business, the automobile business, the financial services business and the power equipments & other business, which is based on Honda's products and services organizational structure. Principal products and services, and functions of each segment are as follows:

| <b>Business</b>                  | <b>Principal products and services</b>        | <b>Functions</b>                                |
|----------------------------------|---|---|
| Motorcycle business              | Motorcycles, all-terrain vehicles             | Research & Development                          |
|                                  | (ATVs), personal watercraft and               | Manufacturing                                   |
|                                  | relevant parts                                | 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 & other businesses | Power products and relevant parts, and others | Research & Development                          |
|                                  |   | Manufacturing                                   |
|                                  |   | Sales and related services                      |
|                                  |   | Other   |

## 1. Business Segment Information

(A) For the three months ended September 30, 2005

|  | Yen (millions)      |                     |                             |                                  |           |              |              |
|--|---------------------|---------------------|-----------------------------|----------------------------------|-----------|--------------|--------------|
|  | Motorcycle Business | Automobile Business | Financial Services Business | Power Product & Other Businesses | Total     | Eliminations | Consolidated |
| Net sales and other operating revenue: |                     |                     |                             |                                  |           |              |              |
| Unaffiliated customers                 | 287,755             | 1,892,659           | 75,006                      | 82,250                           | 2,337,670 |              | 2,337,670    |
| Intersegment                           |                     |                     | 1,267                       | 3,069                            | 4,336     | (4,336)      |              |
| Total                                  | 287,755             | 1,892,659           | 76,273                      | 85,319                           | 2,342,006 | (4,336)      | 2,337,670    |
| Cost of sales, SG&A and R&D expenses   | 258,131             | 1,791,633           | 51,526                      | 78,022                           | 2,179,312 | (4,336)      | 2,174,976    |
| Operating income                       | 29,624              | 101,026             | 24,747                      | 7,297                            | 162,694   |              | 162,694      |

**For the three months ended September 30, 2006**

|  | Yen (millions)         |                        |                                   |  |           |              |              |
|--|------------------------|------------------------|-----------------------------------|--|-----------|--------------|--------------|
|  | Motorcycle<br>Business | Automobile<br>Business | Financial<br>Services<br>Business | Power Product<br>& Other<br>Businesses | Total     | Eliminations | Consolidated |
| Net sales and other operating revenue: |                        |                        |                                   |  |           |              |              |
| Unaffiliated customers                 | 335,500                | 2,098,830              | 98,052                            | 98,492                                 | 2,630,874 |              | 2,630,874    |
| Intersegment                           |                        |                        | 884                               | 1,598                                  | 2,482     | (2,482)      |              |
| Total                                  | 335,500                | 2,098,830              | 98,936                            | 100,090                                | 2,633,356 | (2,482)      | 2,630,874    |
| Cost of sales, SG&A and R&D expenses   | 303,417                | 1,967,951              | 76,333                            | 92,631                                 | 2,440,332 | (2,482)      | 2,437,850    |
| Operating income                       | 32,083                 | 130,879                | 22,603                            | 7,459                                  | 193,024   |              | 193,024      |

**Table of Contents**(B) For the six months ended September 30, 2005

|  | Motorcycle<br>Business | Automobile<br>Business | Financial<br>Services<br>Business | Yen (millions)<br>Power Product<br>& Other<br>Businesses | Total      | Corporate<br>Assets and<br>Eliminations | Consolidated |
|--|------------------------|------------------------|-----------------------------------|--|------------|---|--------------|
| Net sales and other operating revenue: |                        |                        |                                   |  |            |   |              |
| Unaffiliated customers                 | 550,942                | 3,738,630              | 143,759                           | 168,918  | 4,602,249  |   | 4,602,249    |
| Intersegment                           |                        |                        | 2,046                             | 7,039  | 9,085      | (9,085)                                 |              |
| Total                                  | 550,942                | 3,738,630              | 145,805                           | 175,957  | 4,611,334  | (9,085)                                 | 4,602,249    |
| Cost of sales, SG&A and R&D expenses   | 511,002                | 3,504,415              | 101,205                           | 161,625  | 4,278,247  | (9,085)                                 | 4,269,162    |
| Operating income                       | 39,940                 | 234,215                | 44,600                            | 14,332   | 333,087    |   | 333,087      |
| Assets                                 | 889,720                | 4,340,272              | 4,742,454                         | 250,282  | 10,222,728 | (340,049)                               | 9,882,679    |
| Depreciation and amortization          | 13,902                 | 94,780                 | 318                               | 3,970  | 112,970    |   | 112,970      |
| Capital expenditures                   | 19,901                 | 142,930                | 703                               | 6,192  | 169,726    |   | 169,726      |

**For the six months ended September 30, 2006**

|  | Motorcycle<br>Business | Automobile<br>Business | Financial<br>Services<br>Business | Yen (millions)<br>Power Product<br>& Other<br>Businesses | Total      | Corporate<br>Assets and<br>Eliminations | Consolidated |
|--|------------------------|------------------------|-----------------------------------|--|------------|---|--------------|
| Net sales and other operating revenue: |                        |                        |                                   |  |            |   |              |
| Unaffiliated customers                 | 645,646                | 4,194,436              | 188,040                           | 202,476  | 5,230,598  |   | 5,230,598    |
| Intersegment                           |                        |                        | 1,791                             | 6,024  | 7,815      | (7,815)                                 |              |
| Total                                  | 645,646                | 4,194,436              | 189,831                           | 208,500  | 5,238,413  | (7,815)                                 | 5,230,598    |
| Cost of sales, SG&A and R&D expenses   | 600,423                | 3,913,474              | 137,970                           | 190,001  | 4,841,868  | (7,815)                                 | 4,834,053    |
| Operating income                       | 45,223                 | 280,962                | 51,861                            | 18,499   | 396,545    |   | 396,545      |
| Assets                                 | 1,001,525              | 4,904,836              | 5,513,479                         | 289,728  | 11,709,568 | (507,111)                               | 11,202,457   |
| Depreciation and amortization          | 17,670                 | 132,808                | 439                               | 4,618  | 155,535    |   | 155,535      |
| Capital expenditures                   | 28,915                 | 236,365                | 368                               | 5,267  | 270,915    |   | 270,915      |

Explanatory notes:

1. Intersegment sales and revenues are generally made at values that approximate arm's-length prices.
2. Corporate assets, which are accounted for under assets, are included in Eliminations and amounted to JPY 444,902 million and JPY 378,404 million at September 30, 2005 and 2006, respectively, which consist primarily of cash and cash equivalents and marketable securities held by the parent company.

**Table of Contents**

## 2. Geographical Segment Information

(A) For the three months ended September 30, 2005

|   | Yen (millions) |               |         |         |         |           |           | Eliminations | Consolidated |
|---|----------------|---------------|---------|---------|---------|-----------|-----------|--------------|--------------|
|   | Japan          | North America | Europe  | Asia    | Others  | Total     |           |              |              |
| Net sales and other operating revenue:  |                |               |         |         |         |           |           |              |              |
| Sales to unaffiliated customers         | 531,318        | 1,231,572     | 229,499 | 204,687 | 140,594 | 2,337,670 |           |              | 2,337,670    |
| Transfers between geographical segments | 547,375        | 31,919        | 37,446  | 26,532  | 6,192   | 649,464   | (649,464) |              |              |
| Total                                   | 1,078,693      | 1,263,491     | 266,945 | 231,219 | 146,786 | 2,987,134 | (649,464) |              | 2,337,670    |
| Cost of sales, SG&A and R&D expenses    | 1,015,720      | 1,194,961     | 266,127 | 215,395 | 131,623 | 2,823,826 | (648,850) |              | 2,174,976    |
| Operating income                        | 62,973         | 68,530        | 818     | 15,824  | 15,163  | 163,308   | (614)     |              | 162,694      |

For the three months ended September 30, 2006

|   | Yen (millions) |               |         |         |         |           |           | Eliminations | Consolidated |
|---|----------------|---------------|---------|---------|---------|-----------|-----------|--------------|--------------|
|   | Japan          | North America | Europe  | Asia    | Others  | Total     |           |              |              |
| Net sales and other operating revenue:  |                |               |         |         |         |           |           |              |              |
| Sales to unaffiliated customers         | 530,272        | 1,382,419     | 275,046 | 254,226 | 188,911 | 2,630,874 |           |              | 2,630,874    |
| Transfers between geographical segments | 645,570        | 38,643        | 35,744  | 59,284  | 7,445   | 786,686   | (786,686) |              |              |
| Total                                   | 1,175,842      | 1,421,062     | 310,790 | 313,510 | 196,356 | 3,417,560 | (786,686) |              | 2,630,874    |
| Cost of sales, SG&A and R&D expenses    | 1,106,852      | 1,325,338     | 301,717 | 295,248 | 174,898 | 3,204,053 | (766,203) |              | 2,437,850    |
| Operating income                        | 68,990         | 95,724        | 9,073   | 18,262  | 21,458  | 213,507   | (20,483)  |              | 193,024      |

**Table of Contents****(B) For the Six months ended September 30, 2005**

|   | Yen (millions) |                  |         |         |         |           | Corporate<br>Assets and<br>Eliminations | Consolidated |
|---|----------------|------------------|---------|---------|---------|-----------|---|--------------|
|   | Japan          | North<br>America | Europe  | Asia    | Others  | Total     |   |              |
| Net sales and other operating revenue:  |                |                  |         |         |         |           |   |              |
| Sales to unaffiliated customers         | 1,010,185      | 2,447,402        | 482,707 | 408,499 | 253,456 | 4,602,249 |   | 4,602,249    |
| Transfers between geographical segments | 1,128,932      | 64,608           | 81,575  | 54,302  | 10,285  | 1,339,702 | (1,339,702)                             |              |
| Total                                   | 2,139,117      | 2,512,010        | 564,282 | 462,801 | 263,741 | 5,941,951 | (1,339,702)                             | 4,602,249    |
| Cost of sales, SG&A and R&D expenses    | 2,028,924      | 2,370,726        | 550,700 | 427,806 | 234,945 | 5,613,101 | (1,343,939)                             | 4,269,162    |
| Operating income                        | 110,193        | 141,284          | 13,582  | 34,995  | 28,796  | 328,850   | 4,237                                   | 333,087      |
| Long-lived assets                       | 902,293        | 540,892          | 124,408 | 135,425 | 58,306  | 1,761,324 |   | 1,761,324    |
| Assets                                  | 2,571,296      | 5,675,749        | 621,501 | 578,383 | 258,079 | 9,705,008 | 177,671                                 | 9,882,679    |

**For the six months ended September 30, 2006**

|   | Yen (millions) |                  |         |         |         |            | Corporate<br>Assets and<br>Eliminations | Consolidated |
|---|----------------|------------------|---------|---------|---------|------------|---|--------------|
|   | Japan          | North<br>America | Europe  | Asia    | Others  | Total      |   |              |
| Net sales and other operating revenue:  |                |                  |         |         |         |            |   |              |
| Sales to unaffiliated customers         | 1,019,407      | 2,815,963        | 552,558 | 483,569 | 359,101 | 5,230,598  |   | 5,230,598    |
| Transfers between geographical segments | 1,265,716      | 73,025           | 83,359  | 117,479 | 14,180  | 1,553,759  | (1,553,759)                             |              |
| Total                                   | 2,285,123      | 2,888,988        | 635,917 | 601,048 | 373,281 | 6,784,357  | (1,553,759)                             | 5,230,598    |
| Cost of sales, SG&A and R&D expenses    | 2,167,173      | 2,678,780        | 620,394 | 563,349 | 336,605 | 6,366,301  | (1,532,248)                             | 4,834,053    |
| Operating income                        | 117,950        | 210,208          | 15,523  | 37,699  | 36,676  | 418,056    | (21,511)                                | 396,545      |
| Long-lived assets                       | 988,119        | 666,171          | 173,765 | 187,741 | 80,442  | 2,096,238  |   | 2,096,238    |
| Assets                                  | 2,785,385      | 6,565,281        | 776,990 | 766,512 | 357,729 | 11,251,897 | (49,440)                                | 11,202,457   |

Explanatory notes:

- The geographical segments are based on the location where sales are originated.
- 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               |
| Others        | Brazil, Australia                               |



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3. Intersegment sales and revenues are generally made at values that approximate arm's-length prices.
  
4. Corporate assets, which are accounted for under assets, are included in Eliminations and amounted to JPY 444,902 million and JPY 378,404 million at September 30, 2005 and 2006, respectively, which consist primarily of cash and cash equivalents and marketable securities held by the parent company.

- 31 -

**Table of Contents**

## 3. Overseas Sales and revenues

In addition to the disclosure requirements under SFAS No. 131, Honda discloses this information as supplemental information in light of the disclosure requirements of the Japanese Securities and Exchange Law, which a Japanese public company is subject to;

**(A) For the three months ended September 30, 2005**

|  | Yen (millions) |         |         |         | Total     |
|--|----------------|---------|---------|---------|-----------|
|  | North America  | Europe  | Asia    | Others  |           |
| Overseas sales                             | 1,229,975      | 231,586 | 267,038 | 162,807 | 1,891,406 |
| Consolidated sales                         |                |         |         |         | 2,337,670 |
| Overseas sales ratio to consolidated sales | 52.6%          | 9.9%    | 11.4%   | 7.0%    | 80.9%     |

**For the three months ended September 30, 2006**

|  | Yen (millions) |         |         |         | Total     |
|--|----------------|---------|---------|---------|-----------|
|  | North America  | Europe  | Asia    | Others  |           |
| Overseas sales                             | 1,376,469      | 277,518 | 329,818 | 219,880 | 2,203,685 |
| Consolidated sales                         |                |         |         |         | 2,630,874 |
| Overseas sales ratio to consolidated sales | 52.3%          | 10.5%   | 12.5%   | 8.5%    | 83.8%     |

**(B) For the six months ended September 30, 2005**

|  | Yen (millions) |         |         |         | Total     |
|--|----------------|---------|---------|---------|-----------|
|  | North America  | Europe  | Asia    | Others  |           |
| Overseas sales                             | 2,442,889      | 486,572 | 523,274 | 299,133 | 3,751,868 |
| Consolidated sales                         |                |         |         |         | 4,602,249 |
| Overseas sales ratio to consolidated sales | 53.1%          | 10.6%   | 11.4%   | 6.4%    | 81.5%     |

**For the six months ended September 30, 2006**

|  | Yen (millions) |         |         |         | Total     |
|--|----------------|---------|---------|---------|-----------|
|  | North America  | Europe  | Asia    | Others  |           |
| Overseas sales                             | 2,805,862      | 556,875 | 621,834 | 422,746 | 4,407,317 |
| Consolidated sales                         |                |         |         |         | 5,230,598 |
| Overseas sales ratio to consolidated sales | 53.6%          | 10.6%   | 11.9%   | 8.2%    | 84.3%     |

Explanatory notes:

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

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

- 32 -

**Table of Contents****[9] Consolidated Balance Sheets and Consolidated Statement of Cash flows****Divided into Non-financial Services Businesses and Finance Subsidiaries**

Honda discloses consolidated balance sheets divided into non-financial services businesses and finance subsidiaries, and consolidated cash flow statements divided into non-financial services businesses and financial subsidiaries, for investor relations purposes. For purposes of these disclosures, non-financial services include the Motorcycle, Automobile and Power Product and Other Businesses segments, and finance subsidiaries include the Financial Services segment, respectively.

## 1. Consolidated Balance Sheets

Divided into non-financial services businesses and finance subsidiaries

|  | Yen (millions) |                    |          | Yen (millions) |           |
|--|----------------|--------------------|----------|----------------|-----------|
|  | Mar. 31, 2006  | Sep. 30, 2006      | Change   | Sep. 30, 2005  | Change    |
| <b>Assets</b>                                    |                |                    |          |                |           |
| <b>&lt;Non-financial services businesses&gt;</b> |                |                    |          |                |           |
| Current Assets:                                  | 3,788,184      | <b>3,792,348</b>   | 4,164    | 3,424,259      | 368,089   |
| Cash and cash equivalents                        | 727,735        | <b>775,508</b>     | 47,773   | 716,423        | 59,085    |
| Trade accounts and notes receivable              | 504,101        | <b>405,296</b>     | (98,805) | 354,691        | 50,605    |
| Inventories                                      | 1,036,304      | <b>1,109,412</b>   | 73,108   | 941,161        | 168,251   |
| Other current assets                             | 1,520,044      | <b>1,502,132</b>   | (17,912) | 1,411,984      | 90,148    |
| Investment and advances                          | 955,338        | <b>938,542</b>     | (16,796) | 918,449        | 20,093    |
| Property, plant and equipment, at cost           | 1,795,173      | <b>1,953,622</b>   | 158,449  | 1,638,776      | 314,846   |
| Other assets                                     | 225,575        | <b>213,910</b>     | (11,665) | 269,447        | (55,537)  |
| <b>Total assets</b>                              | 6,764,270      | <b>6,898,422</b>   | 134,152  | 6,250,931      | 647,491   |
| <b>&lt;Finance Subsidiaries&gt;</b>              |                |                    |          |                |           |
| Cash and cash equivalents                        | 19,592         | <b>16,981</b>      | (2,611)  | 14,776         | 2,205     |
| Finance subsidiaries short-term receivables, net | 1,240,581      | <b>1,487,841</b>   | 247,260  | 1,224,132      | 263,709   |
| Finance subsidiaries long-term receivables, net  | 2,982,832      | <b>3,291,803</b>   | 308,971  | 2,909,368      | 382,435   |
| Other assets                                     | 765,053        | <b>716,854</b>     | (48,199) | 594,178        | 122,676   |
| <b>Total assets</b>                              | 5,008,058      | <b>5,513,479</b>   | 505,421  | 4,742,454      | 771,025   |
| Eliminations                                     | (1,200,647)    | <b>(1,209,444)</b> | (8,797)  | (1,110,706)    | (98,738)  |
| <b>Total assets</b>                              | 10,571,681     | <b>11,202,457</b>  | 630,776  | 9,882,679      | 1,319,778 |

**Table of Contents**

## 1. Consolidated Balance Sheets

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

|  | Yen (millions)    |                   |           | Yen (millions) |           |
|--|-------------------|-------------------|-----------|----------------|-----------|
|  | Mar. 31, 2006     | Sep. 30, 2006     | Change    | Sep. 30, 2005  | Change    |
| <b>Liabilities and Stockholders Equity</b>       |                   |                   |           |                |           |
| <b>&lt;Non-financial services businesses&gt;</b> |                   |                   |           |                |           |
| Current liabilities:                             | 2,355,999         | <b>2,289,121</b>  | (66,878)  | 2,159,864      | 129,257   |
| Short-term debt                                  | 171,122           | <b>152,266</b>    | (18,856)  | 170,778        | (18,512)  |
| Current portion of long-term debt                | 9,138             | <b>12,507</b>     | 3,369     | 4,860          | 7,647     |
| Trade payables                                   | 1,144,159         | <b>1,079,992</b>  | (64,167)  | 965,548        | 114,444   |
| Accrued expenses                                 | 763,879           | <b>798,979</b>    | 35,100    | 797,122        | 1,857     |
| Other current liabilities                        | 267,701           | <b>245,377</b>    | (22,324)  | 221,556        | 23,821    |
| Long-term debt, excluding current portion        | 34,396            | <b>29,365</b>     | (5,031)   | 20,720         | 8,645     |
| Other liabilities                                | 575,034           | <b>574,483</b>    | (551)     | 736,352        | (161,869) |
| <b>Total liabilities</b>                         | <b>2,965,429</b>  | <b>2,892,969</b>  | (72,460)  | 2,916,936      | (23,967)  |
| <b>&lt;Finance Subsidiaries&gt;</b>              |                   |                   |           |                |           |
| Short-term debt                                  | 1,369,177         | <b>1,896,449</b>  | 527,272   | 1,350,383      | 546,066   |
| Current portion of long-term debt                | 653,276           | <b>741,568</b>    | 88,292    | 562,470        | 179,098   |
| Accrued expenses                                 | 181,140           | <b>166,198</b>    | (14,942)  | 160,779        | 5,419     |
| Long-term debt, excluding current portion        | 1,858,362         | <b>1,730,114</b>  | (128,248) | 1,796,945      | (66,831)  |
| Other liabilities                                | 392,316           | <b>390,423</b>    | (1,893)   | 364,740        | 25,683    |
| <b>Total liabilities</b>                         | <b>4,454,271</b>  | <b>4,924,752</b>  | 470,481   | 4,235,317      | 689,435   |
| Eliminations                                     | (973,769)         | <b>(972,045)</b>  | 1,724     | (896,240)      | (75,805)  |
| <b>Total liabilities</b>                         | <b>6,445,931</b>  | <b>6,845,676</b>  | 399,745   | 6,256,013      | 589,663   |
| Common stock                                     | 86,067            | <b>86,067</b>     |           | 86,067         |           |
| Capital surplus                                  | 172,529           | <b>172,529</b>    |           | 172,531        | (2)       |
| Legal reserves                                   | 35,811            | <b>37,332</b>     | 1,521     | 35,516         | 1,816     |
| Retained earnings                                | 4,267,886         | <b>4,482,612</b>  | 214,726   | 4,018,709      | 463,903   |
| Accumulated other comprehensive income (loss)    | (407,187)         | <b>(387,749)</b>  | 19,438    | (644,464)      | 256,715   |
| Treasury stock                                   | (29,356)          | <b>(34,010)</b>   | (4,654)   | (41,693)       | 7,683     |
| <b>Total stockholders equity</b>                 | <b>4,125,750</b>  | <b>4,356,781</b>  | 231,031   | 3,626,666      | 730,115   |
| <b>Total liabilities and stockholders equity</b> | <b>10,571,681</b> | <b>11,202,457</b> | 630,776   | 9,882,679      | 1,319,778 |

**Table of Contents**

## 2. Consolidated Statements of Cash Flows

Divided into non-financial services businesses and finance subsidiaries

For the six months ended September 30, 2005 and 2006

(A) For the six months ended September 30, 2005

|   | Yen (millions)                          |                         |                                      |                  |
|---|---|-------------------------|--------------------------------------|------------------|
|   | Non-financial<br>services<br>businesses | Finance<br>subsidiaries | Elimination<br>among<br>subsidiaries | Total            |
| <b>Cash flows from operating activities:</b>                                      |   |                         |                                      |                  |
| Net Income  | 217,766                                 | 26,622                  | (14)                                 | 244,374          |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |                         |                                      |                  |
| Depreciation and amortization   | 112,652                                 | 318                     |                                      | 112,970          |
| Deferred income taxes   | (3,809)                                 | (29,189)                |                                      | (32,998)         |
| Equity in income of affiliates  | (48,644)                                |                         | 1,437                                | (47,207)         |
| Cash dividends from affiliates  | 23,858                                  |                         |                                      | 23,858           |
| Loss (gain) on derivative instruments, net  | (7,558)                                 | (4,476)                 |                                      | (12,034)         |
| Decrease (increase) in trade accounts and notes receivable                        | 79,345                                  | 61,838                  | 394                                  | 141,577          |
| Decrease (increase) in inventories  | (49,627)                                |                         |                                      | (49,627)         |
| Increase (decrease) in trade payables   | (92,015)                                |                         | (292)                                | (92,307)         |
| Other, net  | 40,732                                  | (5,207)                 | (3,634)                              | 31,891           |
| <b>Net cash provided by operating activities</b>                                  | <b>272,700</b>                          | <b>49,906</b>           | <b>(2,109)</b>                       | <b>320,497</b>   |
| <b>Cash flows from investing activities:</b>                                      |   |                         |                                      |                  |
| * Decrease (increase) in investments and advances                                 | (54,500)                                |                         | 30,214                               | (24,286)         |
| Capital expenditures  | (169,023)                               | (703)                   |                                      | (169,726)        |
| Proceeds from sales of property, plant and equipment                              | 6,141                                   | 147                     |                                      | 6,288            |
| Decrease (increase) in finance subsidiaries-receivables                           |   | (264,614)               | 58                                   | (264,556)        |
| <b>Net cash used in investing activities</b>                                      | <b>(217,382)</b>                        | <b>(265,170)</b>        | <b>30,272</b>                        | <b>(452,280)</b> |
| <b>Cash flows from financing activities:</b>                                      |   |                         |                                      |                  |
| * Increase (decrease) in short-term debt  | (62,889)                                | 17,163                  | (25,468)                             | (71,194)         |
| * Proceeds from long-term debt  | 7,620                                   | 507,819                 | (12,011)                             | 503,428          |
| * Repayment of long-term debt   | (7,221)                                 | (311,130)               | 9,302                                | (309,049)        |
| Proceeds from issuance of common stock  |   |                         |                                      |                  |
| Cash dividends paid   | (34,234)                                |                         | 14                                   | (34,220)         |
| Payment for purchase of treasury stock, net                                       | (22,252)                                |                         |                                      | (22,252)         |
| <b>Net cash provided by (used in) financing activities</b>                        | <b>(118,976)</b>                        | <b>213,852</b>          | <b>(28,163)</b>                      | <b>66,713</b>    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>               | <b>22,187</b>                           | <b>544</b>              |                                      | <b>22,731</b>    |
| <b>Net change in cash and cash equivalents</b>                                    | <b>(41,471)</b>                         | <b>(868)</b>            |                                      | <b>(42,339)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                           | <b>757,894</b>                          | <b>15,644</b>           |                                      | <b>773,538</b>   |
| <b>Cash and cash equivalents at end of period</b>                                 | <b>716,423</b>                          | <b>14,776</b>           |                                      | <b>731,199</b>   |



**Table of Contents**

## 2. Consolidated Statements of Cash Flows - continued

Divided into non-financial services businesses and finance subsidiaries

For the six months ended September 30, 2005 and 2006

**(B) For the six months ended September 30, 2006**

|   | Yen (millions)                          |                         |                                      |           |
|---|---|-------------------------|--------------------------------------|-----------|
|   | Non-financial<br>services<br>businesses | Finance<br>subsidiaries | Elimination<br>among<br>subsidiaries | Total     |
| <b>Cash flows from operating activities:</b>                                      |   |                         |                                      |           |
| Net Income  | 250,629                                 | 20,695                  | (13)                                 | 271,311   |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |                         |                                      |           |
| Depreciation and amortization   | 155,096                                 | 439                     |                                      | 155,535   |
| Deferred income taxes   | 2,267                                   | (4,515)                 |                                      | (2,248)   |
| Equity in income of affiliates  | (57,635)                                |                         |                                      | (57,635)  |
| Cash dividends from affiliates  | 27,483                                  |                         |                                      | 27,483    |
| Loss (gain) on derivative instruments, net  | 29,280                                  | 19,209                  |                                      | 48,489    |
| Decrease (increase) in trade accounts and notes receivable                        | 121,255                                 | 75,695                  | (1,952)                              | 194,998   |
| Decrease (increase) in inventories  | (54,682)                                |                         |                                      | (54,682)  |
| Increase (decrease) in trade payables   | (70,427)                                |                         | (9,288)                              | (79,715)  |
| Other, net  | (11,088)                                | (39,806)                | 2,319                                | (48,575)  |
| Net cash provided by operating activities   | 392,178                                 | 71,717                  | (8,934)                              | 454,961   |
| <b>Cash flows from investing activities:</b>                                      |   |                         |                                      |           |
| * Decrease (increase) in investments and advances                                 | 28,735                                  |                         | (21,104)                             | 7,631     |
| Capital expenditures  | (281,915)                               | (368)                   |                                      | (282,283) |
| Proceeds from sales of property, plant and equipment                              | 11,382                                  | 160                     |                                      | 11,542    |
| Decrease (increase) in finance subsidiaries-receivables                           |   | (513,050)               | 6,626                                | (506,424) |
| Net cash used in investing activities   | (241,798)                               | (513,258)               | (14,478)                             | (769,534) |
| <b>Cash flows from financing activities:</b>                                      |   |                         |                                      |           |
| * Increase (decrease) in short-term debt  | (33,194)                                | 289,904                 | 30,963                               | 287,673   |
| * Proceeds from long-term debt  | 7,321                                   | 477,706                 |                                      | 485,027   |
| * Repayment of long-term debt   | (7,949)                                 | (336,670)               | 49                                   | (344,570) |
| Proceeds from issuance of common stock  |   | 7,613                   | (7,613)                              |           |
| Cash dividends paid   | (54,797)                                |                         | 13                                   | (54,784)  |
| Payment for purchase of treasury stock, net                                       | (23,093)                                |                         |                                      | (23,093)  |
| Net cash provided by (used in) financing activities                               | (111,712)                               | 438,553                 | 23,412                               | 350,253   |
| Effect of exchange rate changes on cash and cash equivalents                      | 9,105                                   | 377                     |                                      | 9,482     |
| Net change in cash and cash equivalents   | 47,773                                  | (2,611)                 |                                      | 45,162    |
| Cash and cash equivalents at beginning of period                                  | 727,735                                 | 19,592                  |                                      | 747,327   |
| Cash and cash equivalents at end of period  | 775,508                                 | 16,981                  |                                      | 792,489   |



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 \*).

Loans from non-financial services businesses to finance subsidiaries increased by JPY 27,510 million for the fiscal first half ended September 30, 2005, and decreased by JPY 28,717 million for the fiscal first half ended September 30, 2006.

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.

## Table of Contents

### **Explanatory notes:**

1. Consolidated subsidiaries

Number of consolidated subsidiaries: 389

2. Affiliated companies

Number of affiliated companies: 103

3. Changes of consolidated subsidiaries and affiliated companies

Consolidated subsidiaries:

Newly formed consolidated subsidiaries: 57

Reduced through reorganization: 7

Affiliated companies:

Newly formed affiliated companies: 8

Reduced through reorganization: 20

4. The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, since the Company has listed its shares as American Depositary Receipts on the New York Stock Exchange and files reports with the U.S. Securities and Exchange Commission.

5. The average exchange rates for the fiscal second quarter ended September 30, 2006 were ¥116.26=U.S.\$1 and ¥148.16= euro 1. The average exchange rates for the corresponding period last year were ¥111.28=U.S.\$1 and ¥135.72= euro 1. The average exchange rates for the fiscal first half ended September 30, 2006 were ¥115.38=U.S.\$1 and ¥145.97= euro 1 as compared with ¥109.48=U.S.\$1 and ¥135.65= euro 1 for the corresponding period last year.

6. United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥117.90=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 September 29, 2006.

7. The Company's Common Stock-to-ADR exchange rate was changed from two shares of Common Stock to one ADR to one share of Common Stock to two ADRs, effective January 10, 2002. Also, the Company decided to change of ratio of its ADR to Honda's underlying Shares. As a result, one American Share which represented one-half of one Share represented one Share and the change of ratio of ADR was handled by Honda's depositary, JPMorgan Chase Bank, and the first trading date with the new ratio was Monday, July 3, 2006.

8.

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Minority interests in net assets and income are not significant and, accordingly, are not presented separately in the accompanying consolidated balance sheets and statements of income. The amount of minority interest recognized in earnings, included in Other expenses: Other, for the fiscal first half ended September 30, 2005 and 2006 were JPY 7,587 million and JPY 9,136 million, respectively.

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 applies hedge accounting for some of its forward foreign currency exchange contracts between the Company and its subsidiaries.

**Table of Contents**

14. The allowance for credit losses for finance-subidiaries 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.
  
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.

**Table of Contents****Notes to Consolidated balance sheets:**

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

|  | Mar.31, 2006 | Sep. 30, 2006 | Sep. 30, 2005 |
|--|--------------|---------------|---------------|
| The allowance for doubtful trade accounts and notes receivables      | 10,689       | <b>8,259</b>  | 10,554        |
| The allowance for credit losses for finance subsidiaries-receivables | 32,950       | <b>37,478</b> | 32,516        |

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

|   | Mar.31, 2006 | Sep. 30, 2006 | Sep. 30, 2005 |
|---|--------------|---------------|---------------|
| Property, plant and equipment   | 22,592       | <b>34,732</b> | 6,657         |
| A finance subsidiary pledged as collateral finance subsidiaries-receivables | 8,993        | <b>4,569</b>  | 15,153        |

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, 2006 | Sep. 30, 2006 | Sep. 30, 2005 |
|---|--------------|---------------|---------------|
| Bank loans of employees for their housing costs | 46,737       | <b>43,585</b> | 50,689        |

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 September 30, 2006, no amount has been accrued for any possible estimated losses under the guarantee obligations, as it is probable that the employees will be able to make all scheduled payments.

**Notes to Consolidated Statements of Stockholders Equity:**

1. Total number of shares issued: Shares

The Company did a two-for-one stock split for the Company's common stock effective July 1, 2006.

|                  |                      |
|------------------|----------------------|
| Mar. 31,<br>2006 | Sep. 30, 2006        |
| 917,414,215      | <b>1,834,828,430</b> |

2. Number of treasury stock: Shares

The Company did a two-for-one stock split for the Company's common stock effective July 1, 2006.

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Mar. 31, 2006  
4,340,000

Sep. 30,  
2006  
11,147,456

3. Dividend payout for the fiscal first half ended September 30, 2006 was 54,784 million yen. The Board of Directors declared at its meeting held on October 25, 2006, 54,710 million yen of interim dividend payout for the fiscal first half ended September 30, 2006.

**Reclassifications:**

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

**Table of Contents****Unconsolidated Financial Summary**

(Parent company only)

(For the six months ended September 30, 2005 and 2006)

**1. The Board of Directors Meeting for Interim Financial Results**

(Parent company only)

(1) Date on which the meeting was held: October 25, 2006 (Wednesday)

(2) The matters resolved:

**(A) Unconsolidated (parent company) financial results for the first half**

(six months ended September 30, 2006) of the 83rd fiscal period as specified hereunder.

**(B) Interim cash dividend:****(a) JPY 30.00 per share of Common Stock****(b) Payment plans to commence on November 27, 2006 (Monday)****2. Financial Highlights**

(Parent company only)

|                            | Six months ended<br>Sep. 30, 2005 | Yen (millions)<br>Six months ended<br>Sep. 30, 2006 | Year ended<br>Mar. 31, 2006 |
|----------------------------|-----------------------------------|---|-----------------------------|
| Net sales                  | 1,803,782                         | <b>1,914,408</b>                                    | 3,757,087                   |
| Operating income           | 121,194                           | <b>91,358</b>                                       | 239,891                     |
| Ordinary income            | 157,211                           | <b>151,692</b>                                      | 321,925                     |
| Net income                 | 173,526                           | <b>127,295</b>                                      | 301,735                     |
|                            |                                   | Yen   | Yen                         |
| Net income per share       | 187.92                            | <b>69.68</b>  | 327.83                      |
| Interim dividend per share | 40.00                             | <b>30.00</b>  |                             |

**3. Financial forecast for the Fiscal Year Ending March 31, 2006**

(Parent company only)

|                  | Yen (millions)<br>Fiscal year ending<br>Mar. 31, 2007 |
|------------------|---|
| Net sales        | <b>4,010,000</b>                                      |
| Operating income | <b>200,000</b>  |
| Ordinary income  | <b>325,000</b>  |
| Net income       | <b>265,000</b>  |

|                                      | Yen           |
|--------------------------------------|---------------|
| The third quarter-end cash dividend  | <b>17.00</b>  |
| The fourth quarter-end cash dividend | <b>17.00</b>  |
| Net income per share                 | <b>145.31</b> |

- 40 -



**Table of Contents****[1] Unit Sales Breakdown**

(Parent company only)

|                       | Six months<br>ended | Unit (thousands)<br>Six months<br>ended | Year<br>ended |
|-----------------------|---------------------|---|---------------|
|                       | Sep. 30, 2005       | Sep. 30, 2006                           | Mar. 31, 2006 |
| <b>MOTORCYCLES</b>    |                     |   |               |
| Japan                 | 199                 | 187                                     | 369           |
| (motorcycles only)    | (199)               | (187)                                   | (369)         |
| Export                | 365                 | 356                                     | 740           |
| (motorcycles only)    | (211)               | (203)                                   | (435)         |
| Total                 | 564                 | 543                                     | 1,109         |
| (motorcycles only)    | (410)               | (390)                                   | (804)         |
| <b>AUTOMOBILES</b>    |                     |   |               |
| Japan                 | 357                 | 343                                     | 716           |
| (mini vehicles only)  | (117)               | (142)                                   | (248)         |
| Export                | 260                 | 316                                     | 561           |
| Total                 | 617                 | 659                                     | 1,278         |
| <b>POWER PRODUCTS</b> |                     |   |               |
| Japan                 | 236                 | 263                                     | 484           |
| Export                | 2,542               | 3,225                                   | 5,767         |
| Total                 | 2,779               | 3,488                                   | 6,251         |

**Table of Contents****[2] Net Sales Breakdown**

(Parent company only)

|                       | Yen (millions)   |                  | Year          |
|-----------------------|------------------|------------------|---------------|
|                       | Six months ended | Six months ended | ended         |
|                       | Sep. 30, 2005    | Sep. 30, 2006    | Mar. 31, 2006 |
| <b>MOTORCYCLES</b>    |                  |                  |               |
| Japan                 | 40,655           | <b>39,373</b>    | 74,862        |
| Export                | 190,107          | <b>186,082</b>   | 416,515       |
| Total                 | 230,762          | <b>225,456</b>   | 491,378       |
| <b>AUTOMOBILES</b>    |                  |                  |               |
| Japan                 | 553,036          | <b>511,836</b>   | 1,102,857     |
| Export                | 953,991          | <b>1,109,205</b> | 2,025,777     |
| Total                 | 1,507,028        | <b>1,621,041</b> | 3,128,634     |
| <b>POWER PRODUCTS</b> |                  |                  |               |
| Japan                 | 11,803           | <b>14,421</b>    | 27,395        |
| Export                | 54,189           | <b>53,488</b>    | 109,678       |
| Total                 | 65,992           | <b>67,910</b>    | 137,074       |
| <b>TOTAL</b>          |                  |                  |               |
| Japan                 | 605,494          | <b>565,631</b>   | 1,205,115     |
| Export                | 1,198,288        | <b>1,348,777</b> | 2,551,971     |
| Total                 | 1,803,782        | <b>1,914,408</b> | 3,757,087     |

Explanatory notes:

1. The summary unconsolidated financial information set forth above is derived from the complete unconsolidated financial information of the Company to be filed with the Securities and Exchange Commission on the Company's Form 6-K in December 2006.
2. Unconsolidated financial statements have been prepared on the basis of generally accepted accounting principles in Japan.
3. The unit sales and yen amounts described above are rounded down to the nearest one thousand units and one million yen, respectively.

**Table of Contents****[3] Unconsolidated Statements of Income**

(Parent company only)

|  | Yen(millions)    |                  | Year          |
|--|------------------|------------------|---------------|
|  | Six months ended | Six months ended | ended         |
|  | Sep. 30, 2005    | Sep. 30, 2006    | Mar. 31, 2006 |
| <b>Net sales</b>                             | 1,803,782        | <b>1,914,408</b> | 3,757,087     |
| Cost of sales                                | 1,203,733        | <b>1,303,278</b> | 2,507,847     |
| Selling, general and administrative expenses | 478,854          | <b>519,772</b>   | 1,009,348     |
| <b>Operating income</b>                      | 121,194          | <b>91,358</b>    | 239,891       |
| Non-operating income                         | 65,546           | <b>95,470</b>    | 145,429       |
| Non-operating expenses                       | 29,529           | <b>35,135</b>    | 63,394        |
| <b>Ordinary income</b>                       | 157,211          | <b>151,692</b>   | 321,925       |
| Extraordinary income                         | 92,372           | <b>5,289</b>     | 92,187        |
| Extraordinary loss                           | 3,869            | <b>3,130</b>     | 8,587         |
| <b>Income before income taxes</b>            | 245,714          | <b>153,851</b>   | 405,525       |
| <b>Income taxes</b>                          |                  |                  |               |
| Current                                      | 41,159           | <b>30,474</b>    | 94,409        |
| Deferred                                     | 31,027           | <b>(3,918)</b>   | 9,381         |
| <b>Net income</b>                            | 173,526          | <b>127,295</b>   | 301,735       |

Explanatory notes:

1. Research and development expenses amounted JPY 251,303 millions for the fiscal first half ended September, 2006 and JPY 225,266 millions for the fiscal first half ended September 30, 2005.
2. Extraordinary income in this fiscal first half ended September 30, 2005 and the fiscal year ended March 31, 2006 was mainly due to a JPY 91,541 million gain on the transfer of the benefit obligation of the substitutional portion of the Fund to the Japanese government.

**Table of Contents****[4] Unconsolidated Balance Sheets**

(Parent company only)

|   | Yen (millions)   |                  |               |
|---|------------------|------------------|---------------|
|   | Six months ended | Six months Ended | Year ended    |
|   | Sep. 30, 2005    | Sep. 30, 2006    | Mar. 31, 2006 |
| Current assets                                    | 1,026,505        | <b>1,095,386</b> | 1,119,392     |
| Fixed assets                                      | 1,330,579        | <b>1,429,504</b> | 1,405,931     |
| <b>Total assets</b>                               | 2,357,085        | <b>2,524,890</b> | 2,525,323     |
| Current liabilities                               | 584,542          | <b>622,749</b>   | 684,523       |
| Fixed liabilities                                 | 89,659           | <b>116,465</b>   | 105,962       |
| <b>Total liabilities</b>                          | 674,202          | <b>739,215</b>   | 790,486       |
| Common stock                                      | 86,067           |                  | 86,067        |
| Capital surplus                                   | 170,316          |                  | 170,313       |
| Retained earnings                                 | 1,413,625        |                  | 1,438,645     |
| Unrealized gains on securities available for sale | 54,567           |                  | 69,163        |
| Treasury stock                                    | (41,693)         |                  | (29,352)      |
| <b>Stockholders equity</b>                        | 1,682,882        |                  | 1,734,837     |
| <b>Total liabilities and stockholders equity</b>  | 2,357,085        |                  | 2,525,323     |
| Common stock                                      |                  | <b>86,067</b>    |               |
| Capital surplus                                   |                  | <b>170,313</b>   |               |
| Retained earnings                                 |                  | <b>1,510,869</b> |               |
| Treasury stock                                    |                  | <b>(41,171)</b>  |               |
| Difference of appreciation and conversion         |                  | <b>59,595</b>    |               |
| <b>Total net assets</b>                           |                  | <b>1,785,675</b> |               |
| <b>Total liabilities and net assets</b>           |                  | <b>2,524,890</b> |               |

Explanatory note:

The Company's unconsolidated balance sheet for the six month period ended September 30, 2006 is classified in assets, liabilities and net assets to conform with change in generally accepted accounting principles in Japan which is effective for the fiscal year ending after May 1, 2006.

**Table of Contents****[5] Unconsolidated Statements of Stockholders Equity**

(Parent company only)

|  | Stockholders equity |                    |                      |                   | Total<br>stockholders<br>equity | Difference of<br>appreciation and<br>conversion |                                      | Total net assets |
|--|---------------------|--------------------|----------------------|-------------------|---------------------------------|---|--------------------------------------|------------------|
|  | Common<br>stock     | Capital<br>surplus | Retained<br>earnings | Treasury<br>stock |                                 | Net<br>unrealized<br>gains on<br>securities     | Deferred<br>loss (gain)<br>on hedges |                  |
| Balance at March 31, 2006                | 86,067              | 170,313            | 1,438,645            | (29,352)          | 1,665,674                       | 69,163  |                                      | 1,734,837        |
| Changes of items during the period       |                     |                    |                      |                   |                                 |   |                                      |                  |
| Dividend from surplus                    |                     |                    | (54,784)             |                   | (54,784)                        |   |                                      | (54,784)         |
| Net income                               |                     |                    | 127,295              |                   | 127,295                         |   |                                      | 127,295          |
| Purchase of treasury stock               |                     |                    |                      | (30,700)          | (30,700)                        |   |                                      | (30,700)         |
| Reissuance of treasury stock             |                     |                    | (287)                | 18,881            | 18,593                          |   |                                      | 18,593           |
| others                                   |                     |                    |                      |                   |                                 | (9,509)   | (57)                                 | (9,567)          |
| Total changes of items during the period |                     |                    | 72,223               | (11,819)          | 60,404                          | (9,509)   | (57)                                 | 50,837           |
| Balance at September 30, 2006            | 86,067              | 170,313            | 1,510,869            | (41,171)          | 1,726,079                       | 59,653  | (57)                                 | 1,785,675        |

Explanatory note:

Number of treasury stock: Shares

Sep. 30,  
2006  
11,147,456

Mar. 31, 2006  
4,339,517

The Company did a two-for-one stock split for the Company's common stock effective July 1, 2006.

Number of treasury stock at September 30, 2005 and March 31, 2006 was based on the number of common shares before the stock split.

## **Table of Contents**

### **Management Policy**

Honda's business activities are based on fundamental corporate philosophies known as "Respect for the Individual" and "The Three Joys." "Respect for the Individual" defines Honda's relationship with its associates, business partners and society. It is based on sharing a commitment to initiative, equality and mutual trust among people. It is Honda's belief that everyone who comes into contact with Honda's activities will gain a sense of satisfaction through the experience of buying, selling or creating Honda's products and services. This philosophy is expressed as "The Three Joys." With these corporate philosophies as the foundation, Honda's business is guided by the following Company Principle:

Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality at a reasonable price for worldwide customer satisfaction. Honda actively works to share a sense of satisfaction with all of its customers as well as its shareholders, and to continue improving its corporate value.

### **Profit Redistribution Policy**

The Company strives to carry out its operations from a global perspective and to increase its corporate value. With respect to the redistribution of profits to our shareholders, which we consider to be one of the most important management issues, and its basic policy for dividends is to make distributions after taking into account its long-term consolidated earnings performance. The Company will also acquire its own shares at the optimal timing with the goal of improving efficiency of the Company's capital structure. The present goal is to maintain a shareholders return ratio (i.e. the ratio of the total of the dividend payment and the repurchase of company shares to consolidated net income) of approximately 30%. Retained earnings will be allocated toward financing R&D activities that are essential for the future growth of the Company and capital expenditures and investment programs that will expand its operations for the purpose of improving business results and strengthening the Company's financial condition.

The Company plans to implement quarterly cash dividend payments in order to enable more flexible return to our shareholders.

The Company will continue striving to meet the expectations of all shareholders.

## **Table of Contents**

### **Preparing for the Future**

As for the global economy, there are concerns of the slowdown in the U.S. economy, and its impact on the global business environment, but the U.S. and Asian economies are expected to grow steadily, and Japan and Europe are also expected to maintain their moderate economic recovery. However, the global environment in which Honda's management operates still lacks transparency because of global political and economic uncertainty, fluctuations in oil and raw material prices, and currency movements. As a result, we expect to see continued severe situations.

It is under these circumstances that Honda will strengthen its corporate structure quickly and flexibly to meet the requirements of our customers and society and the changes in its business environment. Also, in order to improve the competitiveness of its products, Honda will endeavor to enhance its R&D, production and sales ability. Furthermore, Honda will continue striving to earn even more trust and understanding from society through Companywide activities. Honda recognizes that further enhancing the following specific areas is essential to its success:

#### 1. Research and Development

Along with efforts to develop even more effective safety and environmental technologies, Honda will enhance the creativity in its advanced technology and products, and will create and swiftly introduce new value-added products that meet specific needs in various markets around the world. Honda will also continue efforts in the research of future technologies, including the advancement of advanced humanoid robots and compact business jets and their engines.

#### 2. Production Efficiency

Honda will establish efficient and flexible production systems and expand production capacity at its global production bases, with the aim of increasing its capability of supplying high-quality products.

#### 3. Sales Efficiency

Honda will continue to make efforts to expand product lines through the innovative use of IT and to upgrade sales and service structure, in order to respond to the various needs of its customers around the world.

#### 4. Product Quality

Responding to increasing customers' demand, Honda will upgrade its quality control through enhancing the functions of and coordination among the development, purchasing, production, sales and service departments.

## **Table of Contents**

### 5. Safety Technologies

Honda will develop safety technologies for accident prediction and prevention, technologies to reduce injuries to passengers and pedestrians from car accidents, and technologies for reducing aggressivity, as well as expand its line-up of products incorporating such technologies. Honda intends to enhance its contribution to traffic safety in motorized societies both in Japan and in abroad. Honda also intends to remain active in a variety of traffic safety programs, including advanced driving and motorcycling training schemes provided by local dealerships.

### 6. The Environment

Honda will step up its efforts to create better, clean, fuel-efficient engine technologies and to improve further the recyclability throughout its product lines. Honda will also advance alternative fuel technologies, including fuel cells and solar cells. In addition, Honda will continue its efforts to minimize environmental impact, such as setting global targets to reduce the environmental burden as measured by the Life Cycle Assessment\*, in all of its business fields, including production, logistics and sales.

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\* Life Cycle Assessment: A comprehensive system for quantifying the impact Honda's products have on the environment at the different stages in their life cycles, from material procurement and energy consumption to waste disposal.

### 7. Continuing to Increase Society's Trust in and Understanding toward Honda

In addition to continuing to provide products incorporating Honda's advanced safety and environmental technologies, Honda will continue striving to earn even more trust and understanding from society by, among other things, undertaking activities for corporate governance, compliance, and risk management and contributing to society.

Through these Companywide activities, we will strive to materialize Honda's visions of Value Creation (Creating New Value for our Customers), Glocalization (Expanding Regional Operations), and Commitment for the Future (Developing Safety and Environmental Solutions), with the aim of sharing joy with Honda's customers, thus becoming a company that society wants to exist.