

Second Quarter Report
Period Ended September 30, 2006

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2007 Acura MDX

HONDA
The Power of Dreams

Consolidated Financial Summary

Financial Highlights

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

	Yen (millions)				U.S. dollar (millions)	
	Three months ended		Six months ended		Three months ended	Six months ended
	Sep. 30, 2005	Sep. 30, 2006	Sep. 30, 2005	Sep. 30, 2006	Sep. 30, 2006	Sep. 30, 2006
Net sales and other operating revenue.....	¥2,337,670	¥2,630,874	¥4,602,249	¥5,230,598	\$22,314	\$44,365
Operating income.....	162,694	193,024	333,087	396,545	1,637	3,363
Income before income taxes and equity in income of affiliates.....	169,392	158,888	313,700	345,872	1,348	2,934
Net income	133,708	127,909	244,374	271,311	1,085	2,301
	Yen				U.S. dollar	
Basic net income per						
Common share	¥72.45	¥70.05	¥132.32	¥148.52	\$0.59	\$1.26
American depositary share.....	72.45	70.05	132.32	148.52	0.59	1.26

Unit Sales Breakdown

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

Explanatory notes:

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

Net Sales Breakdown

	Yen (millions)											
	Three months ended				Six months ended							
	Sep. 30, 2005		Sep. 30, 2006		Sep. 30, 2005		Sep. 30, 2006					
MOTORCYCLE BUSINESS												
Japan	¥	27,052	(9.4%)	¥	25,970	(7.7%)	¥	53,584	(9.7%)	¥	52,846	(8.2%)
North America		78,123	(27.1%)		83,120	(24.8%)		129,212	(23.5%)		139,483	(21.6%)
Europe		42,099	(14.6%)		41,705	(12.4%)		108,477	(19.7%)		106,714	(16.5%)
Asia		74,980	(26.1%)		95,303	(28.4%)		150,275	(27.3%)		178,273	(27.6%)
Other Regions		65,501	(22.8%)		89,402	(26.7%)		109,394	(19.8%)		168,330	(26.1%)
Total		287,755	(100.0%)		335,500	(100.0%)		550,942	(100.0%)		645,646	(100.0%)
AUTOMOBILE BUSINESS												
Japan		383,840	(20.3%)		357,086	(17.0%)		728,142	(19.5%)		686,984	(16.4%)
North America		1,056,463	(55.8%)		1,176,651	(56.1%)		2,127,720	(56.9%)		2,433,068	(58.0%)
Europe		175,166	(9.3%)		216,500	(10.3%)		343,209	(9.2%)		407,388	(9.7%)
Asia		185,528	(9.8%)		225,100	(10.7%)		360,274	(9.6%)		425,564	(10.1%)
Other Regions		91,662	(4.8%)		123,493	(5.9%)		179,285	(4.8%)		241,432	(5.8%)
Total		1,892,659	(100.0%)		2,098,830	(100.0%)		3,738,630	(100.0%)		4,194,436	(100.0%)
FINANCIAL SERVICES BUSINESS												
Japan		5,415	(7.2%)		5,365	(5.5%)		10,529	(7.3%)		10,772	(5.7%)
North America		65,674	(87.6%)		86,958	(88.7%)		125,315	(87.2%)		166,114	(88.3%)
Europe		2,070	(2.8%)		3,153	(3.2%)		4,541	(3.2%)		5,948	(3.2%)
Asia		470	(0.6%)		692	(0.7%)		905	(0.6%)		1,318	(0.7%)
Other Regions		1,377	(1.8%)		1,884	(1.9%)		2,469	(1.7%)		3,888	(2.1%)
Total		75,006	(100.0%)		98,052	(100.0%)		143,759	(100.0%)		188,040	(100.0%)
POWER PRODUCT & OTHER BUSINESSES												
Japan		29,957	(36.4%)		38,768	(39.4%)		58,126	(34.4%)		72,679	(35.9%)
North America		29,715	(36.1%)		29,740	(30.2%)		60,642	(35.9%)		67,197	(33.2%)
Europe		12,251	(14.9%)		16,160	(16.4%)		30,345	(18.0%)		36,825	(18.2%)
Asia		6,060	(7.4%)		8,723	(8.8%)		11,820	(7.0%)		16,679	(8.2%)
Other Regions		4,267	(5.2%)		5,101	(5.2%)		7,985	(4.7%)		9,096	(4.5%)
Total		82,250	(100.0%)		98,492	(100.0%)		168,918	(100.0%)		202,476	(100.0%)
TOTAL												
Japan		446,264	(19.1%)		427,189	(16.2%)		850,381	(18.5%)		823,281	(15.7%)
North America		1,229,975	(52.6%)		1,376,469	(52.3%)		2,442,889	(53.1%)		2,805,862	(53.6%)
Europe		231,586	(9.9%)		277,518	(10.5%)		486,572	(10.6%)		556,875	(10.6%)
Asia		267,038	(11.4%)		329,818	(12.5%)		523,274	(11.4%)		621,834	(11.9%)
Other Regions		162,807	(7.0%)		219,880	(8.5%)		299,133	(6.4%)		422,746	(8.2%)
Total		¥2,337,670	(100.0%)		¥2,630,874	(100.0%)		¥4,602,249	(100.0%)		¥5,230,598	(100.0%)

Explanatory notes:

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

To Our Shareholders

■ 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.

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 corre-

sponding 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.

*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.

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.

■ 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 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	—

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.

■ 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.

■ 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.

November 2006



Takeo Fukui
President and Chief Executive Officer

North America

■ All-New 2007 Acura MDX Goes on Sale

The all-new 2007 *Acura MDX* debuted in October 17, 2006.

The completely redesigned 2007 *MDX* expands on the capabilities - and the appeal - of its highly successful predecessor.

With substantial advances in power, handling, traction, luxury, and style, the *MDX* pushes performance and sophistication in the luxury SUV segment to new heights.

The largest and most powerful V-6 engine in Acura history gives the *MDX* class-leading power and excellent fuel economy while Super Handling All-Wheel Drive™ (SH-AWD™) offers all-weather traction coupled with exceptional steering response and cornering prowess.

<http://hondanews.com/CatID3025?mid=2006090870833&mime=asc>

■ All-New 2007 Honda CR-V Goes on Sale

The all-new 2007 *Honda CR-V* debuted in September 29, 2006.

The all-new *CR-V* features a sophisticated interior design that delivers near-luxury style along with improved refinement and a more powerful and efficient 166-horsepower, 2.4-liter, 4 cylinder engine. As part of Honda's industry leading "Safety for Everyone" initiative, all Honda light trucks, including the *CR-V*, are equipped with a Vehicle Stability Assist™ (VSA™) system and a comprehensive list of standard safety features.

Worldwide, the *CR-V* is built in seven countries at eight factories, and for the first time it will be assembled using domestic and globally-sourced parts in North America at Honda of America Manufacturing in the East Liberty Plant (Ohio). A truly global product for Honda, the *CR-V* is sold in 160 countries in North America, Europe, Asia, South America and Africa.

<http://hondanews.com/CatID2031?mid=2006092828885&mime=asc>

■ HondaJet Goes on Sale at National Business Aviation Association Convention

HondaJet, an innovative advanced light jet, went on sale for the first time at the National Business Aviation (NBAA) annual meeting and convention, October 17-19 in Orlando, Florida. HondaJet features several innovations that help it achieve far

better fuel efficiency, larger cabin and luggage space and higher cruise speed than conventional aircrafts in its class.

Innovations include a patented over-the-wing engine mount, a natural-laminar flow (NLF) wing and fuselage nose, and an advanced all-composite fuselage structure.



HondaJet

<http://www.world.honda.com/news/2006/c060927HondaJetNBAA/>

Japan

■ Honda Unveils Next-Generation Power Plant Technologies

Honda unveiled a key element of its global initiative to reduce CO₂ emissions: next generation power plant technologies.

These include, for:

Automobiles

- Next-Generation Diesel Engine
- Fuel Cell-Powered Vehicle
- Flexible Fuel Vehicle (FFV)
- Advanced Gasoline Engine

Motorcycles

- Variable Cylinder Management (VCM)
- Ultra-Low Friction Engine

Power Products

- Advanced Engine Management
- High-Expansion-Ration Engine

In addition to new advances in power plant technologies, Honda is engaged in CO₂ reduction initiatives relating to fuel production, including research on the production of ethanol using new biotechnology, as well as solar cells and the Home Energy Station (HES), a comprehensive system designed to meet home energy needs by supplying electricity and heat in addition to hydrogen fuel for vehicles.

<http://www.world.honda.com/news/2006/c060925PowerPlantTechnologies/>

■ Honda Develops Next-Generation Clean Diesel Engine

Honda has developed a next-generation diesel engine that reduces exhaust gas emissions to a level equal to a gasoline engine. Honda's next-generation diesel engine employs a revolutionary nitrogen oxide (NOx) catalytic converter that uses the reductive reaction of ammonia generated within the catalytic converter to 'detoxify' NOx by turning it into harmless nitrogen (N₂). This meets stringent US Environmental protection Agency Tier2 BIN5 emissions requirements. Honda plans to introduce its next-generation diesel engine in the US within three years.

<http://www.world.honda.com/news/2006/c060925DieselEngine/>

■ Honda Demonstrates the FCX Concept Vehicle —Fully functional Next-Generation Fuel Cell makes its driving debut—

On September 25 in Japan, Honda held a demonstration drive of the next-generation FCX Concept fuel cell vehicle. In order to meet Honda's objectives for significant gains in both environmental and driving performance,



Honda FCX Concept

the FCX Concept is equipped with a V Flow fuel cell platform. This V flow fuel cell platform consists of: Vertical gas flow (downward flow of hydrogen), Vertebral layout (centre-tunnel layout), and Volume-efficient (highly efficient packaging). The innovative centre-tunnel layout has allowed designers to create an elegant, low-riding, sedan form that would have been difficult to achieve in a conventional fuel cell vehicle. Overall, the new fuel cell stack is 20% smaller and 30% lighter than the current FCX FC Stack, yet its power output is 14kW greater. The vehicle is also highly efficient, with an energy efficiency of around 60%—approximately three times that of a gasoline-engine vehicle, twice that of a hybrid vehicle, and 10% better than the current FCX. Limited marketing of a totally new fuel cell vehicle based on this concept model is to begin in 2008 in Japan and the U.S.

<http://www.world.honda.com/news/2006/4060925FCXConcept/>

■ Honda Develops Flexible Fuel Vehicle (FFV) System

Honda has developed a new flexible fuel vehicle (FFV) system that enables gasoline engine-based power plants to operate on either 100% ethanol or a wide range of ethanol-gasoline fuel mixtures. Bio-ethanol fuel, as used in Brazil and other countries, is made from plant sources such as sugar cane. As plants absorb CO₂ via photosynthesis, the amount of CO₂ released into the atmosphere from burning bio-ethanol does not increase atmospheric CO₂. Honda plan to begin sales of FFVs in Brazil at the end of 2006.

<http://www.hondanews.eu/en/index.pmode/modul|detail|0|610,DEFAULT|21|text|1/index.pmode>

■ Honda Develops Advanced VTEC Engine

Further advances in VTEC (Variable Valve Timing and Lift Electronic Control System) technology have helped Honda develop an Advanced VTEC engine, which achieves high performance along with outstanding fuel economy and lower emissions. Honda plans to release a vehicle equipped with the new engine within three years. This new system permits optimum control over intake valve lift and phase in response to driving conditions, achieving improved charging efficiency for a significant increase in torque at all engine speeds.

<http://www.world.honda.com/news/2006/4060925VTEC/>

Europe

■ Honda to Increase UK Production

Honda intends to increase its rate of production at its European auto manufacturing plant in Swindon, UK, to a quarter of a million units per year within 2007. In order to meet this increase, Honda of the UK Manufacturing Ltd, (HUM) plans to add 700 new jobs. The HUM plant will be operating at full capacity and this requirement for extra production is resulting mainly from the unprecedented demand in Europe for the all-new Civic 5-door and 3-door models, which are manufactured exclusively by HUM. The all-new Honda CR-V will also be built in Swindon to supply the European region from January 2007.

<http://www.world.honda.com/news/2006/c060928UKProduction/>

Asia

■ Acura Brand Begins Sales in China

Acura brand automobiles went on sale in China, the first expansion of the Acura brand outside North America. Initial models offered in China are the *Acura RL* and *TL*, luxury performance sedans, with an annual sales plan of 3,000 units in the first full year. Honda Motor (China) Investment Co., Ltd. a wholly-owned Honda subsidiary in China, is importing Acura products and marketing them through a dedicated Acura network. The first Acura dealership has opened in Shenzhen in Guangdong Province, with plans to open ten dealers throughout China within the next twelve months.

<http://www.world.honda.com/news/2006/c060927AcuraBrandBegins/>

■ Honda Begins Automobile Operations in Vietnam

Honda has opened a new automobile plant in Hanoi, Vietnam, as it commences the production and launch of the new *Civic*. The plant will handle the welding, painting and assembly of complete vehicles; engine assembly will also be conducted at the plant, a first in Vietnam. The new plant has a capacity of 10,000 units and directly employs 250 associates with an expected total of more than 700 new jobs including dealers and parts suppliers. The automobile market in Vietnam is still in its infancy; however, Honda envisions market growth in line with the expected growth of the country's economy.

<http://www.world.honda.com/news/2006/c060824AutomobileOperations/>

■ Second Guangzhou Honda Auto Plant in China to Begin Operation

Guangzhou Honda Automobile Co., Ltd. (GHAC) has started production at its second automobile plant, the new ZengCheng plant in Guangzhou City, Guangdong province, China. With an annual production capacity of 120,000 units, the new plant increases Guangzhou Honda's total production capacity to 360,000 units.

For the ZengCheng plant, Honda's most advanced, high quality and highly efficient production line was achieved with a new layout designed by integrating production know-how from the HuangPu plant, with Honda's New Manufacturing

System, and "green factory" concept, which focuses attention on both the environment and ergonomic conditions in the workplace.

The new plant's environmentally-friendly features include the world's first auto plant with a "complete water recycling system" resulting in no water releases outside the factory. This recycling system is expected to save 170,000 ton/year water. New paint processes have helped reduce releases of volatile organic compounds (VOCs) to 20g/m², the world's lowest level, through use of water-based paints for both the undercoat and intermediate coat, and adopting automated processes to improve painting efficiency.



Guangzhou Honda ZengCheng Plant
<http://www.world.honda.com/news/2006/c060919SecondGuangzhouHonda/>

Consolidated Balance Sheets

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

	Yen (millions)		
	Sep. 30, 2005	Mar. 31, 2006	Sep. 30, 2006
Assets			
Current assets:			
Cash and cash equivalents	¥ 731,199	¥ 747,327	¥ 792,489
Trade accounts and notes receivable	672,160	963,320	796,245
Finance subsidiaries-receivables, net	1,214,243	1,230,912	1,471,967
Inventories	941,161	1,036,304	1,109,412
Deferred income taxes.....	225,255	198,033	198,848
Other current assets	372,583	450,002	469,075
Total current assets	<u>4,156,601</u>	<u>4,625,898</u>	<u>4,838,036</u>
Finance subsidiaries-receivables, net	2,909,017	2,982,425	3,290,975
Investments and advances:			
Investments in and advances to affiliates.....	377,682	408,993	426,029
Other, including marketable equity securities.....	310,285	298,460	250,095
Total investments and advances	<u>687,967</u>	<u>707,453</u>	<u>676,124</u>
Property, plant and equipment, at cost:			
Land	370,472	384,447	402,338
Buildings	1,062,707	1,149,517	1,217,806
Machinery and equipment.....	2,341,808	2,562,507	2,700,806
Construction in progress.....	153,614	115,818	201,600
	<u>3,928,601</u>	<u>4,212,289</u>	<u>4,522,550</u>
Less accumulated depreciation and amortization.....	2,270,024	2,397,022	2,548,790
Net property, plant and equipment	<u>1,658,577</u>	<u>1,815,267</u>	<u>1,973,760</u>
Other assets	470,517	440,638	423,562
Total assets	<u>¥9,882,679</u>	<u>¥10,571,681</u>	<u>¥11,202,457</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term debt	¥ 725,771	¥ 693,557	¥ 1,221,228
Current portion of long-term debt	567,250	657,645	749,127
Trade payables:			
Notes.....	24,684	31,698	26,890
Accounts.....	931,950	1,099,902	1,031,255
Accrued expenses.....	947,571	930,115	951,445
Income taxes payable.....	80,505	110,160	62,644
Other current liabilities	435,155	466,332	481,845
Total current liabilities	<u>3,712,886</u>	<u>3,989,409</u>	<u>4,524,434</u>
Long-term debt, excluding current portion	1,800,814	1,879,000	1,745,205
Other liabilities	742,313	577,522	576,037
Total liabilities	<u>6,256,013</u>	<u>6,445,931</u>	<u>6,845,676</u>
Stockholders' equity:			
Common stock.....	86,067	86,067	86,067
Capital surplus.....	172,531	172,529	172,529
Legal reserves	35,516	35,811	37,332
Retained earnings	4,018,709	4,267,886	4,482,612
Accumulated other comprehensive income (loss), net.....	(644,464)	(407,187)	(387,749)
Treasury stock.....	(41,693)	(29,356)	(34,010)
Total stockholders' equity	<u>3,626,666</u>	<u>4,125,750</u>	<u>4,356,781</u>
Total liabilities and stockholders' equity	<u>¥9,882,679</u>	<u>¥10,571,681</u>	<u>¥11,202,457</u>

Consolidated Statements of Income

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

	Yen (millions)			
	Three months ended		Six months ended	
	Sep. 30, 2005	Sep. 30, 2006	Sep. 30, 2005	Sep. 30, 2006
Net sales and other operating revenue	¥2,337,670	¥2,630,874	¥4,602,249	¥5,230,598
Operating costs and expenses:				
Cost of sales	1,644,719	1,884,533	3,235,849	3,745,799
Selling, general and administrative	405,797	424,686	786,273	843,308
Research and development	124,460	128,631	247,040	244,946
Operating income	162,694	193,024	333,087	396,545
Other income:				
Interest	4,565	9,991	9,926	20,125
Other	18,580	4,308	4,516	5,334
Other expenses:				
Interest	3,003	2,944	6,737	6,682
Other	13,444	45,491	27,092	69,450
Income before income taxes and equity in income of affiliates	169,392	158,888	313,700	345,872
Income tax (benefit) expense:				
Current	88,310	67,311	149,531	134,444
Deferred	(26,562)	(8,890)	(32,998)	(2,248)
Income before equity in income of affiliates	107,644	100,467	197,167	213,676
Equity in income of affiliates	26,064	27,442	47,207	57,635
Net income	<u>133,708</u>	<u>127,909</u>	<u>244,374</u>	<u>271,311</u>
	Yen			
Basic net income per				
Common share	¥72.45	¥70.05	¥132.32	¥148.52
American depositary share.....	72.45	70.05	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.

Consolidated Statements of Stockholders' Equity

Honda Motor Co., Ltd. and Subsidiaries
For the six months ended September 30, 2005 and 2006

	Yen (millions)						Total stockholders' equity
	Common stock	Capital surplus	Legal reserves	Retained earnings	Accumulated other comprehensive income (loss), net	Treasury stock	
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, net of tax							
Adjustments from foreign currency translation					135,039		135,039
Unrealized gains (losses) on marketable equity securities:							
Unrealized holding gains (losses) arising during the period ...					14,862		14,862
Reclassification adjustments for losses (gains) realized in net income					(464)		(464)
Unrealized gains (losses) on derivative instruments:							
Unrealized holding gains (losses) arising during the period							—
Reclassification adjustments for losses (gains) realized in net income							—
Minimum pension liabilities adjustment					33		33
Total comprehensive income for the period							393,844
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

	Yen (millions)						Total stockholders' equity
	Common stock	Capital surplus	Legal reserves	Retained earnings	Accumulated other comprehensive income (loss), net	Treasury stock	
Balance at March 31, 2006	86,067	172,529	35,811	4,267,886	(407,187)	(29,356)	4,125,750
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, net of tax							
Adjustments from foreign currency translation					29,277		29,277
Unrealized gains (losses) on marketable equity securities:							
Unrealized holding gains (losses) arising during the period ...					(7,667)		(7,667)
Reclassification adjustments for losses (gains) realized in net income					(2,155)		(2,155)
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

Consolidated Statements of Cash Flows

Honda Motor Co., Ltd. and Subsidiaries
For the six months ended September 30, 2005 and 2006

	Yen (millions)	
	Sep. 30, 2005	Six months ended Sep. 30, 2006
Cash flows from operating activities:		
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)
Net cash provided by operating activities.....	<u>320,497</u>	<u>454,961</u>
Cash flows from investing activities:		
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
Net cash used in investing activities.....	<u>(452,280)</u>	<u>(769,534)</u>
Cash flows from financing activities:		
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)
Net cash provided by financing activities.....	<u>66,713</u>	<u>350,253</u>
Effect of exchange rate changes on cash and cash equivalents.....	<u>22,731</u>	<u>9,482</u>
Net change in cash and cash equivalents.....	<u>(42,339)</u>	<u>45,162</u>
Cash and cash equivalents at beginning of period.....	<u>773,538</u>	<u>747,327</u>
Cash and cash equivalents at end of period.....	<u>¥ 731,199</u>	<u>¥ 792,489</u>

Consolidated Balance Sheets

Divided into Non-financial Services Businesses and Finance Subsidiaries

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

	Yen (millions)		
	Sep. 30, 2005	Mar. 31, 2006	Sep. 30, 2006
Assets			
Non-financial services businesses			
Current assets.....	¥3,424,259	¥ 3,788,184	¥ 3,792,348
Cash and cash equivalents.....	716,423	727,735	775,508
Trade accounts and notes receivable.....	354,691	504,101	405,296
Inventories.....	941,161	1,036,304	1,109,412
Other current assets.....	1,411,984	1,520,044	1,502,132
Investment and advances.....	918,449	955,338	938,542
Property, plant and equipment, at cost.....	1,638,776	1,795,173	1,953,622
Other assets.....	269,447	225,575	213,910
Total assets.....	<u>6,250,931</u>	<u>6,764,270</u>	<u>6,898,422</u>
Finance subsidiaries			
Cash and cash equivalents.....	14,776	19,592	16,981
Finance subsidiaries—short-term receivables, net.....	1,224,132	1,240,581	1,487,841
Finance subsidiaries—long-term receivables, net.....	2,909,368	2,982,832	3,291,803
Other assets.....	594,178	765,053	716,854
Total assets.....	<u>4,742,454</u>	<u>5,008,058</u>	<u>5,513,479</u>
Eliminations.....	(1,110,706)	(1,200,647)	(1,209,444)
Total assets	<u>9,882,679</u>	<u>10,571,681</u>	<u>11,202,457</u>
Liabilities and Stockholders' Equity			
Non-financial services businesses			
Current liabilities.....	2,159,864	2,355,999	2,289,121
Short-term debt.....	170,778	171,122	152,266
Current portion of long-term debt.....	4,860	9,138	12,507
Trade payables.....	965,548	1,144,159	1,079,992
Accrued expenses.....	797,122	763,879	798,979
Other current liabilities.....	221,556	267,701	245,377
Long-term debt, excluding current portion.....	20,720	34,396	29,365
Other liabilities.....	736,352	575,034	574,483
Total liabilities.....	<u>2,916,936</u>	<u>2,965,429</u>	<u>2,892,969</u>
Finance subsidiaries			
Short-term debt.....	1,350,383	1,369,177	1,896,449
Current portion of long-term debt.....	562,470	653,276	741,568
Accrued expenses.....	160,779	181,140	166,198
Long-term debt, excluding current portion.....	1,796,945	1,858,362	1,730,114
Other liabilities.....	364,740	392,316	390,423
Total liabilities.....	<u>4,235,317</u>	<u>4,454,271</u>	<u>4,924,752</u>
Eliminations.....	(896,240)	(973,769)	(972,045)
Total liabilities	<u>6,256,013</u>	<u>6,445,931</u>	<u>6,845,676</u>
Common stock.....	86,067	86,067	86,067
Capital surplus.....	172,531	172,529	172,529
Legal reserves.....	35,516	35,811	37,332
Retained earnings.....	4,018,709	4,267,886	4,482,612
Accumulated other comprehensive income (loss).....	(644,464)	(407,187)	(387,749)
Treasury stock.....	(41,693)	(29,356)	(34,010)
Total stockholders' equity	<u>3,626,666</u>	<u>4,125,750</u>	<u>4,356,781</u>
Total liabilities and stockholders' equity	<u>¥9,882,679</u>	<u>¥10,571,681</u>	<u>¥11,202,457</u>

Consolidated Statements of Cash Flows

Divided into Non-financial Services Businesses and Finance Subsidiaries

Honda Motor Co., Ltd. and Subsidiaries
For the six months ended September 30, 2006

	Yen (millions)			
	Non-financial services businesses	Finance subsidiaries	Elimination among subsidiaries	Total
Cash flows from operating activities:				
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.....	<u>392,178</u>	<u>71,717</u>	<u>(8,934)</u>	<u>454,961</u>
Cash flows from investing activities:				
*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.....	<u>(241,798)</u>	<u>(513,258)</u>	<u>(14,478)</u>	<u>(769,534)</u>
Cash flows from financing activities:				
*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.....	<u>(111,712)</u>	<u>438,553</u>	<u>23,412</u>	<u>350,253</u>
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:

- 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.
- 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.

Segment Information

Business Segment Information

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 Business	Automobile Business	Financial Services Business	Power Product & Other 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

For the six months ended September 30, 2005

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Total	Corporate Assets and 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

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Total	Corporate Assets and 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.
3. Principal products and services, and functions of each segment are as follows:

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

Geographical Segment Information

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	

For the Six months ended September 30, 2005

	Yen (millions)							Corporate Assets and Eliminations	Consolidated
	Japan	North 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 Assets and Eliminations	Consolidated
	Japan	North 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
- Intersegment sales and revenues are generally made at values that approximate arm's-length prices.
- 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.

Overseas Sales and Revenues

For the three months ended September 30, 2005

	Yen (millions)				
	North America	Europe	Asia	Others	Total
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)				
	North America	Europe	Asia	Others	Total
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%

For the six months ended September 30, 2005

	Yen (millions)				
	North America	Europe	Asia	Others	Total
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)				
	North America	Europe	Asia	Others	Total
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:

- 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

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=€1. The average exchange rates for the corresponding period last year were ¥111.28=U.S.\$1 and ¥135.72=€1. The average exchange rates for the fiscal first half ended September 30, 2006 were ¥115.38=U.S.\$1 and ¥145.97=€1 as compared with ¥109.48=U.S.\$1 and ¥135.65=€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 depository, JPMorgan Chase Bank, and the first trading date with the new ratio was Monday, July 3, 2006.
8. Minority interests in net assets and income are not significant and, accordingly, are not presented separately in the accompanying consolidated balance sheets and statements of income. The amount of minority interest recognized in earnings, included in "Other expenses: Other," for the fiscal first 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.
14. The allowance for credit losses for finance-subsiaries 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.

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

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

	Yen (millions)		
	Sep. 30, 2005	Mar. 31, 2006	Sep. 30, 2006
Property, plant and equipment	¥ 6,657	¥22,592	¥34,732
Finance subsidiary pledged as collateral finance subsidiaries-receivables	15,153	8,993	4,569

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)		
	Sep. 30, 2005	Mar. 31, 2006	Sep. 30, 2006
Bank loans of employees for their housing costs.....	¥50,689	¥46,737	¥43,585

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, 2006	Sep. 30, 2006
917,414,215	1,834,828,430

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.

Mar. 31, 2006	Sep. 30, 2006
4,340,000	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.

Shareholders' Register Manager for Common Stock

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

Depository and Transfer Agent for American Depositary Receipts

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

Stock Exchange Listings

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

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

Total Number of Shares Issued

1,834,828,430 shares (Common Stock)

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[English] <http://world.honda.com/investors/>