HONDA MOTOR CO LTD
Form 6-K
November 08, 2012
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No.1-7628

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF October 2012

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 x Form 40-F ¨

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

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

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Exhibit 1:

On October 29, 2012, Honda Motor Co., Ltd. announced its consolidated financial results for the fiscal second quarter ended September 30, 2012.

Exhibit 2:

Honda Motor Co., Ltd. revised its forecasts for consolidated and unconsolidated financial results of the fiscal year ending March 31, 2013 that were announced on April 27, 2012.

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

HONDA GIKEN KOGYO KABUSHIKI KAISHA
(HONDA MOTOR CO., LTD.)

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

Date: November 8, 2012

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October 29, 2012

HONDA MOTOR CO., LTD. REPORTS

CONSOLIDATED FINANCIAL RESULTS

FOR THE FISCAL SECOND QUARTER ENDED SEPTEMBER 30, 2012

Tokyo, October 29, 2012   Honda Motor Co., Ltd. today announced its consolidated financial results for the fiscal second quarter ended September 30, 2012.

Second Quarter Results

Honda s consolidated net income attributable to Honda Motor Co., Ltd. for the fiscal second quarter ended September 30, 2012 totaled JPY 82.2 billion (USD 1,060 million), an increase of 36.1% from the same period last year. Basic net income attributable to Honda Motor Co., Ltd. per common share for the quarter amounted to JPY 45.63 (USD 0.59), an increase of JPY 12.10 (USD 0.16) from JPY 33.53 for the corresponding period last year. One Honda American Depository Share represents one common share.

Consolidated net sales and other operating revenue (herein referred to as revenue) for the quarter amounted to JPY 2,271.2 billion (USD 29,269 million), an increase of 20.4% from the same period last year, due primarily to increased revenue in automobile business operation as the production has recovered from the impacts of the Great East Japan Earthquake, despite unfavorable foreign currency translation effects.

Consolidated operating income for the quarter amounted to JPY 100.8 billion (USD 1,300 million), an increase of 92.1% from the same period last year, due primarily to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and R&D expenses and unfavorable foreign currency effects.

Consolidated income before income taxes and equity in income of affiliates for the quarter totaled JPY 106.2 billion (USD 1,369 million), an increase of 38.8% from the same period last year.

Equity in income of affiliates amounted to JPY 27.4 billion (USD 354 million) for the quarter, an increase of 76.7% from the corresponding period last year.

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Business Segment

Motorcycle Business

For the three months ended September 30, 2011 and 2012

Unit (Thousands)

	Honda Group Unit Sales				Consolidated Unit Sales			
	Three months ended Sep. 30, 2011	Three months ended Sep. 30, 2012	Change	%	Three months ended Sep. 30, 2011	Three months ended Sep. 30, 2012	Change	%
Motorcycle business	3,811	**3,879**	68	1.8	2,187	**2,377**	190	8.7
Japan	63	**57**	-6	-9.5	63	**57**	-6	-9.5
North America	53	**60**	7	13.2	53	**60**	7	13.2
Europe	47	**38**	-9	-19.1	47	**38**	-9	-19.1
Asia	3,102	**3,235**	133	4.3	1,478	**1,733**	255	17.3
Other Regions	546	**489**	-57	-10.4	546	**489**	-57	-10.4

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

With respect to Honda s sales for the fiscal second quarter by business segment, in motorcycle business operation, revenue from sales to external customers decreased 13.3%, to JPY 309.7 billion (USD 3,991 million) from the same period last year, due mainly to unfavorable foreign currency translation effects, despite of the increase of the consolidated unit sales. Operating income totaled JPY 25.4 billion (USD 327 million), a decrease of 34.8% from the same period last year, due primarily to decrease of the sales of the exported parts for production from Japan to overseas and unfavorable foreign currency effects, despite decreased SG&A expenses.

Automobile Business

For the three months ended September 30, 2011 and 2012

Unit (Thousands)

	Honda Group Unit Sales				Consolidated Unit Sales			
	Three months ended Sep. 30, 2011	Three months ended Sep. 30, 2012	Change	%	Three months ended Sep. 30, 2011	Three months ended Sep. 30, 2012	Change	%
Automobile business	678	**996**	318	46.9	571	**816**	245	42.9
Japan	133	**169**	36	27.1	131	**168**	37	28.2
North America	269	**404**	135	50.2	269	**404**	135	50.2
Europe	40	**44**	4	10.0	40	**44**	4	10.0
Asia	190	**301**	111	58.4	85	**122**	37	43.5
Other Regions	46	**78**	32	69.6	46	**78**	32	69.6

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries are accounted for as operating leases in conformity with U.S. generally accepted accounting principles and are not included in consolidated net sales to the external customers in our automobile business. As a result, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our automobile business.

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In automobile business operation, revenue from sales to external customers increased 32.5%, to JPY 1,766.2 billion (USD 22,760 million) from the same period last year due mainly to an increase in consolidated unit sales, despite unfavorable foreign currency translation effects. Operating income totaled JPY 37.1 billion (USD 479 million), an increase of JPY 66.2 billion (USD 854 million) from the same period last year, due primarily to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and R&D expenses, and unfavorable foreign currency effects.

Financial Services Business

Revenue from customers in the financial services business increased 3.1%, to JPY 130.4 billion (USD 1,680 million) from the same period last year. Operating income decreased 10.6% to JPY 38.2 billion (USD 493 million) from the same period last year due mainly to increase of gross residual losses on leased vehicles.

Power Product and Other Businesses

For the three months ended September 30, 2011 and 2012

				Unit (Thousands)
	Honda Group Unit Sales/ Consolidated Unit Sales			
	Three months ended Sep. 30, 2011	Three months ended Sep. 30, 2012	Change	%
Power product business	1,276	**1,288**	12	0.9
Japan	115	**88**	-27	-23.5
North America	437	**436**	-1	-0.2
Europe	200	**150**	-50	-25.0
Asia	390	**462**	72	18.5
Other Regions	134	**152**	18	13.4

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. In power product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales for the three months ended September 30, 2011 and for the three months ended September 30, 2012, since no affiliate accounted for under the equity method was involved in the sale of Honda power products.

Revenue from sales to external customers in power product and other businesses decreased 5.9%, to JPY 64.9 billion (USD 837 million) from the same period last year, due mainly to decreased revenue in other businesses and the unfavorable foreign currency translation effects, despite increase in consolidated unit sales of power products.

Operating income increased by JPY 167 million (USD 2 million) to JPY 53 million (USD 1 million) from the same period last year due mainly to an increase in sales volume and model mix of power product, despite increased SG&A expenses and unfavorable foreign currency effects.

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Geographical Information

With respect to Honda s sales for the fiscal second quarter by geographic segment, in Japan, revenue from domestic and export sales amounted to JPY 925.0 billion (USD 11,921 million), an increase of 14.9% from the same period last year due mainly to increased revenue in the automobile business operation, despite decreased revenue in the motorcycle operation. Operating income totaled JPY 30.0 billion (USD 387 million), an increase of JPY 65.3 billion (USD 842 million) from the same period last year due mainly to an increase in sales volume and model mix, despite increased R&D expenses.

In North America, revenue increased by 32.8%, to JPY 1,054.7 billion (USD 13,592 million) from the same period last year due mainly to increased revenue in the automobile business operation. Operating income totaled JPY 26.7 billion (USD 345 million), a decrease of 43.9% from the same period last year due mainly to increased SG&A expenses, despite an increase in sales volume and model mix.

In Europe, revenue stayed the same level at JPY 144.5 billion (USD 1,863 million) from the same period last year due to unfavorable foreign currency translation effects, despite increased revenue in the automobile business operation. Honda reported an operating loss of JPY 8.7 billion (USD 112 million), a JPY 4.6 billion (USD 60 million) deterioration from the same period last year mainly due to increased SG&A expenses and unfavorable foreign currency effects, despite an increase in sales volume and model mix.

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In Asia, revenue increased by 32.3%, to JPY 539.4 billion (USD 6,952 million) from the same period last year mainly due to increased revenue in the automobile and motorcycle business operations, despite unfavorable foreign currency translation effects. Operating income increased by 66.5%, to JPY 36.4 billion (USD 469 million) from the same period last year due mainly to an increase in sales volume and model mix, despite unfavorable foreign currency effects.

In Other regions including South America, the Middle East, Africa and Oceania, revenue decreased by 6.0%, to JPY 229.6 billion (USD 2,960 billion) from the same period last year mainly due to decreased revenue in the motorcycle business operation and unfavorable foreign currency translation effects, despite increased revenue in automobile business operation. Operating income totaled JPY 10.5 billion (USD 136 million), a decrease of 54.3% from the same period last year mainly due to increased SG&A expenses and unfavorable foreign currency effects, despite an increase in sales volume and model mix.

Explanatory note

United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of JPY 77.60=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 30, 2012.

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First Half Year Results

Honda s consolidated net income attributable to Honda Motor Co., Ltd. for the fiscal first half year ended September 30, 2012 totaled JPY 213.9 billion, an increase of 132.0% from the same period last year. Basic net income attributable to Honda Motor Co., Ltd. per common share for the fiscal first half amounted to JPY 118.71, an increase of JPY 67.54 from JPY 51.17 for the corresponding period last year.

Consolidated net sales and other operating revenue for the period amounted to JPY 4,707.1 billion, an increase of 30.7% from the same period last year, due primarily to increased revenue in automobile business operation as the production has recovered from the impacts of the Great East Japan Earthquake, despite unfavorable foreign currency translation effects.

Consolidated operating income for the period amounted to JPY 276.8 billion, an increase of 268.7% from the same period last year, due primarily to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and R&D expenses, and unfavorable foreign currency effects.

Consolidated income before income taxes and equity in income of affiliates for the period totaled JPY 301.0 billion, an increase of 184.4% from the same period last year.

Equity in income of affiliates amounted to JPY 48.2 billion for the period, an increase of 9.1% from the corresponding period last year.

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Business Segment

Motorcycle Business

For the six months ended September 30, 2011 and 2012

Unit (Thousands)

	Honda Group Unit Sales				Consolidated Unit Sales			
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012	Change	%	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012	Change	%
Motorcycle business	7,288	**7,790**	502	6.9	4,136	**4,743**	607	14.7
Japan	115	**116**	1	0.9	115	**116**	1	0.9
North America	99	**119**	20	20.2	99	**119**	20	20.2
Europe	109	**98**	-11	-10.1	109	**98**	-11	-10.1
Asia	5,980	**6,520**	540	9.0	2,828	**3,473**	645	22.8
Other Regions	985	**937**	-48	-4.9	985	**937**	-48	-4.9

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

With respect to Honda s sales for the fiscal first half by business segment, in motorcycle business operation, revenue from sales to external customers decreased 4.6%, to JPY 656.3 billion from the same period last year, due mainly to unfavorable foreign currency translation effects, despite increased consolidated unit sales. Operating income totaled JPY 62.2 billion, a decrease of 25.8% from the same period last year, due primarily to unfavorable foreign currency effects, despite increase in sales volume and model mix.

Automobile Business

For the six months ended September 30, 2011 and 2012

Unit (Thousands)

	Honda Group Unit Sales				Consolidated Unit Sales			
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012	Change	%	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012	Change	%
Automobile business	1,303	**1,995**	692	53.1	1,029	**1,665**	636	61.8
Japan	225	**354**	129	57.3	222	**351**	129	58.1
North America	494	**854**	360	72.9	494	**854**	360	72.9
Europe	75	**83**	8	10.7	75	**83**	8	10.7
Asia	406	**563**	157	38.7	135	**236**	101	74.8
Other Regions	103	**141**	38	36.9	103	**141**	38	36.9

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries are accounted for as operating leases in conformity with U.S. generally accepted accounting principles and are not included in consolidated net sales to the external customers in our automobile business. As a result, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our automobile business.

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In automobile business operation, revenue from sales to external customers increased 45.7%, to JPY 3,656.7 billion from the same period last year due mainly to an increase in consolidated unit sales, despite unfavorable foreign currency translation effects. Operating income totaled JPY 137.7 billion, an increase of JPY 243.1 billion from the same period last year, due primarily to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and R&D expenses and unfavorable foreign currency effects.

Financial Services Business

Revenue from customers in the financial services business decreased 0.2%, to JPY 261.6 billion from the same period last year due mainly to the unfavorable foreign currency translation effects. Operating income decreased 18.0% to JPY 79.1 billion from the same period last year due mainly to increase in gross residual losses of leased vehicles, increased cost of credit risk and unfavorable foreign currency translation effects.

Power Product and Other Businesses

For the six months ended September 30, 2011 and 2012

				Unit (Thousands)
	Honda Group Unit Sales/ Consolidated Unit Sales			
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012	Change	%
Power product business	2,788	**2,913**	125	4.5
Japan	235	**170**	-65	-27.7
North America	1,014	**1,194**	180	17.8
Europe	507	**386**	-121	-23.9
Asia	789	**883**	94	11.9
Other Regions	243	**280**	37	15.2

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. In power product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales for the six months ended September 30, 2011 and for the six months ended September 30, 2012, since no affiliate accounted for under the equity method was involved in the sale of Honda power products.

Revenue from sales to external customers in power product and other businesses decreased 5.7%, to JPY 132.4 billion from the same period last year, due mainly to decreased revenue in other businesses and the unfavorable foreign currency translation effects, despite increase in consolidated unit sales of power products. Honda reported an operating loss of JPY 2.2 billion, a decrease of JPY 2.3 billion from the same period last year due mainly to increased SG&A expenses and unfavorable foreign currency effects.

Geographical Information

With respect to Honda s sales for the fiscal first half by geographic segment, in Japan, revenue from domestic and export sales amounted to JPY 1,931.7 billion, an increase of 35.0% from the same period last year due mainly to increased revenue in the automobile business operation. Operating income totaled JPY 91.0 billion, an increase of JPY 172.2 billion from the same period last year due mainly to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and R&D expenses.

In North America, revenue increased by 48.5%, to JPY 2,269.4 billion from the same period last year due mainly to increased revenue in the automobile business operation. Operating income totaled JPY 108.9 billion, an increase of 64.6% from the same period last year due mainly to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and unfavorable foreign currency effects.

In Europe, revenue decreased by 1.0%, to JPY 292.4 billion from the same period last year mainly due to unfavorable foreign currency translation effects, despite increased revenue in automobile business operation. Honda reported an operating loss of JPY 16.3 billion, a JPY 6.2 billion deterioration from the same period last year mainly due to increased SG&A expenses and unfavorable foreign currency effects, despite an increase in sales volume and model mix.

In Asia, revenue increased by 34.7%, to JPY 1,052.2 billion from the same period last year mainly due to increased revenue in the automobile and motorcycle business operations, despite unfavorable foreign currency translation effects. Operating income increased by 45.1%, to JPY 68.1 billion from the same period last year due mainly to an increase in sales volume and model mix and cost reduction, despite increased SG&A expenses and unfavorable foreign currency effects.

In Other regions including South America, the Middle East, Africa and Oceania, revenue decreased by 5.1%, to JPY 450.0 billion from the same period last year mainly due to decreased revenue in the motorcycle business operation and unfavorable foreign currency translation effects, despite increased revenue in automobile business operations. Operating income totaled JPY 22.8 billion, a decrease of 41.2% from the same period last year mainly due to increased SG&A expenses and unfavorable foreign currency effects, despite an increase in sales volume and model mix.

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Consolidated Statements of Balance Sheets for the Fiscal First Half Ended September 30, 2012

Total assets decreased by JPY 333.1 billion, to JPY 11,447.5 billion from March 31, 2012, mainly due to a decrease in cash and cash equivalents and unfavorable foreign currency translation effects, despite increases in fixed assets, property on operating leases and inventory. Total liabilities decreased by JPY 331.5 billion, to JPY 6,920.8 billion from March 31, 2012, mainly due to a decrease in trade accounts payable and foreign currency translation effects. Total equity decreased by JPY 1.6 billion, to JPY 4,526.6 billion from March 31, 2012 due mainly to unfavorable foreign currency translation effects, despite increased net income.

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Consolidated Statements of Cash Flow for the Fiscal First Half

Consolidated cash and cash equivalents on September 30, 2012 decreased by JPY 265.8 billion from March 31, 2012, to JPY 981.3 billion. The reasons for the increases or decreases for each cash flow activity, when compared with the same period of the previous fiscal year, are as follows:

Cash flow from operating activities

Net cash provided by operating activities amounted to JPY 309.8 billion of cash inflows for the fiscal first half ended September 30, 2012. Cash inflows from operating activities decreased by JPY 183.8 billion compared with same period of the previous fiscal year due mainly to increased payments for parts and raw materials caused by an increase in automobile production, despite an increase in cash received from customers primarily led by increased unit sales in the automobile business.

Cash flow from investing activities

Net cash used in investing activities amounted to JPY 551.0 billion of cash outflows. Cash outflows from investing activities increased by JPY 272.4 billion compared with the same period of the previous fiscal year, due mainly to an increase in capital expenditures, an increase in purchases of operating lease assets and acquisitions of finance subsidiaries-receivables.

Cash flow from financing activities

Net cash provided by financing activities amounted to JPY 22.7 billion of cash inflows. Cash inflows from financing activities increased by JPY 147.4 billion compared with the same period of the previous fiscal year, due mainly to an increase in proceeds from long-term debt, despite increase in redemption of corporate debt securities.

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Forecasts for the Fiscal Year Ending March 31, 2013

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2013, Honda projects consolidated results to be as shown below:

Fiscal year ending March 31, 2013

	Yen (billions)	Changes from FY 2012
Net sales and other operating revenue	9,800	+23.3%
Operating income	520	+124.8%
Income before income taxes and equity in income of affiliates	540	+109.8%
Net income attributable to Honda Motor Co., Ltd.	375	+77.3%

	Yen
Basic net income attributable to Honda Motor Co., Ltd. per common share	208.07

Note: The forecasts are based on the assumption that the average exchange rates for the Japanese yen to the U.S. dollar and the Euro will be JPY 80 and JPY 103, respectively, for the full year ending March 31, 2013.

The reasons for the increases or decreases for forecasts of the operating income, and income before income taxes and equity in income of affiliates for the fiscal year ending March 31, 2013 from the corresponding period last year are as follows.

	Yen (billions)
Revenue, model mix, etc., excluding currency effect	382.8
Cost reduction, the effect of raw material cost fluctuations, etc.	167.0
SG&A expenses, excluding currency effect	-181.0
R&D expenses	-35.2
Currency effect	-45.0
Operating income compared with fiscal year 2012	288.6
Fair value of derivative instruments	9.0
Others	-15.0
Income before income taxes and equity in income of affiliates compared with fiscal year 2012	282.5

Dividend per Share of Common Stock

The Board of Directors of Honda Motor Co., Ltd., at its meeting held on October 29, 2012, resolved to make the quarterly dividend JPY 19 per share of common stock, the record date of which is September 30, 2012. The total expected annual dividend per share of common stock for the fiscal year ending March 31, 2013, is JPY 76 per share.

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 differ materially 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.

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Other Information

1. Accounting policies specifically applied for quarterly consolidated financial statements

(a) Income taxes

Honda computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the fiscal six months ended September 30, 2012. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

2. Changes in accounting policy

(a) Adoption of New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05 Presentation of Comprehensive Income , which amends the FASB Accounting Standards Codification (ASC) 220 Comprehensive Income . This amendment requires reporting entities to report other comprehensive income as components of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements and is effective retrospectively.

In December 2011, the FASB issued ASU 2011-12 Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 , which defers the effective date of pending amendments to current accounting guidance prescribed in ASU 2011-05.

Honda adopted ASU 2011-05 as amended by ASU 2011-12, effective April 1, 2012, and discloses consolidated statements of comprehensive income as two separate but consecutive statements.

(b) Change in depreciation method

Previously, Honda used principally the declining-balance method for calculating the depreciation of property, plant and equipment. In recent years, because sales of global strategic product models are increasing, Honda has been enhancing its production systems and the versatility of production equipment to have better flexibility to meet changes in global customer demand. Further, Honda has resumed more normalized capital expenditures which Honda had previously held down due to financial crisis beginning in the fiscal year ended March 31, 2009. Effective April 1, 2012, Honda changed to the straight line method of depreciation because management believes it better reflects the future economic benefit from the usage of property, plant and equipment under this more flexible and versatile production arrangement. The effect of the change in depreciation method is recognized prospectively as a change in accounting estimate in accordance with the FASB Accounting Standards Codification 250 Accounting Changes and Error Corrections .

As a result of the change in depreciation method, depreciation expense for the six months and three months ended September 30, 2012 decreased by approximately JPY 21,471 million and JPY 11,332 million, respectively. Net income attributable to Honda Motor Co., Ltd. and Basic net income attributable to Honda Motor Co., Ltd. per common share for the six months and three months ended September 30, 2012 increased by approximately JPY 13,716 million and JPY 7.61, JPY 7,286 million and JPY 4.04, respectively.

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Consolidated Financial Summary

For the three months and six months ended September 30, 2011 and 2012

Financial Highlights

	Yen (millions)			
	Three months ended Sep. 30, 2011 Unaudited	Three months ended Sep. 30, 2012 Unaudited	Six months ended Sep. 30, 2011 unaudited	Six months ended Sep. 30, 2012 Unaudited
Net sales and other operating revenue	1,885,892	**2,271,286**	3,600,488	**4,707,195**
Operating income	52,511	**100,867**	75,090	**276,880**
Income before income taxes and equity in income of affiliates	76,555	**106,260**	105,854	**301,040**
Net income attributable to Honda Motor Co., Ltd.	60,429	**82,233**	92,226	**213,956**
	Yen			
Basic net income attributable to Honda Motor Co., Ltd per common share	33.53	**45.63**	51.17	**118.71**

	U.S. Dollar (millions)	
	Three months ended Sep. 30, 2012 Unaudited	Six months ended Sep. 30, 2012 Unaudited
Net sales and other operating revenue	**29,269**	**60,660**
Operating income	**1,300**	**3,568**
Income before income taxes and equity in income of affiliates	**1,369**	**3,879**
Net income attributable to Honda Motor Co., Ltd.	**1,060**	**2,757**
	U.S. Dollar	
Basic net income attributable to Honda Motor Co., Ltd per common share	**0.59**	**1.53**

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[1] Consolidated Balance Sheets

	Yen (millions)	
	Mar. 31, 2012 audited	Sep. 30, 2012 unaudited
Assets		
Current assets:		
Cash and cash equivalents	1,247,113	**981,309**
Trade accounts and notes receivable	812,155	**774,265**
Finance subsidiaries-receivables, net	1,081,721	**1,049,450**
Inventories	1,035,779	**1,080,940**
Deferred income taxes	188,755	**196,661**
Other current assets	373,563	**316,450**
Total current assets	4,739,086	**4,399,075**
Finance subsidiaries-receivables, net	2,364,393	**2,319,902**
Investments and advances:		
Investments in and advances to affiliates	434,744	**461,596**
Other, including marketable equity securities	188,863	**162,289**
Total investments and advances	623,607	**623,885**
Property on operating leases:		
Vehicles	1,773,375	**1,794,052**
Less accumulated depreciation	300,618	**301,439**
Net property on operating leases	1,472,757	**1,492,613**
Property, plant and equipment, at cost:		
Land	488,265	**488,440**
Buildings	1,492,823	**1,539,947**
Machinery and equipment	3,300,727	**3,309,321**
Construction in progress	191,107	**193,494**
	5,472,922	**5,531,202**
Less accumulated depreciation and amortization	3,499,464	**3,490,868**
Net property, plant and equipment	1,973,458	**2,040,334**
Other assets	607,458	**571,778**
Total assets	11,780,759	**11,447,587**

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[1] Consolidated Balance Sheets continued

	Yen (millions)	
	Mar. 31, 2012 audited	**Sep. 30, 2012 unaudited**
Liabilities and Equity		
Current liabilities:		
Short-term debt	964,848	**940,914**
Current portion of long-term debt	911,395	**934,743**
Trade payables:		
Notes	26,499	**28,993**
Accounts	942,444	**763,023**
Accrued expenses	489,110	**490,516**
Income taxes payable	24,099	**28,517**
Other current liabilities	221,364	**212,197**
Total current liabilities	3,579,759	**3,398,903**
Long-term debt, excluding current portion	2,235,001	**2,137,288**
Other liabilities	1,437,709	**1,384,708**
Total liabilities	7,252,469	**6,920,899**
Equity:		
Honda Motor Co., Ltd. shareholders equity:		
Common stock, authorized 7,086,000,000 shares; issued 1,811,428,430 shares on Mar. 31, 2012 and 1,811,428,430 shares on Sep. 30, 2012	86,067	**86,067**
Capital surplus	172,529	**171,117**
Legal reserves	47,184	**47,457**
Retained earnings	5,769,029	**5,921,434**
Accumulated other comprehensive income (loss), net	(1,646,078)	**(1,804,147)**
Treasury stock, at cost 9,128,871 shares on Mar. 31, 2012 and 9,129,505 shares on Sep. 30, 2012	(26,117)	**(26,119)**
Total Honda Motor Co., Ltd. shareholders equity	4,402,614	**4,395,809**
Noncontrolling interests	125,676	**130,879**
Total equity	4,528,290	**4,526,688**
Commitments and contingent liabilities		
Total liabilities and equity	11,780,759	**11,447,587**

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[2] Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

For the three months ended September 30, 2011 and 2012

	Yen (millions)	
	Three months ended Sep. 30, 2011 unaudited	Three months ended Sep. 30, 2012 unaudited
Net sales and other operatinstyle="WIDTH: 100%" align="left">		

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TRACTOR SUPPLY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the fiscal six months ended	
	June 30, 2007	**July 1, 2006**
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 48,756	$ 43,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,370	20,203
Gain on sale of property and equipment	(281)	(113)
Stock compensation expense	5,479	4,465
Deferred income taxes	81	(7,441)
Change in assets and liabilities:		
Inventories	(97,537)	(124,518)
Prepaid expenses and other current assets	(3,154)	1,738
Accounts payable	120,134	92,545
Other accrued expenses	(1,025)	2,648
Income taxes currently payable	6,024	20,308
Other	4,683	5,100
Net cash provided by operating activities	107,530	58,387
Cash flows from investing activities:		
Capital expenditures	(44,702)	(41,313)
Proceeds from sale of property and equipment	963	1,302
Other	--	(746)
Net cash used in investing activities	(43,739)	(40,757)
Cash flows from financing activities:		
Borrowings under revolving credit agreement	356,193	207,129
Repayments under revolving credit agreement	(356,193)	(215,341)
Tax benefit of stock options exercised	2,433	6,881
Principal payments under capital lease obligations	(567)	(629)
Repurchase of common stock	(63,720)	--
Net proceeds from issuance of common stock	3,862	6,481
Net cash provided by (used in) financing activities	(57,992)	4,521
Net increase in cash and cash equivalents	5,799	22,151
Cash and cash equivalents at beginning of period	37,605	21,203
Cash and cash equivalents at end of period	$ 43,404	$ 43,354
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 1,239	$ 1,466
Income taxes	21,230	5,113
Supplemental disclosure of non-cash activities:		
Equipment acquired through capital leases	$ --	$ 1,461

The accompanying notes are an integral part of this statement.
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TRACTOR SUPPLY COMPANY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation:

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 30, 2006. The results of operations for the fiscal three-month and six-month periods are not necessarily indicative of results for the full fiscal year.

Our business is highly seasonal. Historically, our sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. Unseasonable weather, excessive rain, drought, and early or late frosts may also affect our sales. We believe, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of our stores.

Typically, we experience our highest inventory and accounts payable balances during our first fiscal quarter each year for purchases of seasonal product in anticipation of the spring selling season and again during our third fiscal quarter in anticipation of the winter selling season.

Note 2 - Reclassifications:

Certain amounts in previously issued financial statements have been reclassified to conform to the fiscal 2007 presentation. Inventories in-transit and inventory initially consigned but ultimately purchased have been included in the inventory and accounts payable balances in the consolidated balance sheets. Discount fees on our proprietary credit card have been reclassified from operating expenses into cost of merchandise sold in the consolidated statements of income.

Note 3 - Inventories:

The value of our inventory is determined using the lower of last-in, first-out (LIFO) cost or market. Inventories are not in excess of market value. Quarterly inventory determinations under LIFO are based on assumptions as to projected inventory levels at the end of the fiscal year, sales for the year and the rate of inflation/deflation for the year. If the first-in, first-out (FIFO) method of accounting for inventory had been used, inventories would have been approximately $20.9 million and $20.3 million higher than reported at June 30, 2007 and December 30, 2006, respectively.

Note 4 - Share-Based Payments:

Pursuant to Statement of Financial Accounting Standards No. 123(R), "Share-Based Payments" ("SFAS 123(R)") (adopted in fiscal 2006), we recognize compensation expense for share-based payments based on the fair value of the awards, using the modified prospective method. Share-based payments include stock option grants and transactions under our other stock plans. SFAS 123(R) requires share-based compensation expense to be based on the following: a) grant date fair value estimated in accordance with the original provisions of SFAS 123 for unvested options granted prior to the adoption of SFAS 123(R); b) grant date fair value estimated in accordance with the provisions of SFAS 123(R) for all share-based payments granted subsequent to adoption; and c) the discount on shares sold to employees subsequent to adoption, which represents the difference between the grant date fair value and the employee purchase price. Share-based compensation expense lowered pre-tax income by $2.8 million and $2.6 million for the second quarter of fiscal 2007 and 2006, respectively and $5.5 million and $4.5 million for the first six months of fiscal 2007 and 2006, respectively. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow.

Under SFAS 123(R), forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

Stock Incentive Plan

Under our 2006 Stock Incentive Plan, options may be granted to officers, non-employee directors and other employees. The per share exercise price of options granted shall not be less than the fair market value of the stock on the date of grant and such options will expire no later than ten years from the date of grant. In the case of a stockholder owning more than 10% of our outstanding voting stock, the exercise price of an incentive stock option may not be less than 110% of the fair market value of the stock on the date of grant and such options will expire no later than five years from the date of grant. Also, the aggregate fair market value of the stock with respect to which incentive stock options are exercisable on a tax deferred basis for the first time by an individual in any calendar year may not exceed $100,000. Vesting of options commences at various anniversary dates following the dates of grant.

The fair value of each option grant is separately estimated for each vesting date. The fair value of each option is recognized as compensation expense ratably over the vesting period. We have estimated the fair value of all stock option awards as of the date of the grant by applying a modified *Black-Scholes* pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense, including expected stock price volatility.

The following summarizes information concerning stock option grants during fiscal 2007 and 2006:

	Three months ended		Six months ended	
	June 30, 2007	**July 1, 2006**	**June 30, 2007**	**July 1, 2006**
Stock options granted	22,600	38,900	437,450	475,500
Weighted average exercise price	$ 51.56	$ 64.45	$ 46.44	$ 62.09
Weighted average fair value	$ 22.19	$ 37.91	$ 19.56	$ 34.89

As of June 30, 2007, total unrecognized compensation expense related to non-vested stock options and restricted stock units was $21,516,048 with a weighted average expense recognition period of 1.63 years.

Restricted Stock Units

During the first six months of 2007, we issued 62,997 restricted stock units which vest over an approximate three-year term and had a grant date weighted average fair value of $46.46.

Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan (the “ESPP”) whereby all our employees have the opportunity to purchase, through payroll deductions, shares of common stock at a 15% discount. Pursuant to the terms of the ESPP, we issued 24,654 and 18,501 shares of common stock during the first six months of fiscal 2007 and 2006, respectively. Total stock compensation expense related to the ESPP was approximately $68,000 and $92,000 during the first six months of 2007 and 2006, respectively. At June 30, 2007, there were 3,321,403 shares of common stock reserved for future issuance under the ESPP.

There were no modifications to our share-based compensation plans during the six months ended June 30, 2007.

Note 5 - Net Income Per Share:

We present both basic and diluted earning per share (“EPS”) on the face of the consolidated statements of income. As provided by SFAS 128 “Earnings per Share”, basic EPS is calculated as income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted EPS is calculated using the weighted average outstanding common shares and the treasury stock method for shares issuable upon exercise of options and vesting of restricted stock.

Net income per share is calculated as follows (in thousands, except per share amounts):

	Three months ended June 30, 2007			Three months ended July 1, 2006		
	Income	**Shares**	**Per Share Amount**	**Income**	**Shares**	**Per Share Amount**
Basic net income per share:						
Net income	$ 43,757	39,617	$ 1.10	$ 42,927	39,966	$ 1.07
Dilutive stock options and restricted stock outstanding		962	(0.02)		1,123	(0.02)
Diluted net income per share:						
Net income	$ 43,757	40,579	$ 1.08	$ 42,927	41,089	$ 1.05

	Six months ended June 30, 2007			Six months ended July 1, 2006		
	Income	**Shares**	**Per Share Amount**	**Income**	**Shares**	**Per Share Amount**
Basic net income per share:						
Net income	$ 48,756	39,922	$ 1.22	$ 43,452	39,832	$ 1.09
Dilutive stock options and restricted stock outstanding		979	(0.03)		1,221	(0.03)
Diluted net income per share:						
Net income	$ 48,756	40,901	$ 1.19	$ 43,452	41,053	$ 1.06

Note 6 - Credit Agreement:

In February 2007, we entered into a new Senior Credit Facility with largely the same lender group as under our previous credit facility. The new Senior Credit Facility provides for borrowings up to $250 million (with sublimits of $75 million and $10 million for letters of credit and swingline loans, respectively). This agreement is unsecured and has a five-year term, with proceeds expected to be used for working capital, capital expenditures and share repurchases. Borrowings bear interest at either the bank's base rate or LIBOR plus an additional amount ranging from 0.35% to 0.90% per annum, adjusted quarterly based on our performance (0.50% at June 30, 2007). We are also required to pay a commitment fee ranging from 0.06% to 0.18% per annum for unused capacity (0.10% at June 30, 2007). The agreement requires quarterly compliance with respect to fixed charge coverage and leverage ratios. We are in compliance with all covenants at June 30, 2007.

Note 7 - Treasury Stock:

In February 2007, our Board of Directors authorized a share repurchase program which provides for repurchase of up to $200 million of common stock over an approximate three-year period. The repurchases may be made from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased under the program will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability, and other market conditions. Repurchased shares will be held in treasury. The program may be limited or terminated at any time without prior notice.

We repurchased 806,100 and 1,219,592 shares under the share repurchase program during the second quarter and first six months of 2007, respectively. The total cost of the share repurchases was $42.4 million and $63.7 million during the second quarter and first six months of 2007, respectively. As of June 30, 2007,

we had remaining authorization under the share repurchase program of $136.3 million.

Note 8 - Accounting for Uncertainty in Income Taxes:

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48") to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". This Interpretation prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Tax positions that meet a "more-likely-than-not" recognition threshold should be measured in order to determine the tax benefit to be recognized. We are no longer subject to federal examination for years before 2005, nor state and local income tax examinations for years before 2002.

We adopted the provisions of FIN 48 in fiscal 2007, as required. As a result, we charged approximately $1.9 million to retained earnings for the cumulative effect of adoption, including interest. Interest and penalties are immaterial at the date of adoption. The total amount of unrecognized tax benefits that, if recognized, would increase the effective tax rate, is $2.3 million. In addition, we will recognize current interest accrued related to these uncertain tax positions as interest expense.

Note 9 - New Accounting Pronouncements:

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)" ("EITF 06-3"), which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of EITF 06-3 would include taxes that are imposed on a revenue transaction between a seller and a customer, for example, sales taxes, use taxes, value-added taxes, and some types of excise taxes. We adopted the provisions of EITF 06-3, as required, in fiscal 2007. EITF 06-3 does not impact the method for recording and reporting these sales taxes in our consolidated financial statements as our policy is to exclude all such taxes from revenue.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (our fiscal year 2008), and interim periods within those fiscal years. We are currently evaluating the impact that the adoption of SFAS 157 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS 115," which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this standard permits all entities to choose to measure eligible items at fair value at specified election dates. Entities choosing the fair value option would be required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007 (our fiscal year 2008). We are currently evaluating the expected effect of SFAS 159 on our consolidated financial statements.

Note 10 - Commitments and Contingencies:

Construction commitments

We had commitments for new store construction projects totaling approximately $8.7 million at June 30, 2007.

Litigation

We are involved in various litigation matters arising in the ordinary course of business. After consultation with legal counsel, our management expects these matters will be resolved without material adverse effect on our consolidated financial position or results of operations. Any estimated loss related to such matters has been adequately provided in accrued liabilities to the extent probable and reasonably estimable. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in circumstances relating to these proceedings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion and analysis describes certain factors affecting our results of operations for the fiscal three and six month periods ended June 30, 2007 and July 1, 2006 and significant developments affecting our financial condition since the end of the fiscal year ended December 30, 2006, and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 30, 2006. The following discussion and analysis also contains certain historical and forward-looking information. The forward-looking statements included herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act"). All statements, other than statements of historical facts, which address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as estimated results of operations in future periods, future capital expenditures (including their amount and nature), business strategy, expansion and growth of our business operations and other such matters are forward-looking statements. These forward-looking statements may be affected by certain risks and uncertainties, any one, or a combination of which could materially affect the results of our operations. To take advantage of the safe harbor provided by the Act, we are identifying certain factors that could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written.

Our business is highly seasonal. Historically, our sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. Unseasonable weather, excessive rain, drought, and early or late frosts may also affect our sales. We believe, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of our stores.

Typically, we experience our highest inventory and accounts payable balances during the first fiscal quarter each year for purchases of seasonal products in anticipation of the spring selling season and again during the third fiscal quarter in anticipation of the winter selling season.

As with any business, many aspects of our operations are subject to influences outside our control. These factors include general economic cycles affecting consumer spending, weather factors, operating factors affecting customer satisfaction, consumer debt levels, inflation, pricing and other competitive factors, the ability to attract, train and retain qualified employees, the ability to manage growth and identify suitable locations and negotiate favorable lease agreements on new and relocated stores, the timing and acceptance of new products in the stores, the mix of goods sold, the continued availability of favorable credit sources, capital market conditions in general, the ability to increase sales at existing stores, the ability to retain vendors, the risk of product liability and other claims, reliance on foreign suppliers, the ability to maintain and improve our management information systems and the seasonality of our business. We discuss in greater detail risk factors relating to our business in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2006. Forward-looking statements are based on our knowledge of our business and the environment in which we operate, but because of the factors listed above or other factors, actual results could differ materially from those reflected by any forward-looking statements. Consequently, all of the forward-looking statements made are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on our business and operations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

Fiscal Three Months (Second Quarter) and Six Months Ended June 30, 2007 and July 1, 2006

Net sales increased 10.6% to $790.9 million for the second quarter of 2007 from $714.9 million for the second quarter of 2006. Net sales increased 14.4% to $1,350.8 million for the first six months of fiscal 2007 from $1,180.5 million for the first six months of fiscal 2006. The net sales increase resulted primarily from the addition of new stores, successful store relocations, and same-store sales improvement of 1.0% and 3.9% for the second quarter and first six months, respectively. Our second quarter same-store sales improvements were strongest in the apparel and animal health categories, but were largely offset by lower than expected performance in seasonal riding mowers.

We opened 20 new stores during the second quarter and 42 stores during the first six months of fiscal 2007, compared to 17 and 46 stores opened during the second quarter and first six months of 2006, respectively. We did not relocate any stores in the second quarter of 2007 compared to six store relocations during the second quarter of 2006. For the first six months of 2007, we relocated seven stores compared to 11 relocations in the first six months of 2006. We also sold our store in Canada (which was acquired in the November 2005 acquisition of *Del's Farm Supply*) during the second quarter of fiscal 2007. We operated 717 stores at June 30, 2007 as compared to 641 stores at July 1, 2006.

The following chart indicates the average percentage of sales represented by each of our major product categories during the second quarter and first six months of fiscal 2007 and 2006:

	Three months ended		Six months ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Livestock and Pet	31%	30%	33%	33%
Seasonal Products	31	32	27	28
Hardware and Tools	13	13	15	15
Clothing and Footwear	6	5	7	6
Truck and Towing	9	9	9	9
Agriculture	10	11	9	9
Total	100%	100%	100%	100%

Gross margin for the second quarter and the first six months of fiscal 2007 was $250.4 million and $418.6 million, respectively. This represents an increase of 11.5% and 14.2%, respectively, over the comparable periods of the prior year. Gross margin, as a percent of sales, was 31.7% for the second quarter of fiscal 2007 compared to 31.4% for the comparable period in fiscal 2006. The improvement in gross margin for the quarter resulted from more favorable product mix and improved product sourcing. For the first six months of fiscal 2007, the gross margin rate was consistent with the comparable period in the prior year at 31.0% of sales.

Selling, general and administrative ("SG&A") expenses increased 80 basis points to 21.1% of sales in the second quarter of fiscal 2007 from 20.3% of sales in the second quarter of fiscal 2006. This second quarter increase was primarily attributable to a shift in comparable marketing expenses from the first quarter as well as higher occupancy costs resulting from continued store expansion and increased costs at our distribution centers to handle more imports and additional inventory for new initiatives through the supply chain. SG&A expenses for the first six months of fiscal 2007 remained consistent with the first six months of fiscal 2006 at 23.3% of sales.

Depreciation and amortization expense increased 10 basis points to 1.6% of sales in the second quarter of fiscal 2007 from 1.5% in the second quarter of fiscal 2006. As a percent of sales, depreciation and amortization expense increased 10 basis points to 1.8% in the first six months of fiscal 2007 from 1.7% in the first six months of fiscal 2006. The increases were related directly to new store growth and capital costs for infrastructure and technology.

Interest expense for the second quarter of 2007 remained consistent with the prior year at $0.6 million. For the first six months of fiscal 2007, interest expense decreased slightly to $1.5 million compared to $1.6 million for the comparable period in fiscal 2006. Our effective income tax rate increased to 37.9% in the second quarter and first six months of fiscal 2007 compared with 37.1% for the second quarter and first six months of fiscal 2006 primarily due to state taxes relating to the composition of income among the

states and the adoption of FIN 48 relating to uncertainties in income tax positions. This interpretation prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Tax positions that meet a "more-likely-than-not" recognition threshold should be measured in order to determine the tax benefit to be recognized. We are no longer subject to federal examination for years before 2005, and state and local income tax examinations for years before 2002.

We adopted the provisions of FIN 48 in fiscal 2007, as required. As a result, we charged approximately $1.9 million to retained earning for the cumulative effect of adoption including interest. Interest and penalties are immaterial at the date of adoption. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $2.3 million. In addition, we recognize current interest accrued related to these uncertain tax positions as interest expense.

As a result of the foregoing factors, net income for the second quarter and first six months of fiscal 2007 increased $0.9 million and $5.3 million, respectively, to $43.8 million and $48.8 million from $42.9 million and $43.5 million in the second quarter and first six months of fiscal 2006, respectively. Net income, as a percent of sales, decreased 50 basis points to 5.5% for the second quarter of fiscal 2007 compared to 6.0% in the second quarter of fiscal 2006. For the first six months of fiscal 2007, net income as a percent of sales decreased 10 basis points to 3.6% for fiscal 2007 compared to 3.7% for the first six months of fiscal 2006. Net income per diluted share increased to $1.08 and $1.19 for the second quarter and the first six months of fiscal 2007, respectively, from $1.05 and $1.06 for the second quarter and the first six months of fiscal 2006, respectively.

Liquidity and Capital Resources

In addition to normal operating expenses, our primary ongoing cash requirements are for store expansion, remodeling and relocation programs, including inventory purchases and capital expenditures. Our primary ongoing sources of liquidity are funds provided from operations, commitments available under our revolving credit agreement and normal trade credit.

At June 30, 2007, we had working capital of $293.8 million, a $22.3 million decrease from December 30, 2006. This decrease was primarily attributable to changes in the following components of current assets and current liabilities (in millions):

	June 30, 2007	Dec. 30, 2006	Variance
Current assets:			
Cash and cash equivalents	$ 43.4	$ 37.6	$ 5.8
Inventories	692.4	594.9	97.5
Prepaid expenses and other current assets	40.2	37.0	3.2
Other, net	7.0	11.3	(4.3)
	783.0	680.8	102.2
Current liabilities:			
Accounts payable	360.5	240.4	120.1
Accrued expenses	110.2	111.7	(1.5)
Income tax currently payable	17.6	11.5	6.1
Other, net	0.9	1.1	(0.2)
	489.2	364.7	124.5
Working capital	$ 293.8	$ 316.1	$ (22.3)

The increase in inventories and related increase in accounts payable resulted primarily from the purchase of additional inventory for new stores and an increase in average inventory per store due to increased sales expectations and planned merchandising initiatives. Trade credit arises from our vendors granting extended payment terms for inventory purchases. Payment terms generally vary from 30 days to 180 days depending on the inventory product.

Operations provided net cash of $107.5 million and $58.4 million in the first six months of fiscal 2007 and fiscal 2006, respectively. The $49.1 million increase in net cash provided in 2007 over 2006 is primarily due to changes in the following operating activities (in millions):

	Six months ended		
	June 30, 2007	**July 1, 2006**	**Variance**
Net income	$ 48.8	$ 43.5	$ 5.3
Inventories and accounts payable	22.6	(32.0)	54.6
Prepaid expenses and other current assets	(3.2)	1.7	(4.9)
Accrued expenses	(1.0)	2.6	(3.6)
Income taxes currently payable	6.0	20.3	(14.3)
Other, net	34.3	22.3	12.0
Net cash provided by operations	$ 107.5	$ 58.4	$ 49.1

The improvement in net cash provided by operations in the first six months of fiscal 2007 compared with the first six months of fiscal 2006 was primarily due to changes in inventory levels and the timing of payments. The decrease in cash used for inventory results from a build of seasonal stock levels and other merchandising initiatives. Improvements in financed inventory resulted from better accounts payable management and vendor dating, offset by an increase in imports (which are largely prepaid). The change in cash used for income taxes relates to the timing of payments of income taxes.

Investing activities used $43.7 million and $40.8 million in the first six months of fiscal 2007 and fiscal 2006, respectively. The majority of this cash requirement relates to our capital expenditures.

Capital expenditures (including equipment acquired under capital lease) for the first six months of fiscal 2007 and fiscal 2006 were as follows (in millions):

	Six months ended	
	June 30, 2007	**July 1, 2006**
New/relocated stores and stores not yet opened	$ 20.4	$ 30.8
Existing store properties acquired from lessor	6.9	--
Existing stores	9.0	8.5
Distribution center capacity and improvements	1.4	1.5
Information technology	7.0	1.9
Corporate and other	--	0.1
	$ 44.7	$ 42.8

The above table reflects 49 new/relocated stores in the first six months of fiscal 2007, compared to 57 during the first six months of fiscal 2006.

Financing activities used $58.0 million in the first six months of fiscal 2007 and provided $4.5 million in the first six months of fiscal 2006. This reduction in net cash provided is largely due to the repurchase of shares of our common stock.

In February 2007, we entered into a new Senior Credit Facility with largely the same lender group as under our prior credit facility. The new Senior Credit Facility provides for borrowings up to $250 million (with sublimits of $75 million and $10 million for letters of credit and swingline loans, respectively). This agreement is unsecured and has a five-year term, with proceeds expected to be used for working capital, capital expenditures and share repurchases. Borrowings bear interest at either the bank's base rate or LIBOR plus an additional amount ranging from 0.35% to 0.90% per annum, adjusted quarterly based on our performance (0.50% at June 30, 2007). We are also required to pay a commitment fee ranging from 0.06% to 0.18% per annum for unused capacity (0.10% at June 30, 2007). The agreement requires quarterly compliance with respect to fixed charge coverage and leverage ratios. We are in compliance with all covenants at June 30, 2007.

We had approximately $211.6 million and $134.9 million available for future borrowings, net of outstanding letters of credit, under our revolving credit agreement at June 30, 2007 and July 1, 2006, respectively.

We believe that our cash flow from operations, borrowings available under our revolving credit agreement, and normal trade credit will be sufficient to fund our operations and capital expenditure needs, including store openings and renovations, over the next several years.

Share Repurchase Program

In February 2007, our Board of Directors authorized a share repurchase program which provides for repurchase of up to $200 million of our outstanding common stock over an approximate three-year period. The repurchases may be made from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased under the program will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability, and other market conditions. The program may be limited or terminated at any time without prior notice.

In the second quarter of 2007, we repurchased 806,100 shares of our common stock, at a total cost of $42.4 million. On a year-to-date basis, we have repurchased 1.2 million shares at a total cost of $63.7 million. Repurchased shares are accounted for at cost and will be held in treasury for future issuance.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are limited to operating leases and outstanding letters of credit. Leasing buildings and equipment for retail stores and offices rather than acquiring these significant assets allows us to utilize financial capital to operate the business rather than maintain assets. Letters of credit allow us to purchase inventory in a timely manner.

We had outstanding letters of credit of $38.4 million at June 30, 2007.

Significant Contractual Obligations and Commercial Commitments

There has been no material change in our contractual obligations and commercial commitments other than in the ordinary course of business since the end of fiscal 2006.

Significant Accounting Policies and Estimates

Our discussion and analysis of our financial position and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make informed estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Significant accounting policies, including areas of critical management judgments and estimates, have primary impact on the following financial statement areas:

- Revenue recognition and sales returns
- Insurance reserves
- Share-based payments
- Inventory valuation
- Sales tax reserve
- Income taxes

See Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006 for a discussion of our critical accounting policies. Our financial position and/or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in interest rates primarily from our revolving credit agreement (the "Credit Agreement"). The Credit Agreement bears interest at either the bank's base rate (8.25% and 8.00% at June 30, 2007 and July 1, 2006, respectively) or LIBOR (5.32% and 6.10% at June 30, 2007 and July 1, 2006, respectively) plus an additional amount ranging from 0.35% to 0.90% per annum, adjusted quarterly, based on our performance (0.50% at June 30, 2007). We are also required to pay, quarterly in arrears, a commitment fee ranging from 0.06% to 0.18% based on the daily average unused portion of the Credit Agreement (0.10% at June 30, 2007). See Note 6 of the Notes to the Consolidated Financial Statements included herein for further discussion regarding the Credit Agreement.

Although we cannot accurately determine the precise effect of inflation on our operations, we believe our sales and results of operations have been affected by inflation. We are subject to market risk with respect to the pricing of certain products and services, which include, among other items, petroleum, steel, corn, soybean and other commodities as well as transportation services. If prices of these materials continue to increase, consumer demand may fall and/or we may not be able to pass all such increases on to our customers and, as a result, sales and/or gross margins could decline. Our strategy is to reduce or mitigate the effects of inflation principally by taking advantage of vendor incentive programs, economies of scale from increased volume of purchases, increasing retail prices and selectively buying from the most competitive vendors without sacrificing quality. Due to the competitive environment, such conditions have and may continue to adversely impact our gross margin.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation required by the Securities Exchange Act of 1934, as amended (the "1934 Act"), under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the 1934 Act) as of June 30, 2007. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2007, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the second quarter of fiscal 2007 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various litigation matters arising in the ordinary course of business. After consultation with legal counsel, management expects these matters will be resolved without material adverse effect on our consolidated financial position or results of operations. Any estimated loss related to such matters has been adequately provided in accrued liabilities to the extent probable and reasonably estimable. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in circumstances relating to these proceedings.

Item 1A. Risk Factors

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

In February 2007, our Board of Directors authorized a share repurchase program which provides for repurchase of up to $200 million (excluding commissions) of our outstanding common stock over an approximate three-year period. Stock repurchase activity during the second quarter of 2007 is set forth in the table below:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
4/1/07 - 4/28/07	225,000	$ 53.96	225,000	$ 166,546,314
4/29/07 - 5/26/07	306,100	51.30	306,100	150,852,621
5/27/07 - 6/30/07	275,000	52.89	275,000	136,316,595
As of June 30, 2007	806,100		806,100	

We expect to implement the balance of the repurchase program through purchases made from time to time either in the open market or through private transactions, in accordance with regulations of the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

(a) Our Annual Meeting of Stockholders was held on May 2, 2007 at our corporate headquarters in Brentwood, Tennessee.

(b) The stockholders elected, for a one-year term, the directors set forth below.

(c) The stockholders voted on the following matters at the Annual Meeting:

1. The election of nine directors for a one-year term ending at the 2008 Annual Meeting of Stockholders:

Nominees For Directors	For	Withheld
Joseph H. Scarlett, Jr.	37,474,661	385,542
James F. Wright	37,527,311	331,892
Jack Bingleman	37,774,300	84,903
S.P. Braud	37,513,814	345,389
Cynthia T. Jamison	37,714,952	144,251
Gerard E. Jones	37,755,031	104,172
Joseph D. Maxwell	34,351,876	3,507,327
Edna K. Morris	37,772,164	87,039
Joe M. Rodgers	37,516,779	342,424

2. Ratification of the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending December 29, 2007.

For	Against	Abstain
37,825,473	15,965	17,765

Item 5. Other Information

None

Item 6. Exhibits

Exhibits

31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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.

TRACTOR SUPPLY COMPANY

Date: August 9, 2007

By: /s/ Anthony F. Crudele
Anthony F. Crudele
Executive Vice President - Chief Financial Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)