

**Second Quarter Report**  
Period Ended September 30, 2004

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**HONDA**  
The Power of Dreams

# Consolidated Financial Summary (Unaudited)

## Financial Highlights

Honda Motor Co., Ltd. and Subsidiaries  
For the three months and six months ended September 30, 2003 and 2004

	Millions of yen				Millions of U.S. dollars	
	Three months		Six months		Three months	Six months
	2003	2004	2003	2004	2004	2004
Net sales and other operating revenue.....	¥2,017,203	<b>¥2,093,578</b>	¥4,025,431	<b>¥4,166,731</b>	<b>\$18,853</b>	<b>\$37,521</b>
Operating income.....	158,431	<b>172,932</b>	317,896	<b>332,925</b>	<b>1,557</b>	<b>2,998</b>
Income before income taxes.....	183,886	<b>165,587</b>	331,881	<b>339,667</b>	<b>1,491</b>	<b>3,059</b>
Net income.....	137,359	<b>127,122</b>	239,178	<b>241,384</b>	<b>1,145</b>	<b>2,174</b>
	Yen				U.S. dollars	
Basic net income per						
Common share.....	¥143.33	<b>¥135.70</b>	¥249.34	<b>¥257.35</b>	<b>\$1.22</b>	<b>\$2.32</b>
American depository share.....	71.66	<b>67.85</b>	124.67	<b>128.67</b>	<b>0.61</b>	<b>1.16</b>
	Thousands of units					
Unit Sales Breakdown	Three months		Six months			
	2003	2004	2003	2004		
<b>MOTORCYCLES</b>						
Japan.....	120	(120)	<b>110</b>	<b>(110)</b>	214	(214)
North America.....	140	(57)	<b>152</b>	<b>(79)</b>	239	(122)
Europe.....	57	(54)	<b>67</b>	<b>(63)</b>	158	(153)
Asia.....	1,691	(1,691)	<b>2,124</b>	<b>(2,124)</b>	3,189	(3,189)
Others.....	210	(207)	<b>248</b>	<b>(246)</b>	419	(414)
Total.....	<u>2,218</u>	<u>(2,129)</u>	<u><b>2,701</b></u>	<u><b>(2,622)</b></u>	<u>4,219</u>	<u>(4,092)</u>
	*Numbers in parentheses represent unit sales of motorcycles included in the total.					
<b>AUTOMOBILES</b>						
Japan.....	176		<b>190</b>		329	<b>344</b>
North America.....	385		<b>366</b>		782	<b>757</b>
Europe.....	57		<b>63</b>		113	<b>129</b>
Asia.....	84		<b>134</b>		163	<b>256</b>
Others.....	33		<b>41</b>		56	<b>80</b>
Total.....	<u>735</u>		<u><b>794</b></u>		<u>1,443</u>	<u><b>1,566</b></u>
<b>POWER PRODUCTS</b>						
Japan.....	135		<b>102</b>		245	<b>220</b>
North America.....	419		<b>530</b>		1,053	<b>1,232</b>
Europe.....	177		<b>208</b>		421	<b>493</b>
Asia.....	163		<b>169</b>		317	<b>373</b>
Others.....	84		<b>76</b>		159	<b>154</b>
Total.....	<u>978</u>		<u><b>1,085</b></u>		<u>2,195</u>	<u><b>2,472</b></u>

Millions of yen

Net Sales Breakdown	Three months		Six months	
	2003	2004	2003	2004
<b>MOTORCYCLE BUSINESS</b>				
Japan .....	¥ 27,219 ( 11.7%)	¥ 26,732 ( 10.4%)	¥ 50,903 ( 10.7%)	¥ 52,486 ( 9.9%)
North America .....	71,240 ( 30.4 )	75,456 ( 29.5 )	130,534 ( 27.5 )	147,852 ( 27.9 )
Europe .....	35,519 ( 15.2 )	37,219 ( 14.5 )	97,799 ( 20.6 )	104,919 ( 19.8 )
Asia .....	58,976 ( 25.3 )	68,843 ( 26.9 )	119,881 ( 25.2 )	135,167 ( 25.5 )
Others.....	40,563 ( 17.4 )	47,826 ( 18.7 )	75,954 ( 16.0 )	89,738 ( 16.9 )
Total .....	¥ 233,517 (100.0%)	¥ 256,076 (100.0%)	¥ 475,071 (100.0%)	¥ 530,162 (100.0%)
<b>AUTOMOBILE BUSINESS</b>				
Japan .....	¥ 337,063 ( 20.5%)	¥ 396,519 ( 23.4%)	¥ 631,247 ( 19.3%)	¥ 720,627 ( 21.5%)
North America .....	982,749 ( 59.7 )	906,103 ( 53.5 )	2,015,790 ( 61.7 )	1,859,723 ( 55.6 )
Europe .....	125,871 ( 7.6 )	146,991 ( 8.7 )	252,169 ( 7.7 )	292,388 ( 8.7 )
Asia .....	139,601 ( 8.5 )	172,071 ( 10.2 )	263,093 ( 8.1 )	332,693 ( 9.9 )
Others.....	60,973 ( 3.7 )	72,132 ( 4.2 )	104,959 ( 3.2 )	143,575 ( 4.3 )
Total .....	¥1,646,257 (100.0%)	¥1,693,816 (100.0%)	¥3,267,258 (100.0%)	¥3,349,006 (100.0%)
<b>FINANCIAL SERVICES</b>				
Japan .....	¥ 4,944 ( 7.9%)	¥ 4,763 ( 7.3%)	¥ 10,303 ( 8.2%)	¥ 10,011 ( 8.1%)
North America .....	55,099 ( 87.6 )	56,839 ( 87.7 )	111,193 ( 88.1 )	107,175 ( 86.8 )
Europe .....	1,824 ( 2.9 )	2,232 ( 3.5 )	3,561 ( 2.8 )	4,345 ( 3.5 )
Asia .....	207 ( 0.3 )	346 ( 0.5 )	358 ( 0.3 )	680 ( 0.6 )
Others.....	821 ( 1.3 )	667 ( 1.0 )	821 ( 0.6 )	1,223 ( 1.0 )
Total .....	¥ 62,895 (100.0%)	¥ 64,847 (100.0%)	¥ 126,236 (100.0%)	¥ 123,434 (100.0%)
<b>POWER PRODUCT AND OTHER BUSINESSES</b>				
Japan .....	¥ 29,510 ( 39.6%)	¥ 28,262 ( 35.9%)	¥ 57,579 ( 36.7%)	¥ 57,002 ( 34.7%)
North America .....	23,659 ( 31.8 )	28,966 ( 36.7 )	52,008 ( 33.2 )	57,629 ( 35.1 )
Europe .....	10,695 ( 14.3 )	12,824 ( 16.3 )	25,724 ( 16.4 )	30,693 ( 18.7 )
Asia .....	6,638 ( 8.9 )	4,582 ( 5.8 )	14,272 ( 9.1 )	10,866 ( 6.6 )
Others.....	4,032 ( 5.4 )	4,205 ( 5.3 )	7,283 ( 4.6 )	7,939 ( 4.9 )
Total .....	¥ 74,534 (100.0%)	¥ 78,839 (100.0%)	¥ 156,866 (100.0%)	¥ 164,129 (100.0%)
<b>TOTAL</b>				
Japan .....	¥ 398,736 ( 19.8%)	¥ 456,276 ( 21.8%)	¥ 750,032 ( 18.6%)	¥ 840,126 ( 20.2%)
North America .....	1,132,747 ( 56.1 )	1,067,364 ( 51.0 )	2,309,525 ( 57.4 )	2,172,379 ( 52.1 )
Europe .....	173,909 ( 8.6 )	199,266 ( 9.5 )	379,253 ( 9.4 )	432,345 ( 10.4 )
Asia .....	205,422 ( 10.2 )	245,842 ( 11.7 )	397,604 ( 9.9 )	479,406 ( 11.5 )
Others.....	106,389 ( 5.3 )	124,830 ( 6.0 )	189,017 ( 4.7 )	242,475 ( 5.8 )
Total .....	¥2,017,203 (100.0%)	¥2,093,578 (100.0%)	¥4,025,431 (100.0%)	¥4,166,731 (100.0%)

Notes: 1. The geographical breakdown of net sales is based on the location of affiliated and unaffiliated customers.

2. Net sales of power product and other businesses includes revenue from sales of power products and related parts, leisure businesses, trading, etc.

### ■ Second Quarter Results

Honda's consolidated net income for the fiscal second quarter ended September 30, 2004 totaled ¥127.1 billion (\$1,145 million), a decrease of 7.5% from the corresponding period in 2003. Basic net income per common share for the quarter amounted to ¥135.70 (\$1.22). Two of Honda's American Depositary Shares represent one common share.

Unit sales in all of Honda's business categories, namely motorcycles, automobiles and power products, increased during the fiscal second quarter, and consolidated net sales and other operating revenue (herein referred to as "revenue") for the quarter amounted to ¥2,093.5 billion (\$18,853 million), an increase of 3.8% over the corresponding period in 2003.

Consolidated operating income for the fiscal second quarter totaled ¥172.9 billion (\$1,557 million), an increase of 9.2% compared to the corresponding period in 2003. This increase was primarily due to an increase in revenue as a result of higher unit sales of motorcycles, automobiles and power products, ongoing cost reduction effects, which offset the negative effects of the appreciation of the yen against the U.S. dollar, and an increase in selling, general and administrative (SG&A) expenses.

Consolidated income before income taxes for the quarter totaled ¥165.5 billion (\$1,491 million), a decrease of 10.0% from the corresponding period in 2003.

With respect to Honda's sales in the fiscal second quarter by business category, motorcycle unit sales increased 21.8%, to 2,701 thousand units. Of them, unit sales in Japan decreased 8.3%, to 110 thousand units, while overseas unit sales increased 23.5%, to

2,591 thousand units. Continued strong sales in Asia, such as Indonesia and India, as well as other regions, such as Brazil, and improved profit of all-terrain vehicles (ATVs) contributed to these increases. Revenue from sales to unaffiliated customers increased 9.7%, to ¥256.0 billion (\$2,306 million), due to increases in unit sales. Operating income increased ¥18.0 billion, to ¥20.0 billion (\$180 million).

Honda's unit sales of automobiles increased 8.0%, to 794 thousand units. In Japan, unit sales of automobiles increased 8.0%, to 190 thousand units, mainly as a result of such new models as the *Elysion*, the *Edix* and the *Odyssey*. Overseas unit sales increased 8.1%, to 604 thousand units. Increased unit sales of parts for local production in China and favorable sales in Europe were the major contributing factors for these increases. Revenue from sales to unaffiliated customers increased 2.9%, to ¥1,693.8 billion (\$15,253 million) during the quarter, primarily due to increased unit sales. Operating income decreased 3.0%, to ¥120.1 billion (\$1,082 million), mainly due to negative currency effects caused by the appreciation of the yen against the U.S. dollar, which offset positive impacts of higher profit from increased revenue, an improved model mix in Japan and ongoing cost reduction effects.

### ■ First Half-Year Results

Honda's consolidated net income for the first six months ended September 30, 2004 totaled ¥241.3 billion (\$2,174 million), an increase of 0.9% from the corresponding period of the previous year. Basic net income per common share for the fiscal first half amounted to ¥257.35 (\$2.32), compared to ¥249.34 for the corresponding period a year ago.

Consolidated net sales and other operating revenue for the six month period amounted to ¥4,166.7 billion (\$37,521 million), an increase of 3.5% from the corresponding period last year.

Consolidated operating income for the fiscal first half totaled ¥332.9 billion (\$2,998 million), an increase of 4.7% compared to the corresponding period last year. This increase was primarily due to an increase in revenue as a result of higher unit sales of motorcycles, automobiles and power products, and ongoing cost reduction effects, which offset the negative effects of the appreciation of the yen against the U.S. dollar, and an increase of SG&A expenses.

Consolidated income before income taxes for the fiscal first half totaled ¥339.6 billion (\$3,059 million), an increase of 2.3% compared to the corresponding period of the previous year.

With respect to Honda's sales for the fiscal first half by business category, motorcycle unit sales increased 25.2%, to 5,283 thousand units. Of them, unit sales in Japan decreased 3.3%, to 207 thousand units, while overseas unit sales increased 26.7%, to 5,076 thousand units, in all regions, mainly in Asia. Revenue from sales to unaffiliated customers increased 11.6%, to ¥530.1 billion (\$4,774 million), primarily due to increased unit sales. Operating income increased 383.1%, to ¥37.2 billion (\$335 million). Higher profit from increased revenue and an improved model mix were the major contributing factors for this increase.

Unit sales related to automobiles for the fiscal first half increased 8.5%, to 1,566 thousand units. In Japan, unit sales of automobiles increased 4.6%, to 344 thousand units, and overseas unit sales increased 9.7%, to 1,222 thousand units. Revenue from sales

to unaffiliated customers increased 2.5%, to ¥3,349.0 billion (\$30,158 million), primarily due to increased unit sales. Operating income decreased 4.2%, to ¥235.7 billion (\$2,123 million), mainly due to negative currency effects of appreciation of the yen against the U.S. dollar, which offset positive impacts of higher profit from increased revenue, and cost reduction effects.

Revenue from sales to unaffiliated customers in financial services decreased 2.2%, to ¥123.4 billion (\$1,112 million). Operating income decreased 20.7%, to ¥47.7 billion (\$430 million).

Unit sales of power products totaled 2,472 thousand units, an increase of 12.6% compared to the corresponding period of the previous year. Of them, unit sales in Japan decreased 10.2%, to 220 thousand units, while overseas unit sales increased 15.5%, to 2,252 thousand units, mainly in North America. Revenue from sales to unaffiliated customers increased 4.6%, to ¥164.1 billion (\$1,478 million), mainly due to increased unit sales of power products. Operating income increased 210.0%, to ¥12.1 billion (\$109 million). Higher profit from increased revenue in the power product business and improved profit in other businesses were the major factors for this increase.

December 2004



Takeo Fukui  
President and Chief Executive Officer

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### North America

#### ■ General Electric and Honda Motor Establish Joint Venture to Bring Jet Engine to Light Business Jet Market

General Electric Company (GE) and Honda Motor Co., Ltd., have formally established a joint venture, GE Honda Aero Engines LLC, to pursue the launch of Honda's HF118 Turbofan Engine in the light business jet market.

The definitive agreement creating the joint venture was signed by David L. Calhoun, president and CEO of GE Transportation; and Takeo Fukui, president and CEO of Honda Motor; at the National Business Aviation Association (NBAA) conference in Las Vegas, Nevada. The two companies had announced a strategic alliance last February.

The 50–50 joint venture is owned by GE Transportation, the world's largest manufacturer of jet engines, and Honda Aero, Inc., a wholly owned Honda subsidiary established to manage Honda's aviation engine business.

The new company will begin operations by the end of the year in Cincinnati, Ohio, where GE Transportation's aircraft engine business is headquartered. The company will work closely with GE and Honda Aero in Reston, Virginia.

GE Honda Aero Engines is fully engaged in the development of the technology roadmap for engine certification, establishment of a manufacturing infrastructure as well as discussions with airframe manufacturers as potential launch customers. The company's first product, the HF118 Turbofan Engine, will enter service in the 1,600-pound thrust class. GE Honda Aero Engines will be responsible for commercial turbofan engines ranging in thrust from 1,000 to 3,500 pounds.



The emergence of small, less expensive business jets (seating four to eight passengers), combined with a growing demand for more flexible business and personal travel, create considerable opportunities for a highly reliable and durable jet engine to power them.

Honda and GE envision a future market of approximately 200 or more of these business jets annually. Small business jet applications include owner operators and fractional owners, as well as potential "air taxi" operations. The air taxi business involves micro jets flying passengers on short stops using the vast number of small airports not serviced by major airlines.

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### Japan

#### ■ Honda Introduces the New *Legend*

The new *Legend*, Honda's flagship luxury performance sedan, comes equipped with a 300-horsepower engine, the world's first Super Handling All-Wheel Drive (SH-AWD) system and comprehensive weight reduction measures, which combine to contribute to significantly enhanced performance. The new *Legend* also offers a wide range of advanced driver support technologies, including the world's first Intelligent Night Vision System\*, which detects pedestrians during nighttime driving and provides visual and audio cautions to help prevent accidents. The new *Legend* is now available at Honda *Clio* dealers throughout Japan.

Designed around three key concepts—distinctive styling, exhilarating driving performance and superior maneuverability—this fourth generation *Legend* delivers a new driving experience, providing greater luxury, comfort and safety in all driving conditions.

The sleek exterior design was created to give expression to the power within. Body colors are applied using a new exterior finishing process that produces a deeper contrast and a spectacular shine. The interior design appeals to the senses, imparting a feel of luxury and driving pleasure.



*Legend*

Noise reduction efforts ensure a quiet ride, including Active Noise Control, which sends an opposite phase signal through the car's audio system to cancel out engine hum. The new *Legend* offers its occupants more comfort than ever before.

A lighter, more compact V6 3.5-liter VTEC engine generates 300 horsepower and delivers ample torque throughout the rpm range, with power to spare both in the city and on the highway. Meanwhile, the new *Legend* has earned the Japanese Ministry of Land, Infrastructure and Transport's certification as an Ultra Low Emission Vehicle, with emission levels 75% lower than those required by 2005 standards.

The new *Legend* also features Honda's SH-AWD system, which provides variable torque distribution between the front and rear wheels while also varying the lateral torque distribution to the left and right rear wheels, to deliver maximum performance from all four wheels in all driving conditions. Torque is used not only for propulsion but for cornering as well, for a new level of vehicle maneuverability.

To maximize the performance enhancements realized by the high-output engine and SH-AWD system, Honda engineers made the vehicle as light as possible. High-tensile steel is used in approximately 50% of the body frame, while aluminum, magnesium, carbon fiber reinforced plastic and other lightweight materials are used in the body, chassis and other parts to achieve a significant weight reduction compared to a design based on conventional materials.

\* Factory option. Production of vehicles equipped with the Intelligent Night Vision System is scheduled to begin December 2004.

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## Other

■ **Honda Motorcycle & Scooter India Announces First Motorcycle Model; Production of *Unicorn* Model Begins on New Second Line**  
Honda Motorcycle & Scooter India (Private) Ltd. (HMSI), Honda's wholly owned subsidiary in India, recently introduced its first motorcycle model—the *Unicorn*—equipped with an air-cooled, four-stroke, single-cylinder, 150cc engine. HMSI also announced that production of the *Unicorn* has begun on a new second production line dedicated to motorcycles.

The *Unicorn* is a sporty motorcycle with excellent driving stability due to its mono suspension. The *Unicorn's* newly developed engine achieves top level fuel efficiency in the 150cc motorcycle class—60km per liter\*<sup>1</sup>. In addition, the *Unicorn* has unique features to achieve excellent usability, such as “tough up tube” which helps prevent flat tires. The *Unicorn* went on sale October 7 at a price of 52,950 Rupee (approximately U.S.\$1,140\*<sup>2</sup>). HMSI plans to sell 110,000 units per year.

The total market size for motorcycles and scooters in India reached 5.3 million units in 2003 (a 7% increase from the previous year), with motorcycles accounting for 4.1 million units (a 12% increase from the previous year). Motorcycles have been the driving force of market expansion in India.

\*<sup>1</sup> Measured by Honda's Indian mode

\*<sup>2</sup> 1 Rupee = U.S.\$0.02



*Unicorn*

# Consolidated Balance Sheets

Honda Motor Co., Ltd. and Subsidiaries  
September 30, 2003 and March 31 and September 30, 2004

	Millions of yen		
	Sept. 30, 2003 (Unaudited)	Mar. 31, 2004 (Audited)	Sept. 30, 2004 (Unaudited)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 624,842	¥ 724,421	¥ 695,790
Trade accounts and notes receivable.....	320,461	373,416	357,780
Finance subsidiaries—receivables, net.....	1,081,896	1,264,620	1,364,474
Inventories.....	784,796	765,433	818,265
Deferred income taxes.....	200,134	222,179	195,979
Other current assets.....	311,660	303,185	339,846
<b>Total current assets</b> .....	<u>3,323,789</u>	<u>3,653,254</u>	<u>3,772,134</u>
<b>Finance subsidiaries—receivables, net</b> .....	2,416,333	2,377,338	2,688,984
<b>Investments and advances</b> .....	482,839	541,066	596,757
<b>Property, plant and equipment, at cost:</b>			
Land.....	347,596	354,762	357,349
Buildings.....	932,332	968,159	1,008,575
Machinery and equipment.....	1,986,273	2,072,347	2,192,685
Construction in progress.....	93,159	49,208	88,161
	<u>3,359,360</u>	<u>3,444,476</u>	<u>3,646,770</u>
Less accumulated depreciation.....	1,970,848	2,008,945	2,108,734
<b>Net property, plant and equipment</b> .....	<u>1,388,512</u>	<u>1,435,531</u>	<u>1,538,036</u>
<b>Other assets</b> .....	380,314	321,579	321,432
<b>Total assets</b> .....	<u>¥7,991,787</u>	<u>¥8,328,768</u>	<u>¥8,917,343</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Bank loans and commercial paper.....	¥ 803,532	¥ 734,271	¥ 646,323
Current portion of long-term debt.....	405,533	487,125	627,015
Trade payables.....	766,238	911,237	879,318
Accrued expenses.....	789,475	813,733	846,608
Income taxes payable.....	65,439	31,194	34,670
Other current liabilities.....	324,475	357,259	410,402
<b>Total current liabilities</b> .....	<u>3,154,692</u>	<u>3,334,819</u>	<u>3,444,336</u>
<b>Long-term debt</b> .....	1,283,072	1,394,612	1,587,620
<b>Other liabilities</b> .....	810,042	724,937	750,989
<b>Total liabilities</b> .....	<u>¥5,247,806</u>	<u>¥5,454,368</u>	<u>¥5,782,945</u>
<b>Stockholders' equity:</b>			
Common stock.....	86,067	86,067	86,067
Capital surplus.....	172,719	172,719	172,529
Legal reserves.....	32,335	32,418	34,597
Retained earnings.....	3,382,512	3,589,434	3,648,428
Adjustments from foreign currency translation.....	(567,690)	(665,413)	(586,000)
Net unrealized gains on marketable equity securities.....	31,544	36,066	31,735
Minimum pension liabilities adjustments.....	(308,384)	(225,226)	(225,489)
Accumulated other comprehensive loss.....	(844,530)	(854,573)	(779,754)
Treasury stock.....	(85,122)	(151,665)	(27,469)
<b>Total stockholders' equity</b> .....	<u>¥2,743,981</u>	<u>¥2,874,400</u>	<u>¥3,134,398</u>
<b>Total liabilities and stockholders' equity</b> .....	<u>¥7,991,787</u>	<u>¥8,328,768</u>	<u>¥8,917,343</u>

# Consolidated Statements of Income and Retained Earnings (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries  
For the three months and six months ended September 30, 2003 and 2004

	Millions of yen			
	Three months		Six months	
	2003	2004	2003	2004
<b>Net sales and other operating revenue</b> .....	¥2,017,203	<b>¥2,093,578</b>	¥4,025,431	<b>¥4,166,731</b>
<b>Operating costs and expenses:</b>				
Cost of sales.....	1,386,765	<b>1,444,313</b>	2,765,351	<b>2,886,223</b>
Selling, general and administrative.....	355,879	<b>360,331</b>	723,312	<b>723,386</b>
Research and development.....	116,128	<b>116,002</b>	218,872	<b>224,197</b>
<b>Operating income</b> .....	158,431	<b>172,932</b>	317,896	<b>332,925</b>
<b>Other income:</b>				
Interest.....	3,393	<b>2,386</b>	5,297	<b>4,891</b>
Other.....	37,262	<b>9,754</b>	19,854	<b>35,998</b>
<b>Other expenses:</b>				
Interest.....	2,158	<b>2,851</b>	5,527	<b>5,900</b>
Other.....	3,348	<b>16,634</b>	5,639	<b>28,247</b>
<b>Income before income taxes</b> .....	183,886	<b>165,587</b>	331,881	<b>339,667</b>
Income taxes.....	69,780	<b>66,769</b>	128,702	<b>145,416</b>
<b>Income before equity in income of affiliates</b> .....	114,106	<b>98,818</b>	203,179	<b>194,251</b>
Equity in income of affiliates.....	23,253	<b>28,304</b>	35,999	<b>47,133</b>
<b>Net income</b> .....	137,359	<b>127,122</b>	239,178	<b>241,384</b>
<b>Retained earnings:</b>				
Balance at beginning of period.....	3,245,153	<b>3,679,876</b>	3,161,664	<b>3,589,434</b>
Retirement of treasury stocks.....	—	<b>(158,570)</b>	—	<b>(158,570)</b>
Cash dividends paid.....	—	—	(15,386)	<b>(21,641)</b>
Transfer to legal reserves.....	—	—	(2,944)	<b>(2,179)</b>
Balance at end of period.....	<u>¥3,382,512</u>	<u><b>¥3,648,428</b></u>	<u>¥3,382,512</u>	<u><b>¥3,648,428</b></u>
	Yen			
<b>Basic net income per</b>				
Common share.....	¥143.33	<b>¥135.70</b>	¥249.34	<b>¥257.35</b>
American depositary share.....	71.66	<b>67.85</b>	124.67	<b>128.67</b>

# Consolidated Statements of Cash Flows (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries  
For the six months ended September 30, 2003 and 2004

	Millions of yen	
	2003	Six months 2004
<b>Cash flows from operating activities:</b>		
Net income.....	¥239,178	¥241,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation .....	103,592	105,775
Deferred income taxes .....	66,145	81,854
Equity in income of affiliates.....	(35,999)	(47,133)
Profit on fair value adjustment of derivative instrument .....	(44,410)	(31,778)
Decrease (increase) in:		
Trade accounts and notes receivable.....	117,169	30,317
Inventories.....	(50,251)	(29,256)
Decrease in trade payables .....	(36,811)	(65,013)
Other, net .....	(56,008)	46,537
Net cash provided by operating activities.....	<u>302,605</u>	<u>332,687</u>
<b>Cash flows from investing activities:</b>		
Decrease in investments and advances .....	21,109	6,506
Capital expenditures.....	(128,033)	(170,146)
Proceeds from sales of property, plant and equipment .....	7,609	6,358
Increase in finance subsidiaries—receivables .....	(425,584)	(274,085)
Net cash used in investing activities.....	<u>(524,899)</u>	<u>(431,367)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term debt .....	19,679	(151,955)
Proceeds from long-term debt.....	412,544	461,080
Repayment of long-term debt .....	(76,343)	(194,298)
Acquisition of treasury stock.....	(28,769)	(34,564)
Cash dividends paid.....	(15,386)	(21,641)
Increase in commercial paper classified as long-term debt .....	354	26
Net cash provided by financing activities.....	<u>312,079</u>	<u>58,648</u>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<u>(12,347)</u>	<u>11,401</u>
<b>Net change in cash and cash equivalents .....</b>	<u>77,438</u>	<u>(28,631)</u>
<b>Cash and cash equivalents at beginning of period .....</b>	<u>547,404</u>	<u>724,421</u>
<b>Cash and cash equivalents at end of period .....</b>	<u>¥624,842</u>	<u>¥695,790</u>

# Consolidated Balance Sheets

## Divided into Non-financial services businesses and Finance subsidiaries (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries  
September 30, 2004

	Millions of yen
<b>Assets</b>	
<b>Non-financial services businesses</b>	
Current assets.....	¥3,038,283
Cash and cash equivalents.....	678,762
Trade accounts and notes receivable.....	361,691
Inventories .....	818,265
Other current assets .....	1,179,565
Investments and advances.....	812,547
Property, plant and equipment, at cost.....	1,520,808
Other assets .....	270,600
Total assets .....	<u>5,642,238</u>
<b>Finance subsidiaries</b>	
Cash and cash equivalents.....	17,028
Finance subsidiaries—short-term receivables, net.....	1,376,539
Finance subsidiaries—long-term receivables, net.....	2,689,463
Other assets .....	204,760
Total assets .....	<u>4,287,790</u>
Eliminations among subsidiaries.....	<u>(1,012,685)</u>
<b>Total assets</b> .....	<u><u>¥8,917,343</u></u>
<b>Liabilities and Stockholders' Equity</b>	
<b>Non-financial services businesses</b>	
Current liabilities .....	¥1,954,299
Short-term debt.....	173,352
Current portion of long-term debt.....	6,318
Trade payables.....	887,882
Accrued expenses .....	717,039
Other current liabilities .....	169,708
Long-term debt .....	28,289
Other liabilities .....	750,564
Total liabilities .....	<u>2,733,152</u>
<b>Finance subsidiaries</b>	
Short-term debt .....	1,193,308
Current portion of long-term debt .....	629,917
Accrued expenses.....	135,454
Long-term debt .....	1,564,051
Other liabilities .....	335,942
Total liabilities .....	<u>3,858,672</u>
Eliminations among subsidiaries.....	<u>(808,879)</u>
<b>Total liabilities</b> .....	<u><u>¥5,782,945</u></u>
Common stock .....	86,067
Capital surplus .....	172,529
Legal reserves .....	34,597
Retained earnings.....	3,648,428
Accumulated other comprehensive loss.....	(779,754)
Treasury stock.....	(27,469)
<b>Total stockholders' equity</b> .....	<u><u>¥3,134,398</u></u>
<b>Total liabilities and stockholders' equity</b> .....	<u><u>¥8,917,343</u></u>

# Consolidated Statements of Cash Flows

## Divided into Non-financial services businesses and Finance subsidiaries (Unaudited)

Honda Motor Co., Ltd. and Subsidiaries  
For the six months ended September 30, 2004

	Millions of yen	
	Non-financial services businesses	Finance subsidiaries
<b>Cash flows from operating activities:</b>		
Net income.....	¥207,392	¥ 34,001
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	105,575	200
Deferred income taxes.....	33,139	48,715
Equity in income of affiliates.....	(48,230)	—
Profit on fair value adjustment of derivative instrument.....	(4,402)	(27,376)
Decrease in trade accounts and notes receivable.....	30,039	—
Increase in inventories.....	(29,256)	—
Decrease in trade payables.....	(58,861)	—
Other, net.....	57,815	(15,921)
Net cash provided by operating activities.....	<u>293,211</u>	<u>39,619</u>
<b>Cash flows from investing activities:</b>		
*Increase in investments and advances.....	(74,924)	—
Capital expenditures.....	(169,864)	(282)
Proceeds from sales of property, plant and equipment.....	6,195	163
Increase in finance subsidiaries—receivables.....	—	(279,008)
Net cash used in investing activities.....	<u>(238,593)</u>	<u>(279,127)</u>
<b>Free cash flow (Cash flows from operating and investing activities).....</b>	<u>54,618</u>	<u>(239,508)</u>
<b>Free cash flow of Non-financial services businesses, excluding the increase in loans to Finance subsidiaries (Note).....</b>	<u>132,359</u>	<u>—</u>
<b>Cash flows from financing activities:</b>		
*Decrease in short-term debt.....	(39,127)	(29,542)
*Proceeds from long-term debt.....	5,955	456,147
*Repayment of long-term debt.....	(5,139)	(189,159)
Proceeds from issuance of common stock.....	—	1,911
Acquisition of treasury stock.....	(34,564)	—
Cash dividends paid.....	(21,650)	—
Increase in commercial paper classified as long-term debt.....	—	26
Net cash provided by (used in) financing activities.....	<u>(94,525)</u>	<u>239,383</u>
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>	<u>10,752</u>	<u>649</u>
<b>Net change in cash and cash equivalents.....</b>	<u>(29,155)</u>	<u>524</u>
<b>Cash and cash equivalents at beginning of year.....</b>	<u>707,917</u>	<u>16,504</u>
<b>Cash and cash equivalents at end of year.....</b>	<u>¥678,762</u>	<u>¥ 17,028</u>

Note: Non-financial services businesses loans to Finance subsidiaries. These cash flows were included in the items of "Other, net" of Non-financial services businesses, "Decrease in short-term debt," "Proceeds from long-term debt" and "Repayment of long-term debt" of Finance subsidiaries (marked by \*). Free cash flow of Non-financial services businesses, excluding the increase in lending to Finance subsidiaries, are stated for your information.

Loans from Non-financial services businesses to Finance subsidiaries was increased ¥77,741 million for the fiscal first half ended September 30, 2004.

## Segment Information (Unaudited)

### Business Segment Information

For the six months ended September 30, 2004

	Millions of yen						
	Motorcycle Business	Automobile Business	Financial Services	Power Product and Other Businesses	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers .....	¥530,162	¥3,349,006	¥123,434	¥164,129	¥4,166,731	¥ —	¥4,166,731
Intersegment sales .....	0	0	1,690	5,815	7,505	(7,505)	—
Total .....	¥530,162	¥3,349,006	¥125,124	¥169,944	¥4,174,236	¥(7,505)	¥4,166,731
Cost of sales, SG&A and R&D expenses.....	492,961	3,113,223	77,329	157,798	3,841,311	(7,505)	3,833,806
Operating income.....	¥ 37,201	¥ 235,783	¥ 47,795	¥ 12,146	¥ 332,925	¥ 0	¥ 332,925

For the six months ended September 30, 2003

	Millions of yen						
	Motorcycle Business	Automobile Business	Financial Services	Power Product and Other Businesses	Total	Eliminations	Consolidated
Net sales and other operating revenue:							
Sales to unaffiliated customers .....	¥475,071	¥3,267,258	¥126,236	¥156,866	¥4,025,431	¥ —	¥4,025,431
Intersegment sales .....	0	0	1,311	5,707	7,018	(7,018)	—
Total .....	¥475,071	¥3,267,258	¥127,547	¥162,573	¥4,032,449	¥(7,018)	¥4,025,431
Cost of sales, SG&A and R&D expenses.....	467,370	3,021,250	67,278	158,655	3,714,553	(7,018)	3,707,535
Operating income.....	¥ 7,701	¥ 246,008	¥ 60,269	¥ 3,918	¥ 317,896	¥ 0	¥ 317,896

Notes:

1. Segmentation of Business:

Business segment is based on Honda's business organization and the similarity of the principal products within each segment, as well as the relevant markets for such products.

2. Principal products of each segment:

Business	Sales	Principal Products
Motorcycle	Motorcycles, all-terrain vehicles (ATVs), personal watercraft and relevant parts	Motor-driven cycles, mid-size motorcycles, small-size motorcycles, ATVs and personal watercraft
Automobile	Automobiles and relevant parts	Compact cars, sub-compact cars and minivehicles
Financial Services	Financial and insurance services	N/A
Power Product and Other Businesses	Power products and relevant parts, and others	Power tillers, generators, general-purpose engines, lawn mowers and outboard engines

## Geographical Segment Information

For the six months ended September 30, 2004

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales and other operating revenue:								
Sales to unaffiliated customers.....	¥ 981,635	¥2,176,453	¥425,020	¥372,987	¥210,636	¥4,166,731	¥ —	¥4,166,731
Transfers between geographical segments.....	997,120	56,793	89,548	42,687	8,490	1,194,638	(1,194,638)	—
Total .....	¥1,978,755	¥2,233,246	¥514,568	¥415,674	¥219,126	¥5,361,369	¥(1,194,638)	¥4,166,731
Cost of sales, SG&A and R&D expenses .....	1,891,963	2,067,446	490,520	378,264	199,835	5,028,028	(1,194,222)	3,833,806
Operating income .....	¥ 86,792	¥ 165,800	¥ 24,048	¥ 37,410	¥ 19,291	¥ 333,341	¥ (416)	¥ 332,925

For the six months ended September 30, 2003

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales and other operating revenue:								
Sales to unaffiliated customers.....	¥ 871,082	¥2,316,190	¥373,035	¥311,499	¥153,625	¥4,025,431	¥ —	¥4,025,431
Transfers between geographical segments.....	1,015,869	62,777	98,798	27,465	5,819	1,210,728	(1,210,728)	—
Total .....	¥1,886,951	¥2,378,967	¥471,833	¥338,964	¥159,444	¥5,236,159	¥(1,210,728)	¥4,025,431
Cost of sales, SG&A and R&D expenses .....	1,813,081	2,190,215	454,310	314,826	148,145	4,920,577	(1,213,042)	3,707,535
Operating income .....	¥ 73,870	¥ 188,752	¥ 17,523	¥ 24,138	¥ 11,299	¥ 315,582	¥ 2,314	¥ 317,896

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## Overseas Sales

For the six months ended September 30, 2003 and 2004

	Millions of yen									
	2002					2003				
	North America	Europe	Asia	Others	Total	North America	Europe	Asia	Others	Total
Overseas sales.....	¥2,309,525	¥379,253	¥397,604	¥189,017	¥3,275,399	¥2,172,379	¥432,345	¥479,406	¥242,475	¥3,326,605
Consolidated sales.....					¥4,025,431					¥4,166,731
Overseas sales ratio to consolidated sales.....	57.4%	9.4%	9.9%	4.7%	81.4%	52.1%	10.4%	11.5%	5.8%	79.8%

Note:

Major countries or regions in each geographical segment	North America	United States, Canada and Mexico
	Europe	United Kingdom, Germany, France, Italy and Belgium
	Asia	Thailand, Indonesia, China and India
	Others	Brazil and Australia

## Investor Information

### Explanatory notes:

- The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States because the Company has issued American Depositary Receipts listed on the New York Stock Exchange and files reports with the U.S. Securities and Exchange Commission. All segment information, however, is prepared in accordance with a Ministerial Ordinance under the Securities and Exchange Law of Japan.
  - The average exchange rates for the fiscal second quarter ended September 30, 2004 were ¥109.96=U.S.\$1 and ¥134.37=€1. The average exchange rates for the corresponding period last year were ¥117.60=U.S.\$1 and ¥132.26=€1. The average exchange rates for the fiscal first half ended September 30, 2004 were ¥109.86=U.S.\$1 and ¥133.32=€1, as compared with ¥118.05=U.S.\$1 and ¥133.46=€1 for the corresponding period last year.
  - U.S. dollar amounts have been translated from yen solely for the convenience of the reader at the rate of ¥111.05=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, 2004.
  - 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.
  - The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No.130, "Reporting Comprehensive Income." The following table represents components of the Company's comprehensive income. Other comprehensive income (loss) consists of changes in adjustments from foreign currency translation, net unrealized gains on marketable equity securities and minimum pension liabilities adjustment.
- | For the three months ended Sept. 30    | Millions of yen |          |
|--|-----------------|----------|
|  | 2003            | 2004     |
| Net income.....                        | ¥137,359        | ¥127,122 |
| Other comprehensive income (loss)..... | (106,329)       | 42,642   |
| Comprehensive income.....              | ¥ 31,030        | ¥169,764 |
- 
- | For the six months ended Sept. 30      | Millions of yen |          |
|--|-----------------|----------|
|  | 2003            | 2004     |
| Net income.....                        | ¥239,178        | ¥241,384 |
| Other comprehensive income (loss)..... | (81,365)        | 74,819   |
| Comprehensive income.....              | ¥157,813        | ¥316,203 |
- Certain gains and losses on sale and disposal of property, plant and equipment, which were previously recorded in other income (expenses), have been reclassified to SG&A expenses, and net realized gains and losses on interest rate swap contracts not designated as accounting hedges by finance subsidiaries, which were previously recorded in cost of sales, have been included in other income (expenses)—other in the prior year's fiscal fourth quarter, respectively. Accordingly, reclassifications have been made to the consolidated statements of income and retained earnings and to the segment information of the prior year's fiscal second quarter and fiscal first half to conform to the presentation used for the fiscal second quarter and fiscal first half ended June 30, 2004.
  - The number of treasury stock has been excluded from the calculation for basic net income per common share.

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**Depositary and Transfer Agent  
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JPMorgan Chase Bank  
270 Park Avenue,  
New York, NY 10017-2070, U.S.A.

**Stock Exchange Listings in Japan**  
Tokyo, Osaka, Nagoya, Sapporo and Fukuoka

**Stock Exchange Listings Overseas**  
New York, London, Euronext Paris and Swiss  
stock exchanges

**Total Shares of Common Stock Issued  
and Outstanding**  
939,414,215 (as of September 30, 2004)

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