

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2022
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____
Commission file number 1-7628

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

HONDA MOTOR CO., LTD.

(Translation of Registrant's name into English)

JAPAN

(Jurisdiction of incorporation or organization)

No. 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan

(Address of principal executive offices)

Rikako Suzuki

+81-3-5412-1134, prj_h_ir2@hm.honda.co.jp, No. 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock*	HMC	New York Stock Exchange
American Depository Shares**		

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Title of each class

Outstanding as of March 31, 2022***

Common Stock

1,710,600,356****

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such file). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

* Not for trading purposes, but only in connection with the registration of American Depository Shares, each representing one share of Common Stock.

** American Depository Receipts evidence American Depository Shares, each American Depository Share representing one share of Common Stock.

*** Unless otherwise indicated in this Form 20-F, "outstanding shares" excludes the number of shares held by the BIP Trust (as defined under Item 6.B. "Compensation-The Board Incentive Plan").

**** Shares of Common Stock include 107,517,766 shares represented by American Depository Shares.

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PART I

Unless the context otherwise requires, the terms “we”, “us”, “our”, “Registrant”, “Company” and “Honda” as used in this Annual Report each refer to Honda Motor Co., Ltd. and its consolidated subsidiaries.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reason for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks relating to the spread of coronavirus disease 2019 (COVID-19)

The World Health Organization (WHO) declared COVID-19 a pandemic in March 2020. Thereafter, COVID-19 continued to spread worldwide, and due to various responses resulting from the spread of COVID-19 including outing and travel restrictions in various countries, there has been stagnation of consumers’ consumptions and corporate economic activities. Although the efforts are currently under way in various countries to maintain social and economic activities at the same time as carrying out the infection prevention measures, it is still unclear at present as to when COVID-19 will end.

As a result of governmental travel restriction measures, the production activities of some of Honda’s production bases in Japan and overseas are affected mainly due to restrictions on employees’ commute to the workplaces and delays in the supply of parts within the supply chain. Also, some dealers in Japan and overseas have been obliged to suspend business, shorten business hours, or reduce services such as inspections and repairs.

Honda has carried out its measures for preventing the spread of infections, such as thorough implementation of the infection prevention measures based on the guidelines of WHO and various governments, and the imposition of a travel ban to the countries with a high infection risk for its employees, in line with the travel restrictions by various governments. With such measures in place and in step with the regulations by individual governments and the latest trends for the supply situation for parts and other matters, Honda has continued carrying out its business activities.

Although our business activities have continued as stated above, the duration of the spread of COVID-19, market trends, and economic trends remain uncertain. Unpredictable future trends may adversely affect Honda's business and operating results, such as through factory downtime, business suspensions or shortening of business hours at dealers and decrease in sales units, and the effects on the supply chain, in addition to increased costs to maintain prolonged infection prevention countermeasures.

The spread of COVID-19 may also have an impact on the risks discussed below.

Regional Risk

Honda conducts business operations in countries worldwide and is exposed to risks including changes in local laws and regulations, agreements, institutions and business practices, such as tariffs, import and export regulations, and taxes, wars, terrorism, political uncertainty, worsening security situation, change in political regime and labor strikes in those countries or neighboring regions. If such unforeseeable events occur, and operations are delayed or suspended, Honda's business and operating results could be adversely affected.

Particularly among them, Honda recognizes the following as the main risks that could also significantly affect Honda's mid- and long-term initiatives regarding further electrification of the products, more widespread use and evolution of driver-assistive technologies, and further promotion of new businesses.

For the scale of business in each region that may be affected by such changes in local laws and regulations and systems in the future, see "(d) Supplemental Geographical Information" of note "(4) Segment Information" to the accompanying consolidated financial statements.

1. Status of Personal Information Protection Rules

In recent years, personal information protection rules have been rapidly developed in countries around the world, including the Amendments to the Act on the Protection of Personal Information that took effect in Japan in April 2022. As such, fines may be imposed if violations of rules occur, including the leakage of personal information, in accordance with the rules of each country, and this could have an adverse effect on Honda's business and operating results. Regarding Honda's activities to promote new businesses as well, measures to protect personal information are also gaining importance, due to possible differences in the amount and quality of the personal information handled in comparison to existing operations.

2. Status of Economic Security Policies

If any governmental policy concerning export control, data protection or otherwise concerning trade security in the United States and/or China is strengthened, this could possibly require relevant countermeasure cost for the business activities involving production, development, purchasing, and sales, etc., which could adversely affect Honda's business operations in North America, Asia, and other regions.

Purchasing and Procurement Risk

Honda aims to sustain the procurement of good products at reasonable prices in a timely manner, purchases raw materials and parts from numerous external suppliers, and relies on certain suppliers for some of the raw materials and parts which it uses to manufacture its products. Honda's ability to continue to obtain these supplies in an efficient manner at appropriate cost levels is subject to a number of factors, some of which are outside of Honda's control. These factors include the ability of its suppliers to provide a continued supply of raw materials and parts and Honda's ability to compete with other users in obtaining the supplies.

In case it becomes impossible to receive the supply of materials and parts from suppliers on a continuous basis, in case the prices of materials and parts rise, or in case of losing any key supplier, this could lead to delays

in or the suspension of Honda's manufacturing operations and a loss of Honda's competitiveness, which could adversely affect Honda's business and operating results. For example, a shortage in the procurement of semiconductors has become manifest for Honda, which has led to such effects as the suspension or decrease of production of automobiles and motorcycles at some of Honda's production bases in Japan and overseas. For some other materials and parts as well, a rise in their prices has occurred, or is projected to occur looking ahead. Moreover, purchasing and procurement risk could also significantly affect Honda's mid- and long-term initiatives, particularly regarding further electrification of the products, more widespread use and evolution of driver-assistive technologies, and further promotion of new businesses.

Information Security Risk

Honda uses a wide range of information systems and networks relating to information services and driving support in its business activities and its products, including in areas managed by subcontractors. Especially in recent years, IoT and other information technologies, which have evolved rapidly, have become indispensable for control of vehicles.

The means of cyber-attacks that take place have become more advanced and sophisticated, targeting organizations around the world. Moreover, any cyber-attacks could significantly affect Honda's mid- and long-term initiatives, particularly regarding more widespread use and evolution of driver-assistive technologies and further promotion of new businesses.

There is a possibility that, in addition to external cyber-attacks, any equipment malfunction, any management deficiency or human error at Honda or any of our business partners or subcontractors, or any natural disaster, infrastructure failure or any other unforeseen circumstances could also result in the suspension of important operations and services at Honda, leakage of confidential or personal information, inappropriate processing of documents and information, or the destruction or falsification of important data.

When such an event occurs, Honda's business and operating results could be adversely affected in terms of damage to its brand image or social reputation, liability to customers or parties affected, payment of financial penalties, delays in or suspension of Honda's manufacturing operations, and a loss of Honda's competitiveness.

Environmental Risk

Carrying out its business operations in countries around the world, Honda recognizes wide-ranging potential risks related to environmental issues, as exemplified by the risks concerning climate change, resource depletion, air pollution, and water pollution, among other issues, and Honda is subject to wide-ranging regulations covering these issues.

For the regulations concerning climate change and the regulation concerning fuel efficiency and exhaust in particular, there has been implementation of or planning for their revisions around the world. Depending on the trends for the revisions and what the revised regulations may stipulate, Honda's measures in response and related expenses could possibly weigh on its production, development, purchasing and sales activities, etc., in the Motorcycle, Automobile, Power product and other businesses operations. This could adversely affect Honda's business and operating results.

Moreover, these risks could significantly affect Honda's mid- and long-term initiatives, particularly regarding further electrification of the products.

Intellectual Property Risk

Honda owns or otherwise has rights in a number of patents and trademarks relating to the products it manufactures, which have been obtained over a period of years. These patents and trademarks include those that could significantly affect Honda's mid- and long-term initiatives, particularly regarding more widespread use and evolution of driver-assistive technologies and further promotion of new businesses.

The inability to protect this intellectual property generally, the illegal infringement of some or a large group of Honda's intellectual property rights, or the suspension of manufacturing and/or sales activities and the payment of large amounts of damages as a result of lawsuits on infringement of patent rights and license fees, could have an adverse effect on Honda's business and operating results.

Natural Disasters Risk

The suspension and delay in business activities such as production, development, purchasing and sales as a result of damage caused to Honda's operation sites and employees by earthquakes, floods, windstorms, infections and other natural disasters may adversely affect Honda's business and operating results. Also, if any of Honda's business partners suffer any such damage, or if there is any disruption of the infrastructure due to a natural disaster, this may adversely affect Honda's business and operating results.

In addition, under the effects of climate change and other factors, weather-related disasters have intensified and have become more frequent in various countries around the world, and it is projected that this trend could continue going forward. As a result, these disasters may adversely affect Honda's business and operating results.

Financial & Economic Risk

1. Economic Trends and Economic Fluctuations Risks

Honda conducts business operations in the countries throughout the world. Honda has manufacturing operations and sells products in various regions and countries. These business activities may be affected by economic slowdowns, currency fluctuation, or other factors, which could result in decreased sales due to market contraction, increases in component procurement prices and product sales prices, higher credit risk for Honda's business, and higher financing interest rates, among others. Accordingly, these changes may have an adverse effect on Honda's business and operating results.

2. Currency Fluctuations Risk

Honda has manufacturing operations throughout the world, including Japan, and exports products and components to various countries. Honda purchases materials and components and sells its products and components in foreign currencies. Therefore, currency fluctuations could affect Honda's pricing of materials purchased and products sold. Accordingly, currency fluctuations may have an adverse effect on Honda's business and operating results.

Business Alliances and Joint Ventures Risk

Honda engages in business operations through alliances and joint ventures with other companies in expectation of synergy effects and increased efficiency, or to meet the requirements of the countries in which business development is being undertaken.

As Honda advances its mid- and long-term initiatives, particularly regarding further electrification of the products, more widespread use and evolution of driver-assistive technologies, and further promotion of new businesses, the utilization of alliances and other forms of partnership are gaining importance.

If disagreements in business, profit or technology leakage, delays in decision-making or poor operating results at business partners occur among the parties to an alliance or joint venture, or if conditions to an alliance or joint venture are changed or cancelled, it may have an adverse effect on Honda's business and operating results.

Relating to Industry Market Risk

Honda conducts its operations in Japan and countries throughout the world, including North America, Europe and Asia. A sustained loss of consumer confidence in these markets, which may be caused by an

extended economic slowdown, recession, changes in consumer preferences and needs, rising fuel prices, financial crisis, increases in product prices due to increases in material costs or decreases in supply volume, intensifying competition with other companies or other factors could trigger a decline in demand for Honda's products that may adversely affect Honda's business and operating results.

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

Honda's Financial services business offers various financing plans to its customers designed to increase the opportunity for sales of its products. However, customers can also obtain financing for the lease or purchase of Honda's products through a variety of other sources that compete with our financing services, including commercial banks and finance and leasing companies. The financial services offered by Honda involve credit risk as well as risks relating to lease residual values, cost of capital and access to funding. Competition for customers and/or these risks may adversely affect Honda's business and operating results.

Legal Risk

Honda could be subject to lawsuits, various investigations and legal proceedings under relevant laws and regulations of various jurisdictions. A negative outcome in any such current or future legal proceedings brought against Honda could adversely affect Honda's business and operating results.

Honda is subject to risks relating to its obligations to provide post-employment benefits

Honda has various pension plans and provides other post-employment benefits, in which the amount of benefits is basically determined based on the level of salary, service years, and other factors. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations. Defined benefit obligations and defined benefit costs are based on assumptions of a variety of factors, including the discount rate and the rate of salary increase. Changes in assumptions could affect Honda's defined benefit costs and obligations, including Honda's cash requirements to fund such obligations in the future, which could adversely affect Honda's operating results.

Honda's success depends in part on the value of its brand image, which could be diminished by product defect

One of the important factors behind corporate sustainability is trust and support for the Honda brand from our customers, society and the communities in which Honda conducts business operations. In order to support this brand image, Honda endeavors to gain the trust of society in all types of corporate activities, including ensuring product quality and compliance with laws and regulations, conducting risk management, and enhancing internal controls related to corporate governance. However, if for some unforeseeable reason the Honda brand image is damaged or Honda is unable to communicate information in a timely manner and deal with such information appropriately, this could adversely affect Honda's business and operating results.

Risks Relating to Honda's ADSs

A holder of ADSs will have fewer rights than a shareholder has and such holder will have to act through the depositary to exercise those rights

The rights of shareholders under Japanese law to take various actions, including exercising voting rights inherent in their shares, receiving dividends and distributions, bringing derivative actions, examining a company's accounting books and records, and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the Shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited Shares. The depositary will make

efforts to exercise votes regarding the Shares underlying the ADSs as instructed by the holders and will pay to the holders the dividends and distributions collected from the Company. However, in the capacity as an ADS holder, such holder will not be able to bring a derivative action, examine our accounting books or records or exercise appraisal rights through the depositary.

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions

The Company's Articles of Incorporation, Regulations of the Board of Directors, Regulations of the Nominating Committee, Regulations of the Audit Committee, Regulations of the Compensation Committee, and the Company Law of Japan (the "Company Law") govern corporate affairs of the Company. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties, and shareholders' rights may be different from those that would apply if the Company were a U.S. company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of the United States. An ADS holder may have more difficulty in asserting his/her rights as a shareholder than such an ADS holder would as a shareholder of a U.S. corporation. In addition, Japanese courts may not be willing to enforce liabilities against the Company in actions brought in Japan that are based upon the securities laws of the United States or any U.S. state.

Because of daily price range limitations under Japanese stock exchange rules, a holder of ADSs may not be able to sell his/her shares of the Company's Common Stock at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

U.S. investors may have difficulty in serving process or enforcing a judgment against the Company, its directors or executive officers

The Company is a limited liability, joint stock corporation incorporated under the laws of Japan. Most of its directors and executive officers reside in Japan. All or substantially all of the Company's assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon the Company or these persons or to enforce against the Company or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

The Company's shareholders of record on a record date may not receive the dividend they anticipate

The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. The Company's dividend payout practice is no exception. While the Company may announce forecasts of year-end and interim dividends prior to the record date, these forecasts are not legally binding. The actual payment of year-end dividends requires a resolution of the Company's Board of Directors. If the Board of Directors adopt such a resolution, the year-end dividend payment is made to shareholders as of the applicable record date, which is currently specified as March 31 by the Company's Articles of Incorporation. However, such a resolution of the Board of Directors is usually made at a meeting of the Board of Directors held in April. The payment of interim dividends also requires a resolution of

the Company's Board of Directors. If the board adopts such a resolution, the dividend payment is made to shareholders as of the applicable record date, which is currently specified as September 30 by the Articles of Incorporation. However, the board usually does not adopt a resolution with respect to an interim dividend until after the record date.

Shareholders of record as of an applicable record date may sell shares after the record date in anticipation of receiving a certain dividend payment based on the previously announced forecasts. However, since these forecasts are not legally binding and resolutions to pay dividends are usually not adopted until after the record date, our shareholders of record on record dates for year-end and interim dividends may not receive the dividend they anticipate.

Cautionary Statement with Respect to Forward-Looking Statements in This Annual Report

This Annual Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements included in this Annual Report are based on the current assumptions and beliefs of Honda in light of the information currently available to it, and involve known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause Honda's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors are generally set forth in Item 3.D "Risk Factors" and include, without limitation:

- the political, economic and social conditions in Japan and throughout the world including North America, Europe and Asia, including economic slowdowns, recessions, changes in consumer preferences, rising fuel prices, financial crises, exchange rates and other factors, as well as the relevant governments' specific policies with respect to economic growth, inflation, taxation, currency conversion, imports and sources of supplies and the availability of credit, particularly to the extent such current or future conditions and policies affect the automobile, motorcycle and power product industries and markets in Japan and other markets throughout the world in which Honda conducts its business, and the demand, sales volume and sales prices for Honda's automobiles, motorcycles and power products;
- the effects of competition in the automobile, motorcycle and power product markets on the demand, sales volume and sales prices for Honda's automobiles, motorcycles and power products;
- Honda's ability to finance its working capital and capital expenditure requirements, including obtaining any required external debt or other financing upon favorable interest rates or other terms;
- the effects of environmental, personal information and other governmental regulations and legal proceedings; and
- the effects of events such as environmental or man-made disasters, pandemics, cyber-attacks or other events affecting Honda, its suppliers, customers or the economy as a whole.

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

Item 4. Information on the Company

A. History and Development of the Company

Honda Motor Co., Ltd. is a limited liability, joint stock corporation incorporated on September 24, 1948 under the Commercial Code of Japan as Honda Giken Kogyo Kabushiki Kaisha. It was formed as a successor to the unincorporated enterprise established in 1946 by the late Soichiro Honda to manufacture motors for motorized bicycles.

Since its establishment, Honda has remained on the leading edge by creating new value and providing products of the highest quality at a reasonable price for worldwide customer satisfaction. Honda develops, manufactures and markets motorcycles, automobiles and power products globally.

Honda's principal executive office is located at 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo, 107-8556, Japan. Its telephone number is +81-3-3423-1111. We maintain a website at <https://global.honda/investors/> that contains information about our Company.

The United States Securities and Exchange Commission (the "SEC") maintains a website at <https://www.sec.gov/> which contains in electronic form each of the reports and other information that we have filed electronically with the SEC.

Principal Capital Investments

In the fiscal years ended March 31, 2020, 2021 and 2022, Honda's capital expenditures were ¥2,858.3 billion, ¥2,567.1 billion and ¥2,503.8 billion, respectively, on an accrual basis. Also, capital expenditures excluding those with respect to equipment on operating leases were ¥613.4 billion, ¥565.2 billion and ¥477.7 billion, respectively, on an accrual basis. For further details of Honda's capital expenditures during fiscal year 2022, see Item 4.D "Property, Plants and Equipment" of this Annual Report.

B. Business Overview

General

Honda's business segments are the Motorcycle business operations, Automobile business operations, Financial services business operations, and Life creation and other businesses operations.

The following tables show the breakdown of Honda's revenue from external customers by category of business and by geographical markets based on the location of the customer for the fiscal years ended March 31, 2020, 2021 and 2022:

	Fiscal years ended March 31,		
	2020	2021	2022
	Yen (billions)		
Motorcycle Business	¥ 2,059.3	¥ 1,787.2	¥ 2,185.2
Automobile Business	9,959.0	8,567.2	9,147.4
Financial Services Business	2,586.9	2,494.2	2,820.6
Life Creation and Other Businesses	325.6	321.7	399.2
Total	¥ 14,931.0	¥ 13,170.5	¥ 14,552.6
	Fiscal years ended March 31,		
	2020	2021	2022
	Yen (billions)		
Japan	¥ 1,985.9	¥ 1,849.2	¥ 1,943.6
North America	8,164.3	7,080.8	7,624.7
Europe	568.7	511.7	611.8
Asia	3,449.8	3,250.1	3,711.4
Other Regions	762.0	478.4	660.8
Total	¥ 14,931.0	¥ 13,170.5	¥ 14,552.6

Motorcycle Business

In 1949, Honda began mass production of motorcycles with the *Dream D-Type*, followed by other models such as the *Benly* and the *Cub F-Type*. By 1957, Honda became the top Japanese manufacturer in terms of

motorcycle production volume. Honda expanded its business overseas by establishing American Honda Motor Co., Inc. in the United States in 1959. Honda first started overseas production in Belgium in 1963.

Honda produces a wide range of motorcycles, with engine displacement ranging from the 50cc class to the 1800cc class. Honda's motorcycle lineup uses internal combustion engine of air- or water-cooled, and in single, two, four or six-cylinder configurations. Honda also has electric vehicles in its lineup. Honda's motorcycle lineup consists of sports, business and commuter models. Honda also produces a range of off-road vehicles, including all-terrain vehicles (ATVs) and side-by-sides (SxS).

The following table sets out unit sales for Honda's Motorcycle business, including motorcycles, all-terrain vehicles (ATVs) and side-by-sides (SxS) and revenue from Motorcycle business, and the breakdown by geographical markets based on the location of the customer for the fiscal years ended March 31, 2020, 2021 and 2022:

	Fiscal years ended March 31,								
	2020			2021			2022		
	Honda Group Unit Sales*	Consolidated Unit Sales*	Revenue	Honda Group Unit Sales*	Consolidated Unit Sales*	Revenue	Honda Group Unit Sales*	Consolidated Unit Sales*	Revenue
Units (thousands)	Units (thousands)	Yen (billions)	Units (thousands)	Units (thousands)	Yen (billions)	Units (thousands)	Units (thousands)	Yen (billions)	
Japan	205	205	¥ 77.2	215	215	¥ 88.1	244	244	¥ 105.0
North America	330	330	203.8	332	332	197.1	437	437	230.7
Europe	239	239	144.3	234	234	146.9	317	317	202.2
Asia	17,262	10,348	1,338.7	13,319	8,451	1,149.8	14,589	8,283	1,309.9
Other Regions	1,304	1,304	295.0	1,032	1,032	205.1	1,440	1,440	337.2
Total	19,340	12,426	¥ 2,059.3	15,132	10,264	¥1,787.2	17,027	10,721	¥2,185.2
Motorcycle revenue as a percentage of total sales revenue			14%			14%			15%

* Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

See Item 4. D. "Property, Plants and Equipment" for information regarding principal manufacturing facilities.

For further information on recent operations and a financial review of the Motorcycle business, see "Operating Results" in "Item 5. Operating and Financial Review and Prospects".

Automobile Business

Honda started Automobile business operations in 1963 with the *T360* mini truck and the *S500* small sports car models. Honda subsequently launched a series of mass-production models including the *CIVIC* in 1972 and the *ACCORD* in 1976, which established a base for its Automobile business. In 1969, production of the mini vehicles *N600* and *TN600* began in Taiwan using component parts sets. In 1982, Honda became the first Japanese automaker to begin local automobile production in the United States (with the *ACCORD* model) and later conducted local development and expanded production activities to include light truck models. In 1986, the Acura Brand was established and an exclusive sales network was launched in the United States.

Honda's vehicles use gasoline engines of three, four or six-cylinder configurations, gasoline-electric hybrid systems and gasoline-electric plug-in hybrid systems. Honda also offers other alternative fuel-powered vehicles such as battery electric vehicles, fuel cell vehicles, and flexible fuel vehicles.

Honda's principal automobile products include the following vehicle models: (in alphabetical order)

Passenger cars:

ACCORD, CITY, CIVIC, FIT/JAZZ

Light trucks:

BREEZE, CR-V, FREED, ODYSSEY, PILOT, Acura RDX, VEZEL/HR-V, XR-V

Mini vehicles:

N-BOX

The following table sets out Honda's unit sales of automobiles and revenue from Automobile business and the breakdown by geographical markets based on the location of the customer for the fiscal years ended March 31, 2020, 2021 and 2022:

	Fiscal years ended March 31,								
	2020			2021			2022		
	Honda Group Unit Sales*	Consolidated Unit Sales*	Revenue	Honda Group Unit Sales*	Consolidated Unit Sales*	Revenue	Honda Group Unit Sales*	Consolidated Unit Sales*	Revenue
Units (thousands)	Units (thousands)	Yen (billions)	Units (thousands)	Units (thousands)	Yen (billions)	Units (thousands)	Units (thousands)	Yen (billions)	
Japan	672	589	¥ 1,473.7	592	520	¥1,321.4	547	476	¥1,340.7
North America	1,825	1,825	5,650.6	1,480	1,480	4,679.3	1,283	1,283	4,884.9
Europe	133	133	359.2	101	101	290.3	100	100	319.3
Asia	1,952	563	2,049.4	2,247	390	2,037.5	2,022	443	2,321.7
Other Regions	208	208	425.9	126	126	238.5	122	122	280.7
Total	<u>4,790</u>	<u>3,318</u>	<u>¥ 9,959.0</u>	<u>4,546</u>	<u>2,617</u>	<u>¥8,567.2</u>	<u>4,074</u>	<u>2,424</u>	<u>¥9,147.4</u>
Automobile revenue as a percentage of total sales revenue			67%			65%			63%

* Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue 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 and others by our Japanese finance subsidiaries and provided through our consolidated subsidiaries are accounted for as operating leases in conformity with International Financial Reporting Standards ("IFRS") and are not included in consolidated sales revenue to the external customers in our Automobile business. Accordingly, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our Automobile business.

See Item 4. D. "Property, Plants and Equipment" for information regarding principal manufacturing facilities.

For further information on recent operations and a financial review of the Automobile business, see "Operating Results" in "Item 5. Operating and Financial Review and Prospects".

Financial Services Business

We offer a variety of financial services to our customers and dealers through finance subsidiaries in countries including Japan, the United States, Canada, the United Kingdom, Germany, Brazil and Thailand, with the aim of providing sales support for our products. The services of these subsidiaries include retail lending, leasing to customers and other financial services, such as wholesale financing to dealers.

The following table sets out Honda's revenue from Financial services business and the breakdown by geographical markets based on the location of the customer for the fiscal years ended March 31, 2020, 2021 and 2022:

	Fiscal years ended March 31,		
	2020	2021	2022
	Yen (billions)		
Japan	¥ 358.8	¥ 380.3	¥ 418.3
North America	2,176.6	2,070.5	2,356.9
Europe	11.8	11.2	10.8
Asia	14.7	15.0	15.7
Other Regions	24.8	17.0	18.6
Total	¥ 2,586.9	¥ 2,494.2	¥ 2,820.6
Financial Services revenue as a percentage of total sales revenue	17%	19%	19%

For further information on recent operations and a financial review of the Financial services business, see “Operating Results” in “Item 5. Operating and Financial Review and Prospects”.

Life Creation and Other Businesses

Honda's Power product business began in 1953 with the introduction of the model *H*, its first general purpose engine. Since then, Honda has manufactured a variety of power products including general purpose engines, lawn mowers, generators, water pumps, brush cutters, tillers, outboard marine engines and snow blowers. In 2019, Honda had renamed Power product business to Life creation business. This renaming represented Honda's intention to evolve Power product business as a function to create new value for “mobility” and “daily lives”. In 2022, Life creation business has been renamed Power product business.

In Other businesses, Honda began deliveries of the *HondaJet* aircraft in December 2015.

The following table sets out Honda's revenue from Life creation and other businesses and the breakdown by geographical markets based on the location of the customer for the fiscal years ended March 31, 2020, 2021 and 2022:

	Fiscal years ended March 31,					
	2020		2021		2022	
	Honda Group Unit Sales / Consolidated Unit Sales*	Revenue	Honda Group Unit Sales / Consolidated Unit Sales*	Revenue	Honda Group Unit Sales / Consolidated Unit Sales*	Revenue
	Units (thousands)	Yen (billions)	Units (thousands)	Yen (billions)	Units (thousands)	Yen (billions)
Japan	312	¥ 76.1	336	¥ 59.2	353	¥ 79.4
North America	2,848	133.1	2,617	133.7	2,738	152.1
Europe	845	53.2	929	63.2	1,189	79.3
Asia	1,375	46.8	1,405	47.6	1,487	64.0
Other Regions	321	16.2	336	17.7	433	24.3
Total	5,701	¥325.6	5,623	¥321.7	6,200	¥399.2
Life Creation and Other businesses revenue as a percentage of total sales revenue		2%		2%		3%

* Honda Group Unit Sales is the total unit sales of completed power products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed power products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed power products of Honda and its consolidated

subsidiaries. In Life creation business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales since no affiliate and joint venture accounted for using the equity method was involved in the sale of Honda power products.

For further information on recent operations and a financial review of the Life creation and other businesses, see “Operating Results” in “Item 5. Operating and Financial Review and Prospects”.

Marketing and Distribution

Most of Honda’s products are distributed under the Honda trademarks in Japan and/or in overseas markets.

In fiscal year 2022, approximately 86% of Honda’s motorcycle units on a group basis were sold in Asia. Approximately 50% of Honda’s automobile units (including sales under the Acura Brand) on a group basis were sold in Asia followed by 31% in North America and 13% in Japan. Approximately 44% of Honda’s power products units on a group basis were sold in North America followed by 24% in Asia and 19% in Europe.

Sales and Service

In Japan, Honda produces and sells motorcycles, automobiles, and power products through its domestic sales subsidiaries and independent retail dealers. In overseas markets, Honda also provides motorcycles, automobiles, and power products through its principal foreign sales subsidiaries, which distribute Honda’s products to local wholesalers and retail dealers.

In fiscal year 2022, approximately 97% of Honda’s overseas sales were made through its principal foreign sales subsidiaries, which distribute Honda’s products to local wholesalers and retail dealers.

Honda sells spare parts and provides after-sales services through retail dealers directly or via its overseas operations, independent distributors and licensees.

Components and Parts, Raw Materials and Sources of Supply

Honda manufactures the major components and parts used in its products, including engines, frames and transmissions. Other components and parts, such as shock absorbers, electrical equipment and tires, are purchased from numerous suppliers. The principal raw materials used by Honda are steel plate, aluminum, special steels, steel tubes, paints, plastics and zinc, which are purchased from several suppliers. The most important raw material purchased is steel plate, accounting for approximately 32% of Honda’s total purchases of raw materials.

No single third-party supplier accounted for more than 5% of the Company’s purchases of major components and parts and principal raw materials during the fiscal year ended March 31, 2022.

Ordinarily, Honda does not have and does not anticipate having any difficulty in obtaining its required materials from suppliers and considers its contracts and business relations with the suppliers to be satisfactory. The Company does not believe any of its Japanese domestic suppliers are substantially more dependent on foreign suppliers than Japanese suppliers generally. However, it should be noted that Japanese industry in general is heavily dependent on foreign suppliers for substantially all of its raw materials.

Seasonality

Honda’s motorcycles and power products have historically experienced some seasonality. However, this seasonality has not generally been material to our financial results.

Environmental and Safety Regulation

Honda is subject to various government regulations, including environmental and safety regulations for automobiles, motorcycles and power products. Such regulations relate to items such as emissions, fuel economy, recycling and safety, and Honda has incurred and will in the future incur compliance and other costs in connection with such regulations. However, Honda's efforts to meet the wide range of applicable regulatory requirements, both in its production activities and in its research and development activities, are an integral part of and inseparable from its normal operational activities as a manufacturer and its efforts to continuously develop competitive products meeting consumer preferences. Accordingly, Honda does not believe it is feasible to separately specify the above compliance costs with a reasonable amount of precision. Relevant environmental and safety regulations are described below.

Outline of Environmental and Safety Regulation for Automobiles

1. Emissions

Japan

In March 2018, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) introduced the Real Driving Emissions (RDE) examination for diesel vehicles. It will be applicable to new models of vehicles beginning in October 2022 and to existing models of vehicles beginning in October 2024.

The Ministry of the Environment (MOE) issued a Ministerial Ordinance on the particle number (PN) regulation for diesel gasoline direct injection vehicles in August 2021.

MLIT has announced the time for the introduction of the PN regulation. Among diesel direct injection vehicles, it will be applicable to new models beginning in October 2023, and to current models beginning in September or October 2025. Among gasoline direct injection vehicles, it will be applicable to the new models beginning in October 2024, and to the current models beginning in September or October 2026.

In December 2020, MOE announced the plan targeting the transition to the electrification of automobiles by around 2030, which covers hybrid vehicles, plug-in hybrid vehicles, electric vehicles and fuel cell vehicles.

The United States

Increasingly stringent emission regulations under the Clean Air Act have been enacted since the 1990s by the U.S. federal government.

Under the Clean Air Act, the State of California is permitted to establish its own emission control standards to the extent they are more stringent than federal standards. Pursuant to this authority, the California Air Resources Board (CARB) adopted the California Low Emission Vehicle Program in 1990, aiming to establish the strictest emission regulations in the world.

In August 2012, the CARB issued the Advanced Clean Car package of regulations, which included amendments to the California Low Emission Vehicle Program III (LEV III) and Zero Emission Vehicle (ZEV) regulations. The LEV III regulation, which applies to 2015 and subsequent model years, tightened limits on emissions and evaporative emissions. The ZEV regulation was revised so that requirements could be satisfied by TZE (Transitional ZEV) and ZEV alone for 2018 and subsequent model years. Also, for 2018 and subsequent model years, the credit value eligible for each ZEV category was decreased drastically, which consequently increases the required sales volume dramatically. The BEVx category, which includes battery electric vehicles with auxiliary power units, was also added as a ZEV category. Currently, many states have adopted California LEV III and ZEV regulations.

In March 2014, the Environmental Protection Agency (EPA) finalized Tier 3 regulation, the federal emission and fuel standards. Tier 3 requires gasoline fuels at a pump to have an average sulfur content of 10 parts-per-million, which is already implemented in Europe and Japan. It also sets exhaust and evaporative emission standards equivalent to California LEV III. In other words, it enables auto manufacturers to sell some of the same vehicles they sell in California in states that have not adopted LEV III.

In October 2015, the CARB issued the Final Statement Of Reasons for rulemaking (FSOR), to amend the current LEV III regulation in order to align its standards further with the finalized federal Tier 3 regulation.

In April 2022, the CARB released its Initial Statement of Reasons and proposed regulatory documents regarding the Advanced Clean Cars II (ACC II) regulations, which are new environmental regulations applicable to new light- and medium-duty vehicles manufactured in and after the 2026 model year. The ACC II regulations contain requirements for the new Low Emission Vehicle IV (LEV IV) regulation and new ZEV. The new ZEV requirements will require all new light-duty vehicles sold in California to be zero-emission by 2035.

Canada

On July 16, 2015, the Environment Canada (current Environment and Climate Change Canada) issued the final regulation of amendment to emission regulation whose requirements refer to Tier 3 regulations in the United States.

Europe

In 2005, the European Union created new emission standards (the Euro 5 and Euro 6 regulations) and comprehensive requirements for gasoline vehicles and diesel vehicles.

The Euro 5 regulation required limits on particle number emissions from diesel vehicles, and implemented new test measurements for PM mass emissions from gasoline vehicles with direct injection engines and diesel vehicles in and after September 2011.

The Euro 6 regulation was implemented in September 2014. Emission limits for diesel vehicles were lowered even more than the Euro 5 levels for NO_x and THC plus NO_x. Additionally, Euro 6 requires limits on particle numbers from gasoline vehicles with direct injection engines.

The required ethanol density of test fuel was also increased, starting from September 2016.

The testing cycle to measure emissions has gradually been transitioning from New European Driving Cycle (NEDC) to Worldwide harmonized Light duty driving Test Cycle (WLTC) beginning from September 2017.

The European Commission implemented regulations regarding the Real Driving Emissions (RDE) using Portable Emissions Measurement System (PEMS). The monitoring phase started from April 2016 and RDE testing with emission limits started from September 2017 for NO_x and PN (particle number).

The new Evaporative Emissions Test started from September 2019. The testing cycle was updated from NEDC to WLTP in conformity with the United Nations Economic Commission for Europe (UNECE) GTR No. 19.

On December 11, 2019, the European Commission released its communication on the “EU Green Deal”, which is intended to be the most ambitious package of measures that the European Commission has ever proposed, aiming for Europe to become the world’s first climate-neutral continent (economy) by 2050.

The Green Deal is designed as a set of 10 deeply transformative policies and more than 50 supporting legislative actions. One of the policies (Sustainable and smart mobility) includes “Euro 7 as more stringent pollutant emissions standards for combustion-engine vehicles”. The European Commission is scheduled to propose Euro 7 in July 2022.

China

China implemented Step 6a emission regulations in July 2020, based on the Euro 6 regulation. Step 6a regulations were implemented in July 2020 and Step 6b regulations will be implemented in July 2023.

The President of China, Xi Jinping, proclaimed at the 75th session of the United Nations General Assembly held between September 2020 and September 2021 that China would address “reduction of greenhouse gas emissions”. In response, the relevant regulatory authorities are proceeding with research and formulation of the new emission standards.

India

India implemented Bharat Stage VI (BS VI) regulations from April 2020, skipping the implementation of BS V regulations. The BS VI regulations feature two phases. The second phase is expected to apply from April 2023 with more stringent particle number and on-board diagnostic requirements and compliance for RDE.

Thailand

Thailand plans to implement Euro 5 after 2023, followed by Euro 6 regulations.

Malaysia

Malaysia implemented Euro 4 regulation from July 2020 for new models of vehicles and January 2022 for existing models of vehicles.

Malaysia is scheduled to implement Euro 5 regulation from July 2028 for new models of vehicles and January 2030 for existing models of vehicles.

Brazil

Brazil implemented PROCONVE L7 in January 2022, and scheduled to implement PROCONVE L8 from 2025. PROCONVE is a unique Brazilian regulation based on U.S. regulations.

2. Fuel Economy / CO₂

Japan

In June 2010, MLIT and the Ministry of Economy, Trade and Industry (METI) jointly established a committee and commenced a study to formulate new fuel economy standards for passenger motor vehicles for 2020. The new standards were announced in March 2013. The next term fuel economy standards improve the 2015 standards by 19.6% and adopt the Corporate Average Fuel Economy (CAFE) calculation method.

In March 2018, MLIT and METI jointly established a committee and commenced a study to formulate new fuel economy standards for passenger motor vehicles for 2030. The new standards, announced in January 2020, require an improvement in fuel efficiency of 32.4% over the 2016 standards and adopted the Corporate Average Fuel Economy (CAFE) calculation method.

In April 2020, it became mandatory to measure the fuel consumption of fuel cell vehicles in WLTP mode and electric mileage of electric vehicles in WLTC mode.

In June 2021, METI released “Green Growth Strategy Through Achieving Carbon Neutrality in 2050” and announced their target that 100% of new passenger vehicle sales would be made up of Electric Vehicles (including Battery Vehicles, Fuel Cell Vehicles, Plug-in Hybrid Electric Vehicles and Hybrid Electric Vehicles) by 2035.

In July 2021, MLIT revised its rules to establish new technical standard for in-vehicle measurement devices for fuel/energy consumption.

The United States

The National Highway Traffic Safety Administration (NHTSA) and EPA issued a regulation in August 2012 regarding GHG / CAFE regulations from the 2017 through 2025 model years. The standard for the 2025 model year is 163 g-CO₂/mile or a 54.5 mpg industry average. The CARB also issued a regulation that was nearly equivalent to the EPA’s GHG regulations in August 2012. In December 2012, the CARB amended its GHG regulation so that a manufacturer is also deemed to comply with the CARB GHG regulations if it complies with EPA-GHG from the 2017 through 2025 model years.

When GHG / CAFE regulation was legislated in 2012, the EPA and the NHTSA announced that they, in coordination with the CARB, would perform a mid-term evaluation re-examining the appropriateness of limit values for 2022-2025 model years by April 2018. Accordingly, the EPA, the NHTSA and the CARB jointly issued a joint technical assessment report in July 2016 (a technical report, and not a decision document). In January 2017, the EPA solely issued the final determination that they would not change the 2022-2025 model years standards established in 2012.

In March 2017, former president Trump issued executive order “Promoting Energy Independence and Economic Growth” which includes rescinding the “Climate Action Plan” announced by former president Obama.

The CARB decided in March 2017 not to change the GHG regulations applicable for the 2022-2025 model years, and, on April 2, 2018, the EPA announced that the GHG requirement for 2022-2025 model years needs reconsideration.

On September 27, 2019, the EPA and the NHTSA jointly issued Part 1 of the “Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule Part 1: One National Program” replacing the current GHG / CAFE regulations.

The SAFE Vehicles Rule Part 1 clarified that federal law supersedes state law and withdrew a preemption waiver (Federal Priority) previously granted to allow the state of California to set its own GHG emission standards different from the federal standards set by EPA.

In March 2020, the EPA and the NHTSA jointly published the SAFE Vehicles Rule Part 2. Under the new SAFE rule, both GHG and CAFE requirements will increase in stringency by 1.5% per year during 2021-2026 model years. The CO₂ standard for the 2026 model year is industry average of 199 g-CO₂/mile.

In September 2020, the Governor of California signed an executive order stating that 100% of in-state sales of new cars and light truck would be ZEV by 2035. Following the California Governor’s announcement, a number of states have followed suit.

In January 2021, President Biden issued an executive order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis which called for such as review of SAFE Vehicles Rule and other regulations.

In accordance with this executive order, in December 2021, the EPA issued the revised GHG emissions standards which are more stringent than the SAFE rule standards in each model year from 2023 through 2026.

Moreover, in December 2021, the NHTSA repealed “SAFE Vehicles Rule Part One: One National Program” and withdrew federal law’s preemption over state laws in CAFE regulation.

In May 2022, the NHTSA issued revised CAFE standards for model years from 2024 through 2026, which increase in stringency by 8% each year relative to the prior year for model years 2024, 2025 and 10% for 2026 model year. The CAFE standards will reach approximately 49 MPG in the 2026 model year (U.S. fleet average), up from 36 MPG in the 2021 model year.

Canada

The government of Quebec in Canada finalized the standard to mandate each automaker to sell a certain minimum number of ZEVs starting from the 2018 model year.

In May 2019, the government of British Columbia also adopted a bill to mandate ZEV sales from 2025.

In June 2019, the Environment and Climate Change Canada signed an agreement with the CARB in the United States to promote cooperation in reducing GHG emissions.

In January 2022, the government of Quebec proposed regulatory amendments to the Quebec’s ZEV regulations which increase the percentage of ZEV sales that a manufacturer must achieve each year from 2025 to 2035. The percentages in 2025 are 12.5%, in 2030 are 65%, and in 2035 are 100%.

Europe

In 2014, a new regulation was issued, requiring EU fleet-wide target of 95 g CO₂/km for 2020 based on NEDC testing procedure.

The current European type-approval procedure for fuel consumption and CO₂ emissions of cars based on NEDC has been gradually replaced with WLTP beginning from September 2017. During the transitional years, WLTP-measured CO₂ values are calculated to NEDC CO₂ values to check compliance to the NEDC based CO₂ target.

On November 8, 2017, the European Commission proposed a new CO₂ standard beyond 2025. The European Parliament and Council reached a provisional inter institutional agreement on the European Commission proposal during the fifth trilogue meeting on December 17, 2018.

The agreed target beyond 2025 is negative 15%. The agreed target beyond 2030 is negative 37.5% for new passenger cars and negative 31% for light commercial vehicles, respectively, compared to the 2021 average of all manufacturers’ EU fleet-wide target.

The agreement also provides that, for zero- and low-emission vehicles, a benchmark equal to 15% share of the respective fleets of newly registered passenger cars and light commercial vehicles shall apply from January 1, 2025, and a benchmark equal to 35% share of the fleet of newly registered passenger cars and a benchmark equal to 30% share of the fleet of newly registered light commercial vehicles shall apply from January 1, 2030.

On December 11, 2019, the European Commission released its communication on the EU Green Deal. See “—Outline of Environmental and Safety Regulation for Automobiles—1. Emissions—Europe”. One policy in the EU Green Deal (EU’s climate ambition for 2030 and 2050) includes “CO₂ performance of cars”. On July 14, 2021, the European Commission issued a proposal to amend the Regulation (EU) 2019/631 defining CO₂ emission targets for newly-registered passenger cars and light commercial cars, which contains a new provision establishing a 100% reduction of EU fleet-wide targets compared to 2021 from 2035 onwards. On April 2022, Committee on the Environment, Public Health and Food Safety (ENVI) released compromise amendments of the Commission’s proposal. In the compromise amendments, ENVI clarified that the Commission shall, by 2023, develop a report establishing a methodology for reporting life-cycle emissions and report on these.

China

China adopted a fuel consumption regulation for passenger vehicles in 2004. Step 5 of this regulation was implemented in 2021.

Newly published GB/T standards (Chinese national standards issued by the Standardization Administration of China) include an amendment to test methods for energy consumption of light-duty hybrid electric vehicles in November 2021.

The Standards Center of the China Automotive Technology and Research Center (CATARC), which is in charge of vehicle carbon emission management policies, is proceeding with research and formulation of a new carbon emission management system throughout the entire vehicle life cycle. The implementation is scheduled to begin in 2025.

India

India has promulgated rules to introduce fuel economy / CO₂ regulations in 2017 and 2022 in a phased manner.

Brazil

Brazil is scheduled to implement new fuel economy / CO₂ regulations from 2022.

3. Recycling / End-of-Life Vehicles (ELV) / Chemicals and hazardous substances

Japan

Japan enacted the Automobile Recycling Law in July 2002, which required manufacturers to take back air bags, fluorocarbon and shredder residue derived from end-of-life vehicles (ELV), which became effective on January 1, 2005. ELV processing costs are collected from owners of cars currently in use and purchasers of new cars.

Europe

On December 30, 2006, the European Union adopted the Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which became effective on June 1, 2007. From June 1, 2008, any manufacturer or importer of chemical substances is required to submit a registration to the European Chemicals Agency, based on annual production or import quantity levels. Submitting a pre-registration between June 1 and December 1, 2008 will allow the manufacturer or importer to extend the deadline for submitting the registration for existing chemical substances. The list of Substances of Very High Concern (SVHC) is amended periodically to include new substances. Upon a request by a consumer, a supplier of a product containing SVHC must provide the consumer with sufficient information, including at least the name of the substance, within 45 days.

On February 18, 2011, the first set of substances which require authorization for use after specified dates were announced. Manufacturers using these substances in Europe must either be authorized for use after submitting an application or use substitute substances. Substances which require authorization will be added periodically.

The European Union has issued a proposed regulation amending the EU Battery Directive to the EU Battery Regulation. The proposed regulation would add requirements related to carbon footprints and information disclosure of remaining life for recycling, among others. The EU Battery Regulation is currently scheduled to come into force in 2024.

China

On June 23, 2017, China implemented automobile recycling laws partially following the regulations established by the European Union.

India

India has a plan to implement automobile recycling laws in the near future.

4. Safety

Japan

Japan Automobile Standards Internationalization Center (JASIC), which is organized by the MLIT and Japan Automobile Manufacturers Association (JAMA), among others, has started to review a proposal for the unification of Safety/Environment Standards, vehicle categories and certification in order to promote further internationalization of standards and certifications. JASIC made the proposal to other contracting parties of the 58 / 98 Agreement in 2009 and reached an agreement among the contracting parties by 2017.

In January 2021, the MLIT adopted UN R153, which regulates fuel system integrity and electric power train safety in rear-end collisions.

In January 2021, the MLIT adopted UN R155, which regulates cyber security and cyber security management.

In January 2021, the MLIT adopted UN R156, which regulates software updates and software update management systems.

In January 2021, the MLIT adopted UN R157, which regulates automated lane keep systems (ALKS).

To achieve the highest level of traffic safety in Japan, MLIT developed a strategy to introduce fully automated driving in the latter half of the 2020s. To develop harmonized regulations for automated driving, MLIT is joining ITS / AD Informal Working Group under WP29 of the United Nations. MLIT is co-chairman of Informal Working Group together with the United Kingdom.

In 2019, the Cabinet decided on a bill to develop a system to secure the safety of automated driving.

MLIT is considering introducing a regulation regarding “Accident Emergency Call Systems (AECS)”.

In 2019, the MLIT adopted UN R152, which regulates “Advanced Emergency Braking System (AEBS)”.

Inspection of on-board diagnostics (OBD) will be required from October 2024 for inspections of vehicles with electronic control devices.

In 2021, the MLIT adopted UN R158, which regulates “rear view devices”.

In 2021, the MLIT adopted UN R160, which regulates “Event Data Recorders (EDRs)”.

The United States

In September 2016, the NHTSA issued the Federal Automated Vehicles Policy for safety testing and deployment of automated vehicles. This policy comprises four sections: vehicle performance guidance for automated vehicles, model state policy, current regulatory tools, and modern regulatory tools. The vehicle performance guidance section outlines a 15 point “safety assessment” for the safe design, development, testing and deployment of automated vehicles.

In December 2016, the NHTSA issued a final rule to newly establish FMVSS141, a standard for minimum sound requirements for hybrid and electric vehicles. The purpose of FMVSS141 is to reduce the number of injuries that result from electric and hybrid vehicle crashes with pedestrians by providing a sound level and sound characteristics necessary for these vehicles to be detected and recognized by pedestrians. Manufacturers must comply with the new requirements for 50% of all hybrid and electric vehicles produced from September 2018, and all hybrid and electric vehicles in or after September 2019. In February 2018, the NHTSA issued another final rule amending FMVSS141. The purpose of this amendment is to clarify the details of technical requirements and reschedule the phase-in schedule (1 year delay).

In January 2017, the NHTSA issued a proposed regulation to establish a new FMVSS150 (vehicle-to-vehicle (V2V) communications) standard. FMVSS150 specifies performance requirements for V2V communications capability and the mandatory equipment requirements of V2V function. FMVSS150 applies to new passenger cars, multi-purpose vehicles, trucks, and buses with a gross vehicle weight rating of 10,000 pounds (4,536 kg) or less. FMVSS150 has a provision for a scheduled phase-in.

In September 2017, the NHTSA issued a voluntary guidance “A Vision for Safety” to update the Federal Automated Vehicle Policy issued in 2016. Manufacturers may demonstrate how they address the safety elements contained in this guidance by publishing a Voluntary Safety Assessment for automated driving system (SAE Level 3 through 5).

In April 2020, the NHTSA issued “FMVSS Considerations for Vehicles with Automated Driving Systems: Volume 1” to provide interpretation verifying the legality of ADS-DV (an SAE International (SAE) level 4 or level 5) which are not equipped with manually operated driving controls against FMVSS regulations on the premise of existing manually operated driving controls.

In September 2020, the NHTSA amended FMVSS141 again to extend phase-in timing, responding to a petition from manufacturers citing the challenges in complying with FMVSS141 due to the supply chain disruptions caused by the COVID-19 pandemic. The application date of FMVSS141 was extended until March 1, 2021, a half year later than the previous phase-in schedule (September 1, 2020).

In October 2020, the NHTSA proposed to revise the child restraint system (CRS) concerning FMVSS208 “Occupant crash protection” to improve the CRS safety in crashes and proposed to revise the CRS lists in line with the currently in-production CRSs.

In January 2021, the NHTSA issued a draft of “Cybersecurity Best Practices for the Safety of Modern Vehicles (2020 update)” to update non-binding and voluntary guidance, which the NHTSA had issued its first edition in 2016, to the automotive industry for improving motor vehicle cybersecurity.

In January 2021, the NHTSA issued “FMVSS Considerations for Vehicles with Automated Driving Systems: Volume 2” to provide interpretation verifying the legality of ADS-DV (an SAE International (SAE) level 4 or level 5) which are not equipped with manually operated driving controls against FMVSS regulations on the premise of existing manually operated driving controls. This Volume 2 mainly covered FMVSS that were not studied in Volume 1.

In June 2021, the NHTSA issued a general order that requires vehicle manufacturers to report accident information (General Order 2021-01). The NHTSA has mandated that if any vehicle (including prototype and modified vehicles as well as production vehicles) equipped with an automated driving system (ADS) and SAE Level 2 or higher Advanced Driving Assistant System (ADAS) causes an accident on publicly accessible roads in the United States while or immediately after the ADS and ADAS are activated, vehicle manufacturers must report such accident to the NHTSA within one day, update the report within 10 days, and report additional information once a month for three years from the accident. The reporting requirement is in effect from June 2021.

In November 2021, President Biden signed Infrastructure Investment and Jobs Act (H.R.3684). The Act requires government agencies in the United States to enact various rules and regulations. In particular, the Act mandates agencies to implement rules regarding vehicle safety, mandatory installation of collision avoidance systems and drunk driving prevention technology, as well as surveys on connected vehicles. The content of each rule to be implemented is expected to be considered by the NHTSA and Department of Transportation (DOT) in the future.

In February 2022, the NHTSA issued a final rule to revise FMVSS108 “Lamps, Reflective Devices, and Associated Equipment”. This amendment enables the adoption of adaptive driving beam (ADB) systems, an advanced headlamp technology that optimizes the beam pattern without driver action, specifies track testing requirements for vehicles and lab testing requirements at the component level.

In March 2022, the NHTSA issued a final rule to revise FMVSS200 series (201/203/204/205/206/207/208/212/214/216a/219/225/226) for occupant protection in ADS-equipped vehicles. ADS-equipped vehicles without seats that are not intended to carry people are excluded from the application of the FMVSS200 series for occupant protection in the event of a collision. ADS-equipped vehicles without conventional steering control systems are partially excluded from the application of the FMVSS200 series (as it relates to protection from steering control systems), and new requirements for occupant protection in the event of a collision have been added.

Europe

In August 2018, the EU commission issued a regulation to significantly revise the legal framework for the EU type-approval. This regulation introduces a market surveillance system for managing the conformity of motor vehicles available on the market and adds a requirement of an expiration date for vehicle type approval. This EU type-approval came into effect on September 1, 2020.

In March 2019, the Committee of the Permanent Representatives of the Governments of the Member States to the European Union approved amendments to the “General safety regulation”. Road traffic safety in the EU has improved during the last decade, but recently the decrease in the number of road fatalities has stagnated.

To address this issue, the revised General Safety Regulations came into force in January 2020 and will be applied to vehicles from July 2022, which is 30 months after the enforcement. The revised General Safety Regulations include mandatory equipment such as advanced driver assistance systems (ADAS).

In addition to making ADAS equipment mandatory, the revised General Safety Regulation will also enact legislation for self-driving cars in 2026. As a response, rules for cyber security management systems formulated by UNECE WP29 in June 2020 has been incorporated into the revised General Safety Regulation, and it will be mandatory from July 2022 as with other items of the revised General Safety Regulation. In addition, software updates will become more important with advanced electronic controls, so software update management systems will also be required from July 2022 to check whether appropriate updates have been made to the vehicle.

For the first time, process approval has been introduced into cyber security management systems and software update management systems for vehicle type approval. This is not only for vehicles, but for everything from development to production and sales. This is to ensure that manufacturers are taking protective measures against cyber-attacks in the scene.

In January 2019, the EU Commission issued a regulation complementing Union type-approval legislation with regard to the withdrawal of the United Kingdom from the EU (i.e. Brexit).

As an important block of the European Data Strategy of February 2020, the Data Act was announced as the primary regulation governing the assurance of data value and management. This Data Act applies to

manufacturers and service co-owners, users and providers of products in the EU market with the aim of ensuring data management and accessibility of data between the private and public sectors. For vehicles, the European Commission has issued an impact assessment on access to vehicle data, features and resources. With regards to access to in-vehicle data for the purpose of providing vehicle related mobility services, the European Commission has started public consultation for the revision of “Whole Vehicle Type Approval (WVTA) and market surveillance” (EU) 2018/858 in March 2022.

China

Vehicle safety regulations in China were drafted with reference to the UNECE standards and cover almost the same matters as the UNECE standards. However, these regulations also include unique provisions that take into account the distinctive characteristics of the Chinese market environment and the rules differ from the latest UNECE regulations.

In addition, as rulemaking related to autonomous vehicles accelerates, multiple ICV (Intelligent Connecting Vehicle) standards will be promulgated in the future.

Future safety regulations are described as follows:

Newly published GB and GB/T standards (Chinese national standards issued by the Standardization Administration of China) include:

- + Event Data Recorder (EDR),
- + Amendment to electric vehicles traction battery safety requirements, and
- + Amendment to electric vehicles safety requirements.

Newly established GB and GB/T standards (not yet published) include:

- + Establishment of technical requirements related to cyber security, and
- + Establishment of security requirements for automobile data collection and requirements for cross-border data transfers, and
- + Amendment to battery electric passenger cars – specifications.

Brazil

In April 2020, The National Traffic Department (DENATRAN) issued an ordinance regarding the vehicle safety labelling program.

In June 2020, The Brazil transport authority (CONTRAN) issued a resolution to approve affixing of license plates under the previous license plate specification on and after January 31, 2020.

In October 2020, the National Institute of Metrology, Standardization and Industrial Quality (INMETRO) issued an Ordinance amending quality technical regulations for new tires.

In October 2020, CONTRAN issued a resolution to postpone those applicable dates of some safety items due to COVID-19 impact.

In November 2020, INMETRO issued an Ordinance, which amended “Regulation for Technical Quality on Child Restraint Systems” and “Requirements for assessment of compliance for Child Restraint Systems”.

In December 2020, DENATRAN issued an Ordinance amending the requirements of vehicle safety label program.

In January 2021, an Act of cyber security related to the products listed in the Reference List of Telecommunications Products published by the National Telecommunications Agency that have the function of terminal equipment with an Internet connection or telecommunications network infrastructure equipment was announced.

CONTRAN announced a final proposal regarding the obligation to install and technical requirements for the Automatic Emergency Braking System (AEBS) installed in vehicles. The earliest implementation time for the requirements begins in 2025.

Outline of Environmental and Safety Regulation for Motorcycles

1. Emissions

Japan

Japan published the next phase (Euro 5) level emission regulation to be implemented from December 2020.

The United States

The state of California started to consider introducing the Euro 5 level emission regulation and Zero Emission Motorcycles (ZEM) credit program.

Europe

Euro 5 requirements other than catalyst monitoring of OBD (Onboard Diagnostics Regulation) started to apply to new vehicle models from January 2020 and started to apply to all vehicles registered from January 2021. Catalyst monitoring will apply to new vehicle models from January 2024 and will apply to all vehicles registered from January 2025.

On December 11, 2019, the European Commission released its communication on the EU Green Deal. See “—Outline of Environmental and Safety Regulation for Automobiles—1. Emissions—Europe”.

India

Ministry of Road Transport & Highways, the Government of India implemented an emission regulation called BS IV, which applied to new motorcycles from April 2016 and to all motorcycles registered from April 2017. India also published a BS VI regulation (Euro 5 level exhaust emission regulation), which started to apply from April 2020, except OBD stage 2, which will apply from 2023.

China

China started to consider introducing the Euro 5 level emission regulation.

Other Asian Countries

Thailand published the 7th phase (Euro 4) level emission regulation to be implemented from March 2020.

Indonesia, Vietnam and the Philippines are implementing emission regulations based on European regulations (Euro 3). In addition, consideration of the introduction of Euro 4 has started.

Brazil

Brazil published a new emission regulation called PROMOT 5 (Euro 5 level exhaust emission regulation), which will apply to new motorcycles from January 2023 and to all motorcycles registered from January 2025. The OBD stage 2 requirement will apply to new models of motorcycles from January 2025 and will apply to all motorcycles registered from January 2027.

2. Recycling / Chemicals and hazardous substances

Europe

The same REACH compliance required for motor vehicles is required for motorcycles.

The European Union has a plan to implement motorcycle recycling laws in near future.

The European Union has issued a proposed regulation amending the EU Battery Directive to the EU Battery Regulation. The proposed regulation would add requirements related to carbon footprints and information disclosure of remaining life for recycling, among others. The EU Battery Regulation is currently scheduled to come into force in 2024.

China

China has a plan to implement motorcycle recycling laws in near future.

India

India has announced a plan to implement motorcycle recycling laws in near future.

Vietnam

Vietnam implemented motorcycle recycling laws on January 1, 2018.

3. Safety

Japan

Japan has introduced safety regulations based on UNECE regulations as described below.

Japan issued new standards for advanced brake system (ABS: Anti-lock Brake System/ CBS: Combined Brake System) which applied to new type motorcycles from October 2018, will apply to all motorcycles from October 2021.

Japan adopted electric safety requirements for battery motorcycles (UN R136), and the requirements applied to new type motorcycles from January 2018, applied to all motorcycles from January 2020.

Japan adopted “Hydrogen and Fuel Cell Vehicles of category L” (UN R146), which became applicable to all motorcycles from January 2, 2019.

Japan adopted “Installation of lighting and light-signaling devices” (UN R53), which will become applicable to all motorcycles from September 1, 2023.

Europe

In January 2019, the EU Commission issued a regulation complementing Union type-approval legislation with regard to Brexit.

India

In India, the Auto Headlight On (AHO) function, which automatically turns on the head lamps when the engine is running, shall be installed on all two-wheelers manufactured on and after April 1, 2017. New vehicle

models certified on and after April 1, 2018, all vehicles manufactured on and after April 1, 2019 shall be equipped with an advanced brake system. For advanced brake systems, two-wheeled vehicles with engine capacity of not more than 125cc, continuous rated or net power not more than 11kW and power/weight ratio not more than 0.1 kW/kg shall be equipped with ABS or CBS. All other categories of two-wheeled vehicles shall be equipped with ABS. Furthermore, the Automotive Industry Standard Committee (AISC) published AIS 146, 147 and 148. These are the standards for stand, external projection and footrest strength. These standards became closer to those required by the European regulations.

In addition, AIS-156 for electric safety requirements for electric motorcycles are currently being prepared based on UNR136.

China

China introduced a requirement for an advanced braking system, which shall be installed on new vehicle models manufactured on and after July 1, 2019, and also on all motorcycles manufactured on and after July 1, 2020. Motorcycles with engine capacity of more than 150cc and not exceeding 250cc shall be equipped with ABS or CBS. Motorcycles with engine capacity of more than 250cc shall be equipped with ABS.

Electric motorcycle safety regulations were introduced in January 2021.

Other Asian Countries

Thailand has introduced the braking (UN R78), electric motorcycle safety (UN R136) and is considering introducing lighting installation (UN R53) regulation.

Indonesia and Vietnam have been introducing various regulations regarding lighting and braking based on UN Regulations.

The Philippines has begun considering additional regulations to include an auto headlight on (AHO) function that automatically turns on the headlamps when the engine is running (From June 2023).

Brazil

The Brazil transport authority (CONTRAN) issued a standard concerning motorcycle braking based on the UNECE Brake regulation (R78.03) as well as a new regulation mandating ABS/CBS installation. The Brazilian standardization authority (INMETRO) currently mandates parts certification for tires and batteries, but added drive/driven sprocket, drive chain and muffler to the scope of application from March 24, 2019 at customs clearance. Brazilian government issued lighting regulation based on previous UNECE regulations; these regulations were implemented from January 1, 2019.

On January 31, 2020, CONTRAN implemented new requirements for license plates based on the Mercosur standards. In addition, the requirements for holes for sealing of license plates have been repealed, since QR codes are printed on the plates instead.

Outline of Environmental and Safety Regulation for Power Products

1. Emissions

The United States

In November 2015, CARB presented a policy to develop a regulation to replace 25% of spark-ignition engine products circulating in the market with zero-emission products by 2030. Currently, rulemaking activities regarding research are led by CARB.

In April 2016, CARB has published an evaporative emission regulation applicable to outboard engines implementing from the 2018 model year and later.

In November 2017, CARB has published a final regulation to amend California’s evaporative emission regulation for small off-road equipment.

In December 2020, the “Portable Generator Safety Standard Bill” was submitted to the House of Representatives. It would require, if passed, a CO safety shutoff system and CO emissions restrictions for portable generators.

In March 2022, CARB has approved the publication of a draft regulation aimed at accelerating the transition from equipment using small off-road engines to zero-emission equipment.

Europe

The European Commission has finalized strengthened exhaust emission regulation for non-road small spark-ignition engines (commonly known as Stage 5 regulation). Its limit values of exhaust emission follow the U.S. EPA phase 3 and the effective date is January 2018 for new certifications and January 1, 2019 for the engines newly placed in the market.

On December 11, 2019, the European Commission released its communication on the EU Green Deal. See “—Outline of Environmental and Safety Regulation for Automobiles—1. Emissions—Europe”.

In 2020, the European Commission issued a proposed regulation of Delegated Reg. Monitoring Non-Road Mobile Machinery (NRMM) in service engines of less than 56kW or more than 560kW.

China

An exhaust emission standard was introduced in China on March 1, 2011. Its requirements are based on the European exhaust emission regulations and are applicable to small spark-ignition engines for non-road mobile machinery with 19 kW or less. The phase 2 regulation with durability requirement started from January 1, 2014. The phase 3 regulation is under development.

In 2019, Chinese authorities strengthened monitoring of emissions in the market, and emission control regulations were enacted in each province and city.

Thailand

In 2019, the Thai Ministry of Industry issued a draft standard for environmental performance of small air-cooled gasoline engines.

2. Recycling / Chemicals and hazardous substances

The United States

The Toxic Substances Control Act (TSCA) is the US hazardous substances legislation restricting Phenol, Isopropylated Phosphate (PIP) (3:1) for the first time in the world. PIP (3:1) is mainly used as a flame retardant. The first rule implementing this restriction was issued in January 2021, but relevant industrial associations objected that the transitional period, which was to last only 60 days, would make it impossible to comply in a timely manner. As a result, the compliance date has been extended to November 2024. Currently, “Motor vehicles” are exempted from this rule; however, PIP (3:1) can no longer be used for power products from 2024.

Europe

The same REACH compliance required for motor vehicles is required for power products. In June 2011, the European Union Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) had been wholly revised and most power products were within its scope after 2019.

The European Union has issued a proposed regulation amending the EU Battery Directive to the EU Battery Regulation. The proposed regulation would add requirements related to carbon footprints and information disclosure of remaining life for recycling, among others. The EU Battery Regulation is currently scheduled to come into force in 2024.

China

On July 1, 2016, a regulation similar to European RoHS has entered into force. The first list of target products was published on March 12, 2018.

3. Safety

Japan

The Agricultural Technology Innovation Engineering Research Center of National Agriculture and Food Research Organization has decided to conduct safety inspection of agricultural machinery that has replaced agricultural machinery safety appraisal from July 31, 2018.

In July 2020, the Snow Thrower Safety Council has revised the safety standard for labeling and safety manuals to include warnings regarding the invalidated deadman clutch mechanism for operating levers on snow throwers.

In June 2021, the Snow Thrower Safety Council revised safety standards to add performance criteria allowing snow throwers to stop safely when moving backwards.

The United States

In November 2016, the U.S. Consumer Product Safety Commission promulgated a notice of proposed rule-making in the Federal Register, which proposes to restrict the carbon monoxide emission from portable generator rated 19kW and below. This regulation was proposed to address the carbon monoxide poisoning injuries occurring from portable generators.

In April 2018, an American National Standard Institute (ANSI) Standard for portable generators were amended.

Europe

In the United Kingdom, on September 13, 2018, the Department for Business, Energy and Industrial Strategy (BEIS) issued a guidance in the form of a technical notice to explain the future arrangement on the regulations for most products subject to the new EU rules.

The EU Commission plans to enhance existing noise regulation applicable to equipment intended to be used outdoors. This is a comprehensive rulemaking including expansion of the scope of regulation, enhanced noise limits, change to the conformity assessment system, among other things.

In 2019, the EU Commission began discussions for a revision of the Machinery Directive.

In 2020, discussions to revise the Low Voltage Directive, Battery Directive and Recreational Craft Directive have been initiated.

China

The General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) has issued final regulations for spark-ignition engines which include a wide variety of requirements such as machinery safety, thermal protection, electrical safety, and others. It became effective in 2015.

In 2019, a recommended standard for lawn mower safety requirements was issued by the State Administration for Market Regulation (SAMR).

The publication of a new “Safety technical specification for agricultural machinery”, which specifies safety requirements for agricultural machinery in general, is under consideration.

Thailand

In July 2020, the Ministry of Industry issued the notification on provisions of design, development, making and usage of the TIS mark for industrial products.

Preparing for the Future

Management Policies and Strategies

Honda has two Fundamental Beliefs: “Respect for the Individual,” and “The Three Joys” (the Joy of Buying, the Joy of Selling, and the Joy of Creating). “Respect for the Individual” calls on Honda to nurture and promote these characteristics in Honda by respecting individual differences and trusting each other as equal partners. “The Three Joys” are based on “Respect for the Individual,” and is the philosophy of creating joy together with everyone involved in Honda’s activities, with the joy of its customers as the driving force.

Based on these Fundamental Beliefs, Honda strives to improve its corporate value by sharing joy with all people, and with our shareholders in particular, by practicing its Mission Statement: “Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction”.

Honda has also defined its vision toward 2030 as “Serve people worldwide with the ‘joy of expanding their life’s potential’”, and will take initiatives in the following three directions.

1. Toward a clean and safe/secure society
2. Creating value for “mobility” and “daily lives”
3. Accommodate the different characteristics of people and society

Honda is thoroughly committed to “eliminating the burden on the global environment” and “achieving safety that protects precious lives”. Specifically, in terms of the environment, Honda aims to achieve carbon neutrality by 2050 across all of our products and business activities.

In terms of safety, Honda will work toward the goal of zero traffic collision fatalities involving Honda’s motorcycles and automobiles globally by 2050.

1. Toward a clean and safe/secure society

Toward the realization of carbon neutrality

Going forward, Honda will actively promote the introduction of electric vehicles based on electric-powered motor technology which it has been developing as a leader in environmentalism. Honda aims to create a

recycling-oriented society with “zero environmental impact” so that people can live sustainably on the earth toward the realization of carbon neutrality. Therefore, Honda will work on the three pillars of carbon neutrality, clean energy and resource circulation. Honda has set targets in line with the “1.5 Celsius scenario” of the Paris Agreement, aiming for zero environmental impact throughout the life cycle of our products, including not only the products produced and sold by Honda, but also its corporate activities, and is working toward its achievement.

Toward the realization of zero traffic collision fatalities

As part of its responsibility as a mobility company, Honda is researching, developing, and working toward the adoption of safety technology based on its philosophy of “Safety for Everyone”, with the aim of realizing a “collision-free mobile society” where everyone who uses roads can live safely.

In addition to such safety technology, Honda has long been promoting awareness of traffic safety in order to realize a society where all people who use roads, such as drivers and pedestrians, can move safely with safety awareness. Going forward, Honda will carry out this initiative globally.

2. Creating value for “mobility” and “daily lives”

Honda will focus on three areas, namely mobility, robotics and energy, in order to provide people with the joy and freedom of mobility and the joy of making their lives better.

Joy and freedom of mobility

Using Honda’s unique strengths resulting from its wide range of mobility products including motorcycles and automobiles, Honda will use partnerships with other companies in various regions to begin new mobility services that provide mobility without restraint in every aspect of life.

Joy of making life better

Honda will work on creating a system that allows people to share and enjoy safe and secure clean energy in their daily lives through mobility.

3. Accommodate the different characteristics of people and society

Honda will provide optimal products and services for diverse society, and to all people with a wide variety of cultures and values, whether they live in developed or emerging nations.

Management Challenges

The business environment surrounding Honda has come to a major turning point. Values are diversifying, the population is aging, urbanization is accelerating, climate change is worsening, and the industrial structure is changing due to progress in technologies such as the use of electric-powered motors, autonomous driving and IoT, all on a global basis. In addition, values of the society and individuals as well as awareness of global environmental issues have changed dramatically due to the spread of COVID-19. It is vital to ensure “strong products, strong Mono-zukuri (the art of making things) and strong businesses” which are essential for future growth.

Looking at the market environment for Motorcycle business, competition with not only existing manufacturers but also emerging manufacturers is intensifying. The operating environment continues to change more rapidly than ever as seen by the need to make efforts to deal with tighter environmental regulations in each

country and expansion of new markets. Honda has set a CO₂ reduction target rate that far exceeds the governmental targets for relevant emerging countries, and is aiming to become an environmental leader in motorcycles, not only through the use of electric-powered motors, but also through improved fuel efficiency and the use of biofuels.

With regard to electrification in Automobile business, Honda will work to achieve carbon neutrality in accordance with the characteristics of each region, including customer acceptance, the infrastructure environment and the spread of renewable energy.

Power product and other businesses will provide new value for mobility and daily lives through the existing “provision of power products” and work toward the realization of carbon neutrality.

Challenges to be Addressed Preferentially

Considering the business environment, Honda will work on the following new challenges directed at the next generation to provide value unique to Honda with a view to contributing to the solving of various social issues including climate change, while continuing to achieve sustainable growth.

1. Prepare for future growth

Next-generation technologies

In the automobile industry in the future, the ability to respond to electrification, driver-assistive technologies, connected technologies and other technological innovations will likely determine the competitiveness of a company. Honda will work to develop products and services equipped with such next-generation technologies in Motorcycle, Automobile, and Power product businesses, and ensure business feasibility including in the value chain as early as possible.

In Automobile business, going forward to the late 2020s, Honda aims to introduce products tailored to the market characteristics of each region, such as the major markets of North America, China, and Japan. In North America, Honda will start by introducing battery-electric vehicles (EVs) that we are jointly developing with our partners. In China, Honda will target the characteristics of the advanced EV market, where EV penetration is ahead of other regions, through the use of local original development in order to respond quickly to changes in the market. In Japan, Honda will introduce commercial-use mini-EVs as we work to promote EVs with an initial focus on vehicles for professional use.

Honda will also keep a global perspective in developing the optimal electrification business, since we expect that EVs will be in widespread use from the late 2020s onward.

For batteries, Honda is developing its proprietary solid-state batteries. Honda has decided to construct a demonstration line to ensure performance at the mass-production level as well as superiority in terms of cost and safety.

Regarding driver-assistive technologies, Honda will work to promote and evolve “*Honda SENSING*”, a safety and driver-assistive system, for the purpose of preventing accidents.

In addition, Honda will work to develop intelligent driver-assistive technologies, which aim to reduce driving errors and risks and eliminate human errors while driving by adapting to the abilities and conditions of each individual. Honda will also work to develop safety and security network technology for anticipating and avoiding risks before an accident occurs by connecting all traffic participants (people and mobility) via telecommunications. Alongside these efforts, Honda will promote the spread and expansion of motorcycle safety technologies and the development of safety education technologies.

New businesses

Honda is committed to increasing the convenience and efficiency of society as a whole through a variety of electric products and services, as well as batteries, energy, mobile power packs, hydrogen, and the development of a connected platform that integrates these products and services.

Through these efforts, Honda will provide multifaceted and multidimensional solutions to meet the needs of customers in various countries and regions, and achieve the freedom of mobility with zero global environmental impact.

Going forward, while promoting electrification, Honda will work to transform its business portfolio by developing businesses that deliver various services and value to customers through products that integrate hardware and software.

Regarding research and development expenses and capital investment, Honda will further shift resources to electrification and software areas and will also utilize alliances and other means for efficient and effective resource management.

In addition, in order to expand the human potential and make people's lives without constraints and more enjoyable, Honda will work on three areas: "eVTOL", "Avatar Robot" and "Challenging the Space Domain".

2. Solidify existing businesses

Honda will enhance the business strategy formulation function by steadily proceeding with the next initiatives, and build a highly competitive Mono-zukuri foundation to realize strong businesses.

Structure to realize strategies

In order to build strong businesses that can immediately respond to changes in the environment and can provide products that satisfy customer needs in a timely manner, Honda has established a unified operational structure which integrates S-E-D-B (Sales, Engineering, Development and Buying) areas.

This enables the formulation of business strategies based on a big-picture view of product planning, development, buying/purchasing, engineering/production and sales, and the swift implementation of such strategies. At the same time, Honda will realize Mono-zukuri reform and stable production with high-precision development of new models through frontloading and operation which integrates the entire process from development through mass-production.

Mono-zukuri reform

In Automobile business, Honda has strengthened its global models and regional models according to the needs of each region, with the aim of manufacturing challenging products unique to Honda. Efficient Mono-zukuri, in addition to product appeal, is indispensable for further enhancing the competitiveness of such models. To this end, Honda is working to strengthen the structure in each area. Introducing the *Honda Architecture*, which is a company-wide initiative that increases the efficiency of development and expands parts-sharing for mass-production models, Honda has sequentially applied it, starting with the global model of the *CIVIC*. By further expanding its application, Honda will enhance the efficiency of existing businesses and repurpose those man-hours to conduct research and development in advanced areas, thereby accelerating development for the future.

In addition, Honda will work to strengthen existing businesses by steadily optimizing production capacity in all regions.

Further improve quality

To achieve a new level of outstanding quality of products, Honda has continued activities to further improve quality at every stage: design, development, production, sales and service including suppliers. Going forward, Honda will team up with other companies, including those from other industries, to challenge new forms of mobility that incorporate electrification, driver-assistive technologies and IoT in creating new value through open innovation. To that end, Honda will evolve its activities to realize a new level of outstanding quality, by pursuing the utmost quality not only in products and services provided to customers but also in every area of business at all points of customer contact, alongside evolution in “mobility” and “daily lives”.

Continue to enhance Honda’s social reputation and communication with the community

In addition to continuing to provide products incorporating Honda’s advanced safety and environmental technologies, Honda will continue striving to enhance its social reputation by, among other things, strengthening its corporate governance, compliance, and risk management, as well as participating in community activities and making philanthropic contributions.

Through these company-wide activities, Honda aims to be a company that society, which includes our shareholders, our investors and our customers, wants to exist.

C. Organizational Structure

As of March 31, 2022, the Company had 80 Japanese subsidiaries and 259 overseas subsidiaries. The following table sets out for each of the Company's principal subsidiaries, the country of incorporation, function and percentage ownership and voting interest held by Honda.

<u>Company</u>	<u>Country of Incorporation</u>	<u>Function</u>	<u>Percentage Ownership and Voting Interest</u>
Honda R&D Co., Ltd.	Japan	Research & Development	100.0
Honda Finance Co., Ltd.	Japan	Finance	100.0
American Honda Motor Co., Inc.	U.S.A.	Coordination of Subsidiaries	100.0
		Operation,	
		Research & Development,	
		Manufacturing and Sales	
Honda Aero., Inc.	U.S.A.	Research & Development and Manufacturing	100.0
American Honda Finance Corporation	U.S.A.	Finance	100.0
Honda Development and Manufacturing of America, LLC	U.S.A.	Research & Development and Manufacturing	100.0
Honda Aircraft Company, LLC	U.S.A.	Research & Development, Manufacturing and Sales	100.0
Honda Canada Inc.	Canada	Manufacturing and Sales	100.0
Honda Canada Finance Inc.	Canada	Finance	100.0
Honda de Mexico, S.A. de C.V.	Mexico	Manufacturing and Sales	100.0
Honda Motor Europe Limited	U.K.	Coordination of Subsidiaries	100.0
		Operation and Sales	
Honda of the U.K. Manufacturing Ltd.	U.K.	Manufacturing	100.0
Honda Finance Europe plc	U.K.	Finance	100.0
Honda Bank GmbH	Germany	Finance	100.0
Honda Turkiye A.S	Turkey	Manufacturing and Sales	100.0
Honda Motor (China) Investment Co., Ltd.	China	Coordination of Subsidiaries	100.0
		Operation and Sales	
Honda Auto Parts Manufacturing Co., Ltd.	China	Manufacturing	100.0
Honda Motorcycle & Scooter India (Private) Ltd. ...	India	Manufacturing and Sales	100.0
Honda Cars India Limited	India	Manufacturing and Sales	100.0
P.T. Honda Precision Parts Manufacturing	Indonesia	Manufacturing	100.0
P.T. Honda Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd	Malaysia	Manufacturing and Sales	51.0
Honda Philippines Inc.	Philippines	Manufacturing and Sales	99.6
Honda Taiwan Co., Ltd.	Taiwan	Sales	100.0
Asian Honda Motor Co., Ltd.	Thailand	Coordination of Subsidiaries	100.0
		Operation and Sales	
Honda Leasing (Thailand) Co., Ltd.	Thailand	Finance	100.0
Honda Automobile (Thailand) Co., Ltd.	Thailand	Manufacturing and Sales	89.0
Thai Honda Manufacturing Co., Ltd.	Thailand	Manufacturing and Sales	72.5
Honda Vietnam Co., Ltd.	Vietnam	Manufacturing and Sales	70.0
Honda Motor de Argentina S.A.	Argentina	Manufacturing and Sales	100.0
Honda South America Ltda.	Brazil	Coordination of Subsidiaries	100.0
		Operation	
Banco Honda S.A.	Brazil	Finance	100.0
Honda Automoveis do Brasil Ltda.	Brazil	Manufacturing and Sales	100.0
Moto Honda da Amazonia Ltda.	Brazil	Manufacturing and Sales	100.0

D. Property, Plants and Equipment

The following table sets out information, as of March 31, 2022, with respect to Honda's principal manufacturing facilities, all of which are owned by Honda:

<u>Location</u>	<u>Number of Employees</u>	<u>Principal Products Manufactured</u>
Yorii-machi, Osato-gun, Saitama, Japan	4,349	Automobiles
Naka-ku, Hamamatsu, Shizuoka, Japan	1,924	Power products and transmissions
Suzuka, Mie, Japan	5,663	Automobiles
Ozu-machi, Kikuchi-gun, Kumamoto, Japan	2,577	Motorcycles, all-terrain vehicles, power products and engines
Greensboro, North Carolina, U.S.A.	743	Aircraft
Burlington, North Carolina, U.S.A.	89	Aircraft engines
Marysville, Ohio, U.S.A.	5,308	Automobiles
Anna, Ohio, U.S.A.	2,382	Engines
East Liberty, Ohio, U.S.A.	2,775	Automobiles
Lincoln, Alabama, U.S.A.	4,557	Automobiles and engines
Greensburg, Indiana, U.S.A.	2,468	Automobiles
Alliston, Canada	4,522	Automobiles and engines
El Salto, Mexico	369	Motorcycles
Celaya, Mexico	4,589	Automobiles
Gurugram, India	2,068	Motorcycles
Alwar, India	2,497	Motorcycles and automobiles
Narasapura, India	1,811	Motorcycles
Ahemdabad, India	974	Motorcycles
Karawang, Indonesia	2,818	Automobiles and engines
Melaka, Malaysia	2,031	Automobiles
Batangas, Philippines	1,300	Motorcycles
Ayutthaya, Thailand	2,632	Automobiles
Prachinburi, Thailand	1,221	Automobiles
Bangkok, Thailand	3,703	Motorcycles and power products
Phuc Yen, Vietnam	4,783	Motorcycles and automobiles
Duy Tien, Vietnam	678	Motorcycles
Buenos Aires, Argentina	484	Motorcycles
Itirapina, Brazil	987	Automobiles
Manaus, Brazil	6,606	Motorcycles and power products

In addition to its manufacturing facilities, the Company's properties in Japan include sales offices and other sales facilities in major cities, repair service facilities, and R&D facilities.

As of March 31, 2022, the Company's property, with a net book value of approximately ¥2.5 billion, was subject to specific mortgages securing indebtedness.

Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2022 were applied to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

Total capital expenditures for the year amounted to ¥2,304.5 billion, decreased by ¥18.6 billion from the previous year. Also, total capital expenditures, excluding equipment on operating leases, for the year amounted

to ¥278.4 billion, decreased by ¥42.8 billion from the previous year. Spending by business segment is shown below.

	Fiscal years ended March 31,		
	2021	2022	Increase (Decrease)
Yen (millions)			
Motorcycle Business	¥ 30,483	¥ 36,754	¥ 6,271
Automobile Business	281,617	230,476	(51,141)
Financial Services Business	2,002,158	2,026,438	24,280
Financial Services Business (Excluding Equipment on Operating Leases)	260	340	80
Life Creation and Other Businesses	8,934	10,835	1,901
Total	¥ 2,323,192	¥ 2,304,503	¥(18,689)
Total (Excluding Equipment on Operating Leases)	¥ 321,294	¥ 278,405	¥(42,889)

Intangible assets are not included in the table above.

In Motorcycle business, we made capital expenditures of ¥36,754 million in the fiscal year ended March 31, 2022. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

In Automobile business, we made capital expenditures of ¥230,476 million in the fiscal year ended March 31, 2022. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

In Financial services business, capital expenditures excluding equipment on operating leases amounted to ¥340 million in the fiscal year ended March 31, 2022, while capital expenditures for equipment on operating leases were ¥ 2,026,098 million.

In Life creation and other businesses, capital expenditures of ¥10,835 million in the fiscal year ended March 31, 2022, were deployed to upgrade, streamline, and modernize manufacturing facilities, and to improve R&D facilities.

Plans after fiscal year 2022

Our management mainly considers economic trends of each region, demand trends, situation of competitors and our business strategy such as introduction plans of new models in determining the future of projects.

The estimated amounts of capital expenditures for the fiscal year ending March 31, 2023 are shown below.

	Fiscal year ending March 31, 2023
	Yen (millions)
Motorcycle Business	¥ 48,100
Automobile Business	440,000
Financial Services Business	200
Power Product and Other Businesses	11,700
Total	¥ 500,000

The estimated amount of capital expenditures for Financial services business in the above table does not include equipment on operating leases.

Intangible assets are not included in the table above.

Item 4A. Unresolved Staff Comments

We do not have any unresolved written comments provided by the staff of the SEC regarding our periodic reports under the Securities Exchange Act of 1934.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion of our critical accounting policies and our financial positions and operating results together with our consolidated financial statements included in this Annual Report.

A. Operating Results

Overview

Honda aims to achieve carbon neutrality by 2050 across all of our products and business activities and zero traffic collision fatalities involving our motorcycles and automobiles globally by 2050. For more details, please see Item 4. “Information on the Company—B. Business Overview—Preparing for the Future—Management Policies and Strategies.” Although investments in new equipment and facilities for electrification and capitalized R&D expenditures related to the achievement of these goals are not currently a material portion of our overall capital expenditures, we plan to further shift resources to electrification and software in the future, leading the proportion of related expenditures to increase significantly within an appropriate range of overall expenditures.

Our business is subject to a severe economic and social environment, and our profitability depends on various factors. In such an environment, we are proactively working to resolve various social issues and to address risks such as climate change. For details of these social issues and the risks we are subject to, please see Item 4. “Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially” and Item 3.D “Risk Factors.” In the process of, or as a result of, dealing with such social issues and risks, our sales volumes may be affected and additional costs may be incurred, which may have a significant effect on our future profitability.

Business Environment

Despite shifting to a recovery trend, looking at the economic environment surrounding Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method in the fiscal year ended March 31, 2022, it continued to be difficult due to the spread of COVID-19, the impact of semiconductor supply shortages, and sharp increases in raw material prices, among other factors. In the United States, the economy picked up due to factors such as economic stimulus measures and improved consumer spending. In Europe and Asia, while there were signs of economic recovery, conditions were difficult, with some countries curtailing economic activities. In Japan, although the economy continued to pick up, there were signs of weakness in some areas, such as employment. During the fourth quarter of the fiscal year ended March 31, 2022, the global economy slowed down due to the worsening situation in Ukraine. A further downturn in the economy is expected in the near term.

The trends, uncertainties, demands, commitments and events identified below may continue or recur, impacting the Company’s future financial results.

Impacts relating to the spread of COVID-19 on Honda’s consolidated financial results

Regarding the spread of COVID-19, resulting from travel restriction measures in certain countries or regions, the production activities of some of Honda’s production bases were affected mainly due to restrictions on employees’ commute to the workplaces and delays in the supply of parts within the supply chain. Some dealers were obliged to suspend business, shorten business hours, or reduce services such as inspections and repairs. However, there is no significant impact on Honda’s consolidated financial results for the fiscal year ended March 31, 2022.

In addition, see “Risks relating to the spread of coronavirus disease 2019 (COVID-19)” in Item 3.D. “Risk Factors”.

Overview of Fiscal Year 2022 Operating Performance

Honda’s consolidated sales revenue for the fiscal year ended March 31, 2022, increased from the fiscal year ended March 31, 2021, due mainly to increased sales revenue in Motorcycle business and Financial services business operations as well as positive foreign currency translation effects. Operating profit increased from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as positive foreign currency effects, which was partially offset by a decrease in profit attributable to price and cost impacts.

Motorcycle Business

Honda’s consolidated unit sales of motorcycles, all-terrain vehicles (ATVs), and side-by-sides (SxS) in fiscal year 2022 totaled 10,721 thousand units, increased by 4.5% from the previous fiscal year, due mainly to an increase in consolidated unit sales primarily in Brazil and the United States, which offset a decrease in consolidated unit sales primarily in India.

Automobile Business

Honda’s consolidated unit sales of automobiles in fiscal year 2022 totaled 2,424 thousand units, decreased by 7.4% from the previous fiscal year, due mainly to a decrease in consolidated unit sales primarily in the United States.

Life Creation and Other Businesses

Honda’s consolidated unit sales of power products in fiscal year 2022 totaled 6,200 thousand units, increased by 10.3% from the previous fiscal year, due to an increase in consolidated unit sales in all regions.

Fiscal Year 2022 Compared with Fiscal Year 2021

Sales Revenue

Honda’s consolidated sales revenue for the fiscal year ended March 31, 2022, increased by ¥1,382.1 billion, or 10.5%, to ¥14,552.6 billion from the fiscal year ended March 31, 2021, due mainly to increased sales revenue in Motorcycle business and Financial services business operations as well as positive foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥671.7 billion, or 5.1%, compared to the increase as reported of ¥1,382.1 billion, which includes positive foreign currency translation effects.

Operating Costs and Expenses

Operating costs and expenses increased by ¥1,171.1 billion, or 9.4%, to ¥13,681.4 billion from the previous fiscal year. Cost of sales increased by ¥1,128.2 billion, or 10.8%, to ¥11,567.9 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased consolidated sales revenue in Motorcycle business and Financial services business operations. Selling, general and administrative expenses decreased by ¥5.2 billion, or 0.4%, to ¥1,326.4 billion from the previous fiscal year, due mainly to a decrease in expenses. Research and development expenses increased by ¥48.1 billion, or 6.5%, to ¥787.0 billion from the previous fiscal year.

Operating Profit

Operating profit increased by ¥211.0 billion, or 32.0%, to ¥871.2 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as positive foreign currency effects, which

was partially offset by a decrease in profit attributable to price and cost impacts. Honda estimates that by excluding positive foreign currency effects of approximately ¥168.9 billion, operating profit would have increased by approximately ¥42.1 billion.

With respect to the discussion above of the changes, management identified factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. “Foreign currency effects” consist of “translation adjustments”, which come from the translation of the currency of foreign subsidiaries’ financial statements into Japanese yen, and “foreign currency adjustments”, which result from foreign-currency-denominated transaction. With respect to “foreign currency adjustments”, management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Japanese yen and others at the level of the Company and its material consolidated subsidiaries. The estimates excluding the foreign currency effects are not on the same basis as Honda’s consolidated financial statements, and do not conform to IFRS. Furthermore, Honda does not believe that these measures are substitute for the disclosure required by IFRS. However, Honda believes that such estimates excluding the foreign currency effects provide financial statements users with additional useful information for understanding Honda’s results.

Profit before Income Taxes

Profit before income taxes increased by ¥156.1 billion, or 17.1%, to ¥1,070.1 billion from the previous fiscal year. The main factors behind this increase, except factors relating to operating profit, are as follows:

Share of profit of investments accounted for using the equity method had a negative impact of ¥70.2 billion, due mainly to recognition of reversal of impairment losses in previous fiscal year, which had been previously recognized on the investments in certain companies accounted for using the equity method.

Finance income and finance costs had a positive impact of ¥15.3 billion, due mainly to increased interest income. For further details, see note “(22) Finance Income and Finance Costs” to the accompanying consolidated financial statements.

Income Tax Expense

Income tax expense increased by ¥90.8 billion, or 41.6%, to ¥309.4 billion from the previous fiscal year. The average effective tax rate increased by 5.0 percentage points to 28.9% from the previous fiscal year. For further details, see “(a) Income Tax Expense” of note “(23) Income Taxes” to the accompanying consolidated financial statements.

Profit for the Year

Profit for the year increased by ¥65.2 billion, or 9.4%, to ¥760.7 billion from the previous fiscal year.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent increased by ¥49.6 billion, or 7.6%, to ¥707.0 billion from the previous fiscal year.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests increased by ¥15.6 billion, or 41.1%, to ¥53.6 billion from the previous fiscal year.

Business Segments

Motorcycle Business

Honda's consolidated unit sales of motorcycles, all-terrain vehicles (ATVs) and side-by-sides (SxS) totaled 10,721 thousand units, increased by 4.5% from the previous fiscal year, due mainly to an increase in consolidated unit sales in Other Regions.

Sales revenue from external customers increased by ¥397.9 billion, or 22.3%, to ¥2,185.2 billion from the previous fiscal year, due mainly to increased consolidated unit sales. The impact of price changes was immaterial on sales revenue. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥301.2 billion, or 16.9%, compared to the increase as reported of ¥397.9 billion, which includes positive foreign currency translation effects.

Operating costs and expenses increased by ¥311.0 billion, or 19.9%, to ¥1,873.7 billion from the previous fiscal year. Cost of sales increased by ¥285.1 billion, or 21.5%, to ¥1,610.1 billion, due mainly to an increase in costs attributable to increased consolidated unit sales. Selling, general and administrative expenses increased by ¥23.0 billion, or 13.4%, to ¥194.4 billion, due mainly to an increase in expenses. Research and development expenses increased by ¥2.8 billion, or 4.3%, to ¥69.1 billion.

Operating profit increased by ¥86.8 billion, or 38.7%, to ¥311.4 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as positive foreign currency effects, which was partially offset by increased expenses.

Japan

Total demand for motorcycles in Japan* was approximately 420 thousand units in fiscal year 2022, an increase of approximately 14% from the previous fiscal year.

Honda's consolidated unit sales in Japan increased by 13.5% from the previous fiscal year to 244 thousand units in fiscal year 2022, mainly due to the effects of launching the new *GB350* model series and an increase in sales units of the *Rebel 250* model.

* Source: JAMA (Japan Automobile Manufacturers Association)

North America

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States*, the principal market within North America, remained basically unchanged from the previous year at approximately 780 thousand units in calendar year 2021.

Honda's consolidated unit sales in North America substantially increased by 31.6% from the previous fiscal year to 437 thousand units in fiscal year 2022, mainly due to an increase in sales units of the *CRF110F* model primarily in the United States.

* Source: MIC (Motorcycle Industry Council)
The total includes motorcycles and ATVs, but does not include side-by-sides (SxS).

Europe

Total demand for motorcycles in Europe* increased by around 8% from the previous year to approximately 1,080 thousand units in calendar year 2021.

Honda's consolidated unit sales in Europe substantially increased by 35.5% from the previous fiscal year to 317 thousand units in fiscal year 2022, mainly due to the increases in sales units of the *Vision* and *PCX* models.

* Based on Honda research. Only includes the following 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium, and Austria.

Asia

Total demand for motorcycles in India^{*1}, the largest market within Asia, increased by around 2% from the previous year to approximately 14,450 thousand units in calendar year 2021. Total demand for motorcycles in other countries in Asia^{*2} increased by around 16% from the previous year to approximately 19,890 thousand units, mainly due to an increase in demand in Indonesia.

Although Honda's consolidated unit sales in Asia increased in calendar year 2021, it decreased by 2.0% from the previous fiscal year to 8,283 thousand units in fiscal year 2022, mainly due to a decrease in sales units of the *Activa* model series for the fiscal fourth quarter in India.

Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is accounted for using the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2022 substantially increased by around 44% from the previous fiscal year to approximately 3,870 thousand units, mainly due to the increases in sales units of the *BeAT* and *Vario* model series.

*1 Based on Honda research.

*2 Based on Honda research. Only includes the following seven countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Pakistan, and China.

Other Regions

Total demand for motorcycles in Brazil*, the principal market within Other Regions, substantially increased by around 22% from the previous year to approximately 1,140 thousand units in calendar year 2021.

Honda's consolidated unit sales substantially increased by 39.5% from the previous fiscal year to 1,440 thousand units in fiscal year 2022, mainly due to the increases in sales units of the *CG160* and *Biz* model series in Brazil.

* Source: ABRACICLO (the Brazilian Association of Motorcycle, Moped, and Bicycle Manufacturers)

Automobile Business

Honda's consolidated unit sales of automobiles totaled 2,424 thousand units, decreased by 7.4% from the previous fiscal year, due mainly to a decrease in consolidated unit sales in North America.

Sales revenue from external customers increased by ¥580.2 billion, or 6.8%, to ¥9,147.4 billion from the previous fiscal year, due mainly to positive foreign currency translation effects, which was partially offset by decreased consolidated unit sales. The impact of price changes was immaterial on sales revenue. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥112.7 billion, or 1.3%, compared to the increase as reported of ¥580.2 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥581.2 billion, or 6.6%, to ¥9,360.5 billion from the previous fiscal year.

Operating costs and expenses increased by ¥435.2 billion, or 5.0%, to ¥9,124.3 billion from the previous fiscal year. Cost of sales increased by ¥474.6 billion, or 6.8%, to ¥7,447.4 billion, due mainly to an increase in costs attributable to increased consolidated sales revenue. Selling, general and administrative expenses decreased by ¥82.4 billion, or 7.7%, to ¥986.6 billion, due mainly to a decrease in expenses. Research and development expenses increased by ¥43.0 billion, or 6.7%, to ¥690.2 billion.

Operating profit increased by ¥145.9 billion, or 161.7%, to ¥236.2 billion from the previous fiscal year, due mainly to decreased expenses as well as positive foreign currency effects, which was partially offset by a decrease in profit attributable to price and cost impacts.

Proportion of retail unit sales by vehicle category and principal automobile products:

	Fiscal year ended March 31,	
	2021	2022
Passenger cars: <i>ACCORD, CITY, CIVIC, FIT/JAZZ</i>	43%	42%
Light trucks: <i>BREEZE, CR-V, FREED, ODYSSEY, PILOT, Acura RDX, VEZEL/HR-V, XR-V</i>	50%	52%
Mini vehicles: <i>N-BOX</i>	7%	6%

Although there are various factors that affect the profitability of each vehicle category, sales price is an important factor in determining profitability. In general, the weighted average sales price in the light trucks category is higher relative to the total average sales price, while the weighted average sales price in the mini vehicles category, which is unique to the Japanese market, is relatively lower, although sales price varies from model to model.

In general, the contribution margin of the light trucks category tends to be higher relative to the total weighted average contribution margin because the sales price is higher, while the contribution margin of the mini vehicles category tends to be relatively lower because the sales price is lower, although the level of contribution margin varies from model to model. For example, in Japan and the United States, which are the main sales markets for our automobiles, the contribution margin of our light trucks category was approximately 25% higher, our passenger cars category was approximately 15% lower and our mini vehicles category was approximately 50% lower than total weighted average contribution margin for the fiscal year ended March 31, 2022. It should be noted that we define contribution margin as an amount per unit of net sales minus material cost, which is thought to increase in almost direct proportion to net sales volume.

Japan

Total demand for automobiles in Japan*¹ decreased by around 9% from the previous fiscal year to approximately 4,210 thousand units in fiscal year 2022.

Honda's consolidated unit sales in Japan*² decreased by 8.5% from the previous fiscal year to 476 thousand units in fiscal year 2022, mainly due to a decrease in sales units of the *FIT* model, attributable to the impacts of the semiconductor supply shortage, which offset the effects of launching the new *VEZEL* model.

Honda's unit production of automobiles in Japan decreased by 7.7% from the previous fiscal year to 634 thousand units in fiscal year 2022.

*¹ Source: JAMA (Japan Automobile Manufacturers Association), as measured by the number of regular vehicle registrations (661cc or higher) and mini vehicles (660cc or lower)

*² Certain sales of automobiles that are financed with residual value type auto loans and others by our Japanese finance subsidiaries and provided through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to external customers in the Automobile business. Accordingly, they are not included in consolidated unit sales.

North America

Total demand for automobiles in the United States*, the principal market within North America, increased by around 3% from the previous year to approximately 15,070 thousand units in calendar year 2021.

Honda's consolidated unit sales in North America decreased by 13.3% from the previous fiscal year to 1,283 thousand units in fiscal year 2022, mainly due to a decreases in sales units of the *CR-V* and *CIVIC* models, attributable to the impacts of the semiconductor supply shortage.

Honda's unit production of automobiles in North America decreased by 9.0% from the previous fiscal year to 1,271 thousand units in fiscal year 2022.

* Source: Autodata

Europe

Total demand for automobiles in Europe* decreased by around 2% from the previous year to approximately 11,770 thousand units in calendar year 2021.

Honda's consolidated unit sales in Europe decreased by 1.0% from the previous fiscal year to 100 thousand units in fiscal year 2022, mainly due to the decreases in sales units of the *CIVIC* model.

Honda's unit production of automobiles in Europe decreased by 55.8% from the previous fiscal year to 31 thousand units in fiscal year 2022, mainly due to the discontinuation of automobile production at Honda's U.K. plant.

* Source: ACEA (Association des Constructeurs Europeens d'Automobiles (the European Automobile Manufacturers' Association)) New passenger car registrations cover 27 EU countries, three EFTA countries, and the U.K.

Asia

Total demand for automobiles in Asia*¹ increased by around 17% from the previous year to approximately 7,090 thousand units in calendar year 2021. This was mainly due to the increases in demand in India and Indonesia. Total demand for automobiles in China*² increased by around 4% from the previous year to approximately 26,270 thousand units.

Honda's consolidated unit sales in Asia increased by 13.6% from the previous fiscal year to 443 thousand units in fiscal year 2022, mainly due to the effects of launching the new *CITY* model and an increase in sales units of the *BRIO* model in Indonesia.

Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China decreased by 15.1% from the previous fiscal year to 1,579 thousand units in fiscal year 2022, mainly due to the decreases in unit sales of the *CIVIC* and *CR-V* models, attributable to the impacts of the semiconductor supply shortage.

Honda's unit production by consolidated subsidiaries in Asia*³ substantially increased by 21.2% from the previous fiscal year to 487 thousand units in fiscal year 2022.

Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. decreased by 13.7% from the previous fiscal year to 1,620 thousand units in fiscal year 2022.

*1 The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India, and Pakistan.

*2 Source: CAAM (China Association of Automobile Manufacturers)

*3 The total includes the following seven countries: Thailand, Indonesia, Malaysia, Vietnam, Taiwan, India, and Pakistan.

Other Regions

Total demand for automobiles in Brazil*, the principal market within Other Regions, increased by around 1% from the previous year to approximately 1,970 thousand units in calendar year 2021.

Honda's consolidated unit sales decreased by 3.2% from the previous fiscal year to 122 thousand units in fiscal year 2022, due to a decrease in consolidated unit sales in some countries, which offset an increase in Brazil.

Unit production at Honda's plant in Brazil increased by 16.1% from the previous fiscal year to 83 thousand units in fiscal year 2022.

* Source: ANFAVEA (Associação Nacional dos Fabricantes de Veículos Automotores (the Brazilian Automobile Association)) The total includes passenger cars and light commercial vehicles.

Financial Services Business

To support the sale of its products, Honda provides retail lending and leasing to customers and wholesale financing to dealers through its finance subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany, Brazil and Thailand.

Total amount of receivables from financial services and equipment on operating leases of finance subsidiaries on March 31, 2022, increased by ¥259.1 billion, or 2.5%, to ¥10,593.6 billion from March 31, 2021. Honda estimates that by applying Japanese yen exchange rates as of March 31, 2021, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2022 would have decreased by approximately ¥624.8 billion, or 6.0%, from March 31, 2021.

Sales revenue from external customers increased by ¥326.3 billion, or 13.1%, to ¥2,820.6 billion from the previous fiscal year, due mainly to increased revenues on disposition of lease vehicles. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥198.1 billion, or 7.9%, compared to the increase as reported of ¥326.3 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥316.5 billion, or 12.6%, to ¥2,823.3 billion from the previous fiscal year.

Operating costs and expenses increased by ¥340.4 billion, or 15.8%, to ¥2,490.2 billion from the previous fiscal year. Cost of sales increased by ¥299.9 billion, or 14.3%, to ¥2,399.1 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased revenues on disposition of lease vehicles. Selling, general and administrative expenses increased by ¥40.5 billion, or 80.2%, to ¥91.1 billion from the previous fiscal year, due mainly to difference in the amount of the allowance for credit losses.

Operating profit decreased by ¥23.9 billion, or 6.7%, to ¥333.0 billion from the previous fiscal year, due mainly to difference in the amount of the allowance for credit losses.

Life Creation and Other Businesses

Honda's consolidated unit sales of power products totaled 6,200 thousand units, increased by 10.3% from the previous fiscal year, due mainly to an increase in consolidated unit sales in all regions.

Sales revenue from external customers increased by ¥77.5 billion, or 24.1%, to ¥399.2 billion from the previous fiscal year, due mainly to increased consolidated unit sales in Life creation business. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥59.6 billion, or 18.5%, compared to the increase as reported of ¥77.5 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥79.9 billion, or 23.4%, to ¥421.7 billion from the previous fiscal year.

Operating costs and expenses increased by ¥77.7 billion, or 22.0%, to ¥431.2 billion from the previous fiscal year. Cost of sales increased by ¥61.9 billion, or 21.6%, to ¥349.4 billion, due mainly to an increase in costs attributable to increased consolidated unit sales in Life creation business. Selling, general and administrative expenses increased by ¥13.5 billion, or 33.5%, to ¥54.2 billion, due mainly to an increase in expenses. Research and development expenses increased by ¥2.2 billion, or 8.7%, to ¥27.6 billion from the previous fiscal year.

Operating loss was ¥9.4 billion, an improvement of ¥2.1 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts, which was partially offset by increased expenses. In addition, operating loss of aircraft and aircraft engines included in Life creation and other businesses was ¥33.7 billion, an increase of ¥1.4 billion from the previous fiscal year.

Japan

Honda's consolidated unit sales in Japan increased by 5.1% from the previous fiscal year to 353 thousand units in fiscal year 2022, mainly due to an increase in sales of OEM engines*, which offset a decrease mainly in sales of generators.

* OEM (Original Equipment Manufacturer) engines refer to engines installed on products sold under a third-party brand.

North America

Honda's consolidated unit sales in North America increased by 4.6% from the previous fiscal year to 2,738 thousand units in fiscal year 2022, mainly due to the increases in sales of OEM engines and lawnmowers, which offset a decrease in the sales of generators.

Europe

Honda's consolidated unit sales in Europe substantially increased by 28.0% from the previous fiscal year to 1,189 thousand units in fiscal year 2022, mainly due to the increases in sales of OEM engines and lawnmowers, which offset a decrease in the sales of generators.

Asia

Honda's consolidated unit sales in Asia increased by 5.8% from the previous fiscal year to 1,487 thousand units in fiscal year 2022, mainly due to an increase in sales of OEM engines, which offset a decrease mainly in sales of water pumps.

Other Regions

Honda's consolidated unit sales in Other Regions substantially increased by 28.9% from the previous fiscal year to 433 thousand units in fiscal year 2022, mainly due to the increases in sales of OEM engines and lawnmowers.

Geographical Information

Japan

In Japan, sales revenue from domestic and export sales increased by ¥491.4 billion, or 12.7%, to ¥4,359.2 billion from the previous fiscal year, due mainly to increased sales revenue in Motorcycle business. Operating profit was ¥6.4 billion, an increase of ¥82.3 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as positive foreign currency effects, which was partially offset by increased expenses.

North America

In North America, where the United States is the principal market, sales revenue increased by ¥609.3 billion, or 8.1%, to ¥8,090.1 billion from the previous fiscal year, due mainly to increased sales revenue in Financial services business as well as positive foreign currency translation effects. Operating profit increased by ¥45.1 billion, or 9.9%, to ¥501.0 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as positive foreign currency effects, which was partially offset by a decrease in profit attributable to price and cost impacts.

Europe

In Europe, sales revenue increased by ¥19.3 billion, or 2.8%, to ¥701.2 billion from the previous fiscal year, due mainly to increased sales revenue in Motorcycle business as well as positive foreign currency translation effects. Operating profit decreased by ¥0.7 billion, or 2.8%, to ¥26.6 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts, which was partially offset by decreased expenses.

Asia

In Asia, sales revenue increased by ¥596.6 billion, or 17.3%, to ¥4,055.4 billion from the previous fiscal year, due mainly to increased sales revenue in Automobile business as well as positive foreign currency translation effects. Operating profit increased by ¥87.2 billion, or 34.6%, to ¥339.1 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as positive foreign currency effects.

Other Regions

In Other Regions, sales revenue increased by ¥158.6 billion, or 36.5%, to ¥593.1 billion from the previous fiscal year, due mainly to increased sales revenue in Motorcycle business. Operating profit was ¥22.8 billion, an increase of ¥27.9 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as price and cost impacts.

Fiscal Year 2021 Compared with Fiscal Year 2020

Sales Revenue

Honda's consolidated sales revenue for the fiscal year ended March 31, 2021, decreased by ¥1,760.4 billion, or 11.8%, to ¥13,170.5 billion from the fiscal year ended March 31, 2020, due mainly to decreased sales revenue in all business operations. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥1,410.9 billion, or 9.4%, compared to the decrease as reported of ¥1,760.4 billion, which includes negative foreign currency translation effects.

Operating Costs and Expenses

Operating costs and expenses decreased by ¥1,787.0 billion, or 12.5%, to ¥12,510.3 billion from the previous fiscal year. Cost of sales decreased by ¥1,411.9 billion, or 11.9%, to ¥10,439.6 billion from the previous

fiscal year, due mainly to a decrease in costs attributable to decreased consolidated sales revenue in all business operations. Selling, general and administrative expenses decreased by ¥309.8 billion, or 18.9%, to ¥1,331.7 billion from the previous fiscal year. Research and development expenses decreased by ¥65.2 billion, or 8.1%, to ¥738.8 billion from the previous fiscal year.

Operating Profit

Operating profit increased by ¥26.5 billion, or 4.2%, to ¥660.2 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses as well as continuing cost reduction, which was partially offset by a decrease in profit attributable to decreased sales revenue and model mix. Honda estimates that by excluding negative foreign currency effects of approximately ¥47.1 billion, operating profit would have increased by approximately ¥73.6 billion.

With respect to the discussion above of the changes, management identified factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. “Foreign currency effects” consist of “translation adjustments”, which come from the translation of the currency of foreign subsidiaries’ financial statements into Japanese yen, and “foreign currency adjustments”, which result from foreign-currency-denominated transaction. With respect to “foreign currency adjustments”, management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Japanese yen and others at the level of the Company and its material consolidated subsidiaries. The estimates excluding the foreign currency effects are not on the same basis as Honda’s consolidated financial statements, and do not conform to IFRS. Furthermore, Honda does not believe that these measures are substitute for the disclosure required by IFRS. However, Honda believes that such estimates excluding the foreign currency effects provide financial statements users with additional useful information for understanding Honda’s results.

Profit before Income Taxes

Profit before income taxes increased by ¥124.1 billion, or 15.7%, to ¥914.0 billion from the previous fiscal year. The main factors behind this increase, except factors relating to operating profit, are as follows:

Share of profit of investments accounted for using the equity method had a positive impact of ¥108.5 billion, due mainly to an increase in profit attributable to increased sales revenue at affiliates and joint ventures in Asia as well as recognition of reversal of impairment losses which had been previously recognized on the investments in certain companies accounted for using the equity method.

Finance income and finance costs had a negative impact of ¥10.9 billion, due mainly to decreased interest income. For further details, see note “(22) Finance Income and Finance Costs” to the accompanying consolidated financial statements.

Income Tax Expense

Income tax expense decreased by ¥61.3 billion, or 21.9%, to ¥218.6 billion from the previous fiscal year. The average effective tax rate decreased by 11.5 percentage points to 23.9% from the previous fiscal year. For further details, see “(a) Income Tax Expense” of note “(23) Income Taxes” to the accompanying consolidated financial statements.

Profit for the Year

Profit for the year increased by ¥185.5 billion, or 36.4%, to ¥695.4 billion from the previous fiscal year.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent increased by ¥201.6 billion, or 44.3%, to ¥657.4 billion from the previous fiscal year.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests decreased by ¥16.1 billion, or 29.8%, to ¥38.0 billion from the previous fiscal year.

Business Segments

Motorcycle Business

Honda's consolidated unit sales of motorcycles, all-terrain vehicles (ATVs) and side-by-sides (SxS) totaled 10,264 thousand units, decreased by 17.4% from the previous fiscal year, due mainly to a decrease in consolidated unit sales in Asia.

Sales revenue from external customers decreased by ¥272.0 billion, or 13.2%, to ¥1,787.2 billion from the previous fiscal year, due mainly to decreased consolidated unit sales. The impact of price changes was immaterial on sales revenue. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥174.5 billion, or 8.5%, compared to the decrease as reported of ¥272.0 billion, which includes negative foreign currency translation effects.

Operating costs and expenses decreased by ¥210.9 billion, or 11.9%, to ¥1,562.6 billion from the previous fiscal year. Cost of sales decreased by ¥169.7 billion, or 11.4%, to ¥1,324.9 billion, due mainly to a decrease in costs attributable to decreased consolidated unit sales. Selling, general and administrative expenses decreased by ¥28.1 billion, or 14.1%, to ¥171.4 billion. Research and development expenses decreased by ¥13.1 billion, or 16.5%, to ¥66.2 billion.

Operating profit decreased by ¥61.0 billion, or 21.4%, to ¥224.6 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales volume and model mix, which was partially offset by continuing cost reduction as well as decreased selling, general and administrative expenses.

Japan

Total industry demand for motorcycles in Japan* was approximately 370 thousand units in fiscal year 2021, an increase of approximately 4% from the previous fiscal year.

Honda's consolidated unit sales in Japan increased 4.9% to 215 thousand units in fiscal year 2021, mainly due to the effects of launching the new *CT125 Hunter Cub* model.

* Source: JAMA (Japan Automobile Manufacturers Association)

North America

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States*, the principal market within North America, increased around 18% from the previous year to approximately 780 thousand units in calendar year 2020.

Honda's consolidated unit sales in North America increased 0.6% from the previous fiscal year to 332 thousand units in fiscal year 2021.

* Source: MIC (Motorcycle Industry Council)
The total includes motorcycles and ATVs, but does not include side-by-sides (SxS).

Europe

Total demand for motorcycles in Europe* increased around 1% from the previous year to approximately 970 thousand units in calendar year 2020.

Honda's consolidated unit sales in Europe decreased 2.1% from the previous fiscal year to 234 thousand units in fiscal year 2021, mainly due to decreases in sales units of the *CB500* model series.

* Based on Honda research. Only includes the following 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium and Austria.

Asia

Total demand for motorcycles in India, the largest market within Asia, decreased around 24% from the previous year to approximately 14,110 thousand units in calendar year 2020. Total demand for motorcycles in other countries in Asia* decreased around 23% from the previous calendar year to approximately 17,190 thousand units. This was mainly due to decreases in demand in Indonesia and China.

Honda's consolidated unit sales in Asia were 8,451 thousand units in fiscal year 2021, a decrease by 18.3% from the previous fiscal year, mainly due to decreases in sales units of the *Activa* model series in India and the *Wave* and *Air Blade* model series in Vietnam.

Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is accounted for using the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2021 decreased around 45% from the previous fiscal year to approximately 2,690 thousand units, mainly due to decreases in sales units of the *BeAT* and *Vario* model series.

* Based on Honda research. Only includes the following seven countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Pakistan, and China.

Other Regions

Total demand for motorcycles in Brazil*, the principal market within Other Regions, decreased around 14% from the previous year to approximately 930 thousand units in calendar year 2020.

In Other Regions (including South America, the Middle East, Africa, Oceania, and other areas), Honda's consolidated unit sales decreased 20.9% from the previous fiscal year to 1,032 thousand units in fiscal year 2021 due mainly to decreases in sales units of the *CG160* and *Biz* model series in Brazil.

* Source: ABRACICLO (the Brazilian Association of Motorcycle, Moped, and Bicycle Manufacturers)

Automobile Business

Honda's consolidated unit sales of automobiles totaled 2,617 thousand units, decreased by 21.1% from the previous fiscal year, due to a decrease in consolidated unit sales in all regions.

Sales revenue from external customers decreased by ¥1,391.8 billion, or 14.0%, to ¥8,567.2 billion from the previous fiscal year, due mainly to decreased consolidated unit sales. The impact of price changes was immaterial on sales revenue. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal

year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥1,202.8 billion, or 12.1%, compared to the decrease as reported of ¥1,391.8 billion, which includes negative foreign currency translation effects. Sales revenue including intersegment sales decreased by ¥1,415.2 billion, or 13.9%, to ¥8,779.3 billion from the previous fiscal year.

Operating costs and expenses decreased by ¥1,352.2 billion, or 13.5%, to ¥8,689.0 billion from the previous fiscal year. Cost of sales decreased by ¥1,152.1 billion, or 14.2%, to ¥6,972.8 billion, due mainly to a decrease in costs attributable to decreased consolidated unit sales. Selling, general and administrative expenses decreased by ¥152.3 billion, or 12.5%, to ¥1,069.0 billion. Research and development expenses decreased by ¥47.7 billion, or 6.9%, to ¥647.1 billion.

Operating profit decreased by ¥63.0 billion, or 41.1%, to ¥90.2 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales volume and model mix, which was partially offset by decreased selling, general and administrative expenses as well as continuing cost reduction.

Proportion of retail unit sales by vehicle category and principal automobile products:

	Fiscal year ended March 31,	
	2020	2021
Passenger cars: <i>ACCORD, CITY, CIVIC, CRIDER, FIT/JAZZ</i>	48%	43%
Light trucks: <i>BREEZE, CR-V, FREED, ODYSSEY, PILOT, VEZEL/HR-V, XR-V</i>	45%	50%
Mini vehicles: <i>N-BOX</i>	7%	7%

Although there are various factors that affect the profitability of each vehicle category, sales price is an important factor in determining profitability. In general, the weighted average sales price in the light trucks category is higher relative to the total average sales price, while the weighted average sales price in the mini vehicles category, which is unique to the Japanese market, is relatively lower, although sales price varies from model to model.

In general, the contribution margin of the light trucks category tends to be higher relative to the total weighted average contribution margin because the sales price is higher, while the contribution margin of the mini vehicles category tends to be relatively lower because the sales price is lower, although the level of contribution margin varies from model to model. For example, in Japan and the United States, which are the main sales markets for our automobiles, the contribution margin of our light trucks category was approximately 25% higher, our passenger cars category was approximately 10% lower and our mini vehicles category was approximately 45% lower than total weighted average contribution margin for the fiscal year ended March 31, 2021. It should be noted that we define contribution margin as an amount per unit of net sales minus material cost, which is thought to increase in almost direct proportion to net sales volume.

Japan

Total demand for automobiles in Japan*1 decreased around 8% from the previous fiscal year to approximately 4,650 thousand units in fiscal year 2021.

Honda's consolidated unit sales in Japan decreased 11.7% from the previous fiscal year to 520 thousand units*2 in fiscal year 2021, due mainly to decreases in sales units of the *N-BOX* model series.

Honda's unit production of automobiles in Japan decreased 14.9% from the previous fiscal year to 687 thousand units in fiscal year 2021. This was mainly because of restrictions on the supply of parts and the decline in demand.

*1 Source: JAMA (Japan Automobile Manufacturers Association), as measured by the number of regular vehicle registrations (661cc or higher) and mini vehicles (660cc or lower)

*2 Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to external customers in the Automobile business. Accordingly, they are not included in consolidated unit sales.

North America

Total industry demand for automobiles in the United States*, the principal market within North America, decreased around 15% from the previous year to approximately 14,570 thousand units in calendar year 2020.

Honda's consolidated unit sales in North America decreased 18.9% from the previous fiscal year to 1,480 thousand units in fiscal year 2021, due mainly to decreases in sales units of the *ACCORD* and *CIVIC* models.

Honda manufactured 1,397 thousand units in North America in fiscal year 2021, a decrease of 19.5% from the previous fiscal year, mainly due to a decrease in demand and the effects of restrictions on the supply of parts.

* Source: Autodata

Europe

Total demand for automobiles in Europe* decreased around 24% from the previous year to approximately 11,960 thousand units in calendar year 2020.

Honda's consolidated unit sales in Europe decreased 24.1% from the previous fiscal year to 101 thousand units in fiscal year 2021, mainly due to decreases in sales units of the *CIVIC* and *CR-V* models.

Unit production at Honda's U.K. plant in fiscal year 2021 decreased 24.0% from the previous fiscal year to 71 thousand units, due to decreases in sales units of the *CIVIC* model.

* Source: ACEA (Association des Constructeurs Europeens d'Automobiles (the European Automobile Manufacturers' Association)) New passenger car registrations cover 27 EU countries, three EFTA countries and the U.K.

Asia

Total demand for automobiles in China, the largest market within Asia, decreased around 2% from the previous year to approximately 25,310 thousand units*¹ in calendar year 2020. Total demand for automobiles in other countries in Asia decreased around 24% from the previous calendar year to approximately 6,050 thousand units*². This was mainly due to the decreases in demand in India and Indonesia.

Honda's consolidated unit sales in Asia decreased 30.7% from the previous fiscal year to 390 thousand units in fiscal year 2021. The decrease was mainly attributable to decreases in sales units of the *BRIO* and *HR-V* models in Indonesia, and the *JAZZ* and *CIVIC* models in Thailand.

Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China increased 33.8% from the previous fiscal year to 1,858 thousand units in fiscal year 2021, mainly due to the increases in sales units of the *BREEZE* and *CR-V* models.

Honda's unit production by consolidated subsidiaries in Asia decreased 33.6% from the previous fiscal year to 402 thousand units*³ in fiscal year 2021.

Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. increased 37.0% from the previous fiscal year to 1,877 thousand units in fiscal year 2021.

*1 Source: CAAM (China Association of Automobile Manufacturers)

*2 The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

*3 The total includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

Other Regions

Total industry demand for automobiles in Brazil, the principal market within Other Regions, decreased around 27% from the previous year to approximately 1,950 thousand units* in calendar year 2020.

In Other Regions (including South America, the Middle East, Africa, Oceania, and other areas), Honda's consolidated unit sales decreased 39.4% from the previous fiscal year to 126 thousand units in fiscal year 2021, mainly due to decreases in sales units of the *FIT* and *HR-V* models in Brazil.

Unit production at Honda's plant in Brazil decreased 42.1% from the previous fiscal year to 72 thousand units in fiscal year 2021, due mainly to the decrease in demand.

* Source: ANFAVEA (Associação Nacional dos Fabricantes de Veiculos Automotores (the Brazilian Automobile Association)) The total includes passenger cars and light commercial vehicles.

Financial Services Business

To support the sale of its products, Honda provides retail lending and leasing to customers and wholesale financing to dealers through its finance subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany, Brazil and Thailand.

Total amount of receivables from financial services and equipment on operating leases of finance subsidiaries on March 31, 2021, increased by ¥547.2 billion, or 5.6%, to ¥10,334.4 billion from March 31, 2020. Honda estimates that by applying Japanese yen exchange rates as of March 31, 2020, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2021 would have increased by approximately ¥257.0 billion, or 2.6%, from March 31, 2020.

Sales revenue from external customers decreased by ¥92.6 billion, or 3.6%, to ¥2,494.2 billion from the previous fiscal year, due mainly to decreased revenues on disposition of lease vehicles. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥33.1 billion, or 1.3%, compared to the decrease as reported of ¥92.6 billion, which includes negative foreign currency translation effects. Sales revenue including intersegment sales decreased by ¥94.1 billion, or 3.6%, to ¥2,506.7 billion from the previous fiscal year.

Operating costs and expenses decreased by ¥231.4 billion, or 9.7%, to ¥2,149.8 billion from the previous fiscal year. Cost of sales decreased by ¥114.7 billion, or 5.2%, to ¥2,099.2 billion from the previous fiscal year, due mainly to a decrease in costs attributable to decreased revenues on disposition of lease vehicles. Selling, general and administrative expenses decreased by ¥116.6 billion, or 69.8%, to ¥50.5 billion from the previous fiscal year, due mainly to a decrease in allowance for credit losses.

Operating profit increased by ¥137.2 billion, or 62.5%, to ¥356.9 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses.

Life Creation and Other Businesses

Honda's consolidated unit sales of power products totaled 5,623 thousand units, decreased by 1.4% from the previous fiscal year, due mainly to a decrease in consolidated unit sales in North America.

Sales revenue from external customers decreased by ¥3.8 billion, or 1.2%, to ¥321.7 billion from the previous fiscal year, due mainly to decreased sales revenue in Other businesses. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥0.4 billion, or 0.1%, compared to the decrease as reported of ¥3.8 billion, which includes negative foreign currency translation effects. Sales revenue including intersegment sales decreased by ¥8.8 billion, or 2.5%, to ¥341.8 billion from the previous fiscal year.

Operating costs and expenses decreased by ¥22.2 billion, or 5.9%, to ¥353.4 billion from the previous fiscal year. Cost of sales decreased by ¥5.1 billion, or 1.8%, to ¥287.4 billion, due mainly to a decrease in costs attributable to decreased sales revenue in Other businesses. Selling, general and administrative expenses decreased by ¥12.6 billion, or 23.8%, to ¥40.6 billion. Research and development expenses decreased by ¥4.3 billion, or 14.7%, to ¥25.4 billion from the previous fiscal year.

Operating loss was ¥11.6 billion, an improvement of ¥13.4 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses as well as continuing cost reduction, which was partially offset by decreased sales revenue in Other businesses. In addition, operating loss of aircraft and aircraft engines included in the Life creation and Other businesses was ¥32.3 billion, an improvement of ¥9.9 billion from the previous fiscal year.

Japan

Honda's consolidated unit sales in Japan increased 7.7% from the previous fiscal year to 336 thousand units in fiscal year 2021, mainly due to the increases in sales of OEM engines* and generators.

* OEM (Original Equipment Manufacturer) engines: refers to engines installed on products sold under a third-party brand.

North America

Honda's consolidated unit sales in North America decreased 8.1% from the previous fiscal year to 2,617 thousand units in fiscal year 2021, mainly due to the decrease in sales of OEM engines, which offset the increase mainly in the sales of generators.

Europe

Honda's consolidated unit sales in Europe increased 9.9% from the previous fiscal year to 929 thousand units in fiscal year 2021, mainly due to the increases in sales of lawnmowers and OEM engines, which offset the decrease in sales of generators.

Asia

Honda's consolidated unit sales in Asia increased 2.2% from the previous fiscal year to 1,405 thousand units in fiscal year 2021. This was mainly due to the increases in sales of OEM engines, which offset the decrease in sales of generators.

Other Regions

Honda's consolidated unit sales in Other Regions (including South America, the Middle East, Africa, Oceania, and other areas) increased 4.7% from the previous fiscal year to 336 thousand units in fiscal year 2021, mainly due to the increases in sales of OEM engines.

Geographical Information

Japan

In Japan, sales revenue from domestic and export sales decreased by ¥555.0 billion, or 12.6%, to ¥3,867.8 billion from the previous fiscal year, due mainly to decreased sales revenue in the Automobile business. Operating loss was ¥75.9 billion, an increase of ¥47.7 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by decreased selling, general and administrative expenses.

North America

In North America, where the United States is the principal market, sales revenue decreased by ¥1,075.9 billion, or 12.6%, to ¥7,480.8 billion from the previous fiscal year, due mainly to decreased sales revenue in the Automobile business. Operating profit increased by ¥150.5 billion, or 49.3%, to ¥455.8 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses as well as continuing cost reduction, which was partially offset by a decrease in profit attributable to decreased sales revenue and model mix.

Europe

In Europe, sales revenue decreased by ¥90.7 billion, or 11.7%, to ¥681.8 billion from the previous fiscal year, due mainly to decreased sales revenue in the Automobile business. Operating profit increased by ¥12.4 billion, or 83.1%, to ¥27.4 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses.

Asia

In Asia, sales revenue decreased by ¥400.9 billion, or 10.4%, to ¥3,458.7 billion from the previous fiscal year, due mainly to decreased sales revenue in the Automobile business and Motorcycle business. Operating profit decreased by ¥67.6 billion, or 21.2%, to ¥251.8 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by decreased selling, general and administrative expenses.

Other Regions

In Other Regions, sales revenue decreased by ¥259.1 billion, or 37.4%, to ¥434.4 billion from the previous fiscal year, due mainly to decreased sales revenue in the Automobile business as well as negative foreign currency translation effects. Operating loss was ¥5.0 billion, a decrease of ¥42.3 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by continuing cost reduction.

B. Liquidity and Capital Resources

Overview of Capital Requirements, Sources and Uses

The policy of Honda is to support its business activities by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet.

Honda's main business is the manufacturing and sale of motorcycles, automobiles and power products. To support this business, Honda also funds financial programs for customers and dealers.

Honda requires working capital mainly to purchase parts and raw materials required for production, as well as to maintain inventory of finished products and cover receivables from dealers and for providing financial services. Honda also requires funds for capital expenditures, mainly to introduce new models, upgrade, rationalize and renew production facilities, as well as to expand and reinforce sales and R&D facilities. In addition, Honda is thoroughly committed to "eliminating the burden on the global environment" and "achieving safety that protects precious lives". Specifically, in terms of the environment, Honda aims to achieve carbon neutrality by 2050 across all of our products and business activities. In terms of safety, Honda will work toward the goal of zero traffic collision fatalities involving Honda's motorcycles and automobiles globally by 2050. Honda also requires funds for these environmental and safety initiatives.

Honda meets its working capital requirements primarily through cash generated by operations, bank loans and corporate bonds. In the fiscal year ended March 31, 2022, the Company developed its Sustainable Finance Framework to raise a part of the funds for addressing our environmental and safety initiatives through issuing bonds and issued Green Bonds totaling US\$2.75 billion thereunder. The proceeds from the issuance of the Green Bonds will be used exclusively toward environmental initiatives in accordance with the Sustainable Finance Framework. Honda believes that its working capital is sufficient for the Company's present requirements. The year-end balance of liabilities associated with the Company and its subsidiaries' funding for non-financial services businesses was ¥836.8 billion as of March 31, 2022. In addition, the Company's finance subsidiaries fund financial programs for customers and dealers primarily from medium-term notes, bank loans, securitization of finance receivables and equipment on operating leases, commercial paper and corporate bonds. The year-end balance of liabilities associated with these finance subsidiaries' funding for Financial services business was ¥7,269.9 billion as of March 31, 2022.

There are no material seasonal variations in Honda's borrowing requirements.

In light of the future situation of working capital requirements and cash on hand, the Company will consider raising funds as needed.

Cash Flows

Fiscal Year 2022 Compared with Fiscal Year 2021

Consolidated cash and cash equivalents on March 31, 2022 increased by ¥916.9 billion from March 31, 2021, to ¥3,674.9 billion. The reasons for the increases or decreases for each cash flow activity, when compared with the previous fiscal year, are as follows:

Net cash provided by operating activities amounted to ¥1,679.6 billion of cash inflows. Cash inflows from operating activities increased by ¥607.2 billion compared with the previous fiscal year, due mainly to increased cash received from customers, which was partially offset by increased payments for parts and raw materials.

Net cash used in investing activities amounted to ¥376.0 billion of cash outflows. Cash outflows from investing activities decreased by ¥420.8 billion compared with the previous fiscal year, due mainly to decreased payments for acquisitions of investments accounted for using the equity method as well as increased proceeds from sales and redemptions of other financial assets.

Net cash used in financing activities amounted to ¥615.7 billion of cash outflows. Cash outflows from financing activities increased by ¥331.7 billion compared with the previous fiscal year, due mainly to a decrease in proceeds from financing liabilities and purchases of treasury stock.

Fiscal Year 2021 Compared with Fiscal Year 2020

Consolidated cash and cash equivalents on March 31, 2021 increased by ¥85.6 billion from March 31, 2020, to ¥2,758.0 billion. The reasons for the increases or decreases for each cash flow activity, when compared with the previous fiscal year, are as follows:

Net cash provided by operating activities amounted to ¥1,072.3 billion of cash inflows. Cash inflows from operating activities increased by ¥92.9 billion compared with the previous fiscal year, due mainly to decreased payments for selling, general and administrative expenses as well as parts and raw materials, which was partially offset by decreased cash received from customers.

Net cash used in investing activities amounted to ¥796.8 billion of cash outflows. Cash outflows from investing activities increased by ¥177.4 billion compared with the previous fiscal year, due mainly to increased payments for acquisitions of other financial assets, which was partially offset by decreased payments for additions to property, plant and equipment.

Net cash used in financing activities amounted to ¥283.9 billion of cash outflows. Cash outflows from financing activities increased by ¥196.5 billion compared with the previous fiscal year, due mainly to increased repayments of financing liabilities.

Liquidity

The ¥3,674.9 billion in cash and cash equivalents as of March 31, 2022 is mainly denominated in U.S. dollars and in Japanese yen, with the remainder denominated in other currencies.

Honda's cash and cash equivalents as of March 31, 2022 corresponds to approximately 3.0 months of sales revenue, and Honda believes it has sufficient liquidity for its business operations.

At the same time, Honda is aware of the possibility that various factors, such as recession-induced market contraction and financial and foreign exchange market volatility, may adversely affect liquidity. For this reason, finance subsidiaries that carry total short-term borrowings of ¥568.2 billion have committed lines of credit equivalent to ¥1,226.1 billion that serve as alternative liquidity for the commercial paper issued regularly to replace debt. Honda believes it currently has sufficient credit limits, extended by prominent international banks, as of the date of the filing of Honda's Form 20-F.

Honda's financing liabilities as of March 31, 2022 are mainly denominated in U.S. dollars, with the remainder denominated in Japanese yen and in other currencies. For further information regarding financing liabilities, see note "(15) Financing Liabilities" and "(25) Financial Risk Management" to the accompanying consolidated financial statements.

Honda's short- and long-term debt securities are rated by credit rating agencies, such as Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Rating and Investment Information, Inc. The following table shows the ratings of Honda's unsecured debt securities by Moody's, Standard & Poor's and Rating and Investment Information as of March 31, 2022.

	Credit ratings for	
	Short-term unsecured debt securities	Long-term unsecured debt securities
Moody's Investors Service	P-2	A3
Standard & Poor's Rating Services	A-2	A-
Rating and Investment Information	a-1+	AA

The above ratings are based on information provided by Honda and other information deemed credible by the rating agencies. They are also based on the agencies' assessment of credit risk associated with designated securities issued by Honda. Each rating agency may use different standards for calculating Honda's credit rating, and also makes its own assessment. Ratings can be revised or nullified by agencies at any time. These ratings are not meant to serve as a recommendation for trading in or holding Honda's unsecured debt securities.

Off-Balance Sheet Arrangements

Loan commitments

Honda maintains unused balances on committed lines to dealers based on loan commitment contracts. The undiscounted maximum amount of this potential obligation as of March 31, 2022 was ¥119.1 billion. Although committed lines have been extended, they will not necessarily be withdrawn, as certain contracts contain terms and conditions of withdrawal that require screening of the obligor's credit standing.

Guarantee of employee loans

As of March 31, 2022, we guaranteed ¥7.0 billion of employee bank loans for their housing costs. If an employee defaults on his/her loan payments, we are required to perform under the guarantee. The undiscounted maximum amount of our potential obligation to make future payments in the event of defaults is ¥7.0 billion. As of March 31, 2022, no amount has been accrued for any estimated losses under the obligations, as it was probable that the employees would be able to make all scheduled payments.

Contractual Obligations

The following table shows our contractual obligations as of March 31, 2022:

	Yen (millions)				
	Total	Payments due by period			
		Within 1 year	1-3 years	3-5 years	Thereafter
Financing liabilities	¥8,391,545	¥3,218,988	¥3,187,759	¥1,219,591	¥765,207
Other financial liabilities	579,669	146,949	133,571	67,480	231,669
Purchase and other commitments* ¹	60,527	51,175	8,955	397	—
Contributions to defined benefit pension plans* ²	40,976	40,976	—	—	—
Total	<u>¥9,072,717</u>	<u>¥3,458,088</u>	<u>¥3,330,285</u>	<u>¥1,287,468</u>	<u>¥996,876</u>

*¹ Honda had commitments for purchases of property, plant and equipment as of March 31, 2022.

*² Since contributions beyond the next fiscal year are not currently determinable, contributions to defined benefit pension plans reflect only contributions expected for the next fiscal year.

C. Research and Development

The Company and its consolidated subsidiaries use the most-advanced technologies and conduct R&D activities with the goal of creating distinctive products that are internationally competitive. Product-related R&D is conducted mainly by the Company, Honda R&D Co., Ltd., and Honda Development and Manufacturing of America, LLC. R&D on production technologies centers around the Company and Honda Development and Manufacturing of America, LLC in the United States. All of these entities work in close association with our other entities and businesses in their respective regions.

In addition, American Honda Motor Co., Inc., our consolidated subsidiary in the United States, made organizational changes to its automobile manufacturing-related companies and automobile development function

in the United States on April 1, 2021. As a result of these changes, Honda R&D Americas, Inc. and Honda Engineering North America, Inc. were merged into Honda Development and Manufacturing of America, LLC. Furthermore, in the motorcycle operations, Honda of South Carolina Mfg., Inc., which is responsible for manufacturing powersports products (PSPs), including ATV and side-by-side products, and Honda R&D Americas, Inc.'s PSPs development function were merged into the PSPs division of American Honda Motor Co., Inc. These organizational changes will advance integrated operations in all areas of sales, manufacturing, development and procurement, and strengthen our business structure in North America to respond more quickly to the needs of our customers and the market in light of the rapidly changing market environment.

A portion of the R&D expenditures at the Company and its consolidated subsidiaries has been capitalized, and recorded as intangible assets. For details regarding R&D expenses recognized in the consolidated statements of income, see note "(21) Research and Development" to the accompanying consolidated financial statements.

R&D activities by segment are as follows.

Motorcycle Business

In the Motorcycle business, Honda is engaged in research and development activities with the policy of "maximizing the organizational climate of self-challenge and forming a Mono-zukuri (the art of making things) team capable of continually creating products that delight our customers by overcoming changes in the business environment and offering reasonable prices."

Among major technological achievements, we launched the new road sports models, the *GB 350* in April 2021 and the *GB 350S* in July 2021, which are air-cooled, 4-stroke, OHC, single-cylinder 348cc engine with comfortable pulsating feeling, and simple yet distinguished styling.

In September 2021 we launched the *Monkey 125* and the *Super Cub C125*, which are both equipped with newly developed engines. The new engines are made to comply with the latest exhaust gas regulations by, for example, achieving a longer stroke to increase the compression ratio. As for the chassis, these models are equipped as standard with the one-channel ABS, which can control front brake lock-ups and thus enable the rider to feel safe when applying the brake.

In March 2022, we launched the *NT1100*, a sport-touring model that realizes both the ease of handling for everyday use and outstanding comfort for long-distance touring by balancing "comfort" and "versatility" at a high level. It is also equipped as standard with a dual-clutch transmission (DCT) that enables the rider to enjoy stable riding.

The *Lead 125*, a class 2 motor scooter which is popular for its excellent practical utility and stylish design, has undergone a model change, including the installation of a new engine, and was launched in March 2022. The new *eSP+* four-valve, water-cooled, single-cylinder engine offers both powerful riding and low fuel consumption. And with the continued use of the start-stop system, the new model also contributes to the improvement of environmental performance and noise reduction.

With regard to electrification, in October 2021 we launched the third model of the *Honda e: business motorcycle* series, *GYRO CANOPY e:*, which is a three-wheeled motor scooter equipped with a canopy and powered by newly developed replaceable batteries. Taking advantage of its three wheels, the *GYRO CANOPY e:* offers stable riding even when loaded with luggage. It also offers protection from rain and other bad weather conditions and comes equipped with a large windshield and canopy. It is powered by two *Honda Mobile Power Pack e:* batteries (the *Honda Mobile Power Pack e:* battery has larger capacity than the conventional *Honda Mobile Power Pack* battery), and it can travel up to 77 km on a single charge (based on a test conducted at 30 km per hour on flat ground).

Through these efforts, Honda will endeavor to achieve carbon neutrality by offering a diverse range of products, including the *Honda e: business motorcycle* series, in addition to its conventional gasoline-powered models.

R&D expenditures in this segment incurred during the fiscal years ended March 31, 2020, 2021 and 2022 were ¥83.6 billion, ¥61.6 billion and ¥65.8 billion, respectively.

Automobile Business

In the Automobile business, Honda is engaged in research and development activities under the policy of “demonstrating collective strength for appealing and strong products, and ensuring continuing growth of the Automobile business by deepening the process of Mono-zukuri.”

Among major technological achievements, we launched the new *CIVIC* in September 2021. The new model’s design focuses on a low center of gravity, horizontal lines, and simple, flowing proportions. Our goal was to create a vehicle that is attractive at first sight and encourages long-term use. Honda’s original VTEC TURBO engine was further refined for agile response and high steering stability, achieving high-quality and agile driving performance. Furthermore, the traffic jam assist system was added to the *Honda SENSING* advanced safety and driver-assistive system. Thanks to the features discussed here as well as others, in addition to the joy of riding, the driver can experience the joy of moving safely and comfortably. At the 2022 North American Car, Truck and Utility Vehicle of the Year Awards, held in Detroit, Michigan, the United States, the *CIVIC* for the North American market won the 2022 North American Car of the Year award because of its highly advanced technology, design, safety features, driving performance, and driver satisfaction.

In Japan, the *N-ONE*, launched in November 2020, won the K CAR of the Year award at the 2021-2022 Japan Car of the Year (sponsored by the Japan Car of the Year Executive Committee). In addition to being equipped as standard with the *Honda SENSING*, the driving performance of the *N-ONE* was further refined so that the driver can feel the fun and joy of driving on a daily basis, from everyday driving to long-distance driving. Honda’s pursuit of safety performance necessary for comfortable car use in all situations has earned itself a high reputation.

In January 2022, we unveiled the new *STEP WGN*. At the Japan Premiere Event held online, its exterior and interior designs, with the grand concept of “nice living” were unveiled. The package featured a seat arrangement that allows passengers to freely choose wherever they want to sit so that it can be used in a variety of ways as the family grows.

With regard to electrification, we held an online press conference in January 2022 to outline our strategy in the area of electric vehicles in China. During the press conference, we announced our new environmental and safety initiatives in China and unveiled two planned production models and three concept models of Honda-brand electric vehicles for the first time globally. The *e:N* models, which will be the first Honda-brand electric vehicles in China, are equipped with the *Honda SENSING*. We will accelerate our electrification initiatives in China, a country undergoing rapid technological innovation.

R&D expenditures in this segment incurred during the fiscal years ended March 31, 2020, 2021 and 2022 were ¥707.2 billion, ¥692.5 billion and ¥708.1 billion, respectively.

Life Creation and Other Businesses

In the Life creation and other businesses, Honda is engaged in research and development activities based on the policy of “creating the lifestyles of the future, taking usefulness and joy to the next level.”

Among major technological achievements, in February 2022 we launched the *Lucky Multi FU700*, a small-size rear rotary tiller which is convenient and powerful for home gardening and other purposes. The new

tiller is equipped with a 196 cc powerful engine and tires with a long diameter of 400 mm which can achieve strong pulling force, thereby delivering excellent tilling performance even in a large home garden.

With regard to electrification, in June 2021, Honda and Komatsu Ltd. signed a basic agreement to undertake joint projects to electrify Komatsu's micro shovels through the use of the *Honda Mobile Power Pack* replaceable batteries and establish a system to share the portable batteries for the civil engineering and construction industries. Electrification of micro shovels will not only help sharply reduce noise and exhaust heat, but also achieve zero exhaust gas emissions to reduce environmental impacts. It will also enable construction workers to work comfortably in various work environments, both indoors and outdoors.

In October 2021 we have announced our plan to start battery sharing services for electric auto-rickshaws in India from the first half of 2022, using the newly developed *Honda Mobile Power Pack e*: detachable and portable batteries. At present electric vehicles face three problems: short range, long charging time, and high battery cost. We attempt to solve these problems by sharing batteries that are portable and replaceable, contributing to accelerating electrification and expanding the use of renewable energy sources.

Furthermore, the prototype of the *Honda Autonomous Work Vehicle (AWV)*, an autonomous mobility platform that can be used for various purposes by selecting appropriate attachments, was exhibited at the World of Concrete 2022, a trade show for construction materials and equipment that took place in Las Vegas, the United States, in January 2022. In November 2021, in cooperation with engineering and construction company Black & Veatch, the *Honda AWV* was tested at the construction site of a large solar power plant in New Mexico. We will continue to further improve the *Honda AWV* by carrying out demonstration tests in the United States.

In this way, we are striving to create new value, aiming to “serve people worldwide with the joy of expanding their life’s potential.”

In the aircraft business, Honda has created new value with uniquely developed leading-edge technology. We have been building an operating base in order to grow our aircraft business from a long-term perspective.

In May 2021, Honda Aircraft Company, LLC (HACI) unveiled the *HondaJet Elite S*, the latest, upgraded model of the *HondaJet* small business jet aircraft series, at its first online product launch event, “Innovation Continues: Elite S.” The new model features enhanced operational capability and improved controllability, and it is also equipped with new technologies to reduce the pilot’s workload and improve safety.

HACI announced in February 2022 that the *HondaJet* became the most delivered aircraft in the world in the small jet category in calendar year 2021 for the fifth consecutive year. In addition, in the aviation maintenance technician (AMT) awards program offered by the Federal Aviation Administration (FAA) of the United States, HACI received the “diamond-level AMT employer award” (the highest-level award) in recognition of the company’s high-quality repair and maintenance services and the expertise of its technicians.

We will continue to upgrade the structure for further vitalization of the business jet market.

R&D expenditures in this segment during the fiscal years ended March 31, 2020, 2021 and 2022 were ¥30.5 billion, ¥25.8 billion and ¥29.9 billion, respectively.

Research for next-generation technologies

In research for next-generation technologies, Honda is developing its proprietary solid-state batteries toward the realization of carbon neutrality, and is also developing intelligent driver-assistive technologies and safety and security network technology toward the realization of zero traffic collision fatalities. In addition, in order to create free time for people and expand the time and space in which they can play an active role, Honda will work on new areas, such as “eVTOL”, “Avatar Robot” and “Challenging the Space Domain”.

R&D expenditures incurred in research for next-generation technologies are distributed among Honda's business segments.

Patents and Licenses

As of March 31, 2022, Honda owned more than 17,000 patents in Japan and more than 26,600 patents abroad. Honda also had applications pending for more than 7,600 patents in Japan and for more than 15,200 patents abroad. While Honda considers that, in the aggregate, Honda's patents are important, it does not consider any one of such patents, or any related group of them, to be of such importance that the expiration or termination thereof would materially affect Honda's business.

D. Trend Information

See Item 5.A "Operating Results" for information required by this item.

E. Critical Accounting Estimates

Critical accounting policies are those which require us to apply the most difficult, subjective or complex judgments, often requiring us to make estimates about the effect of matters that are inherently uncertain and which may change in subsequent periods, or for which the use of different estimates that could have reasonably been used in the current period would have had a material impact on the presentation of our financial position and results of operations. Further changes in the economic environment surrounding us, effects by market conditions, effects of currency fluctuations or other factors have combined to increase the uncertainty inherent in such estimates and assumptions.

Regarding the spread of COVID-19, there is no significant impact on Honda's consolidated financial results for the fiscal year ended March 31, 2022 and there is no significant impact on accounting estimates. As the spread of COVID-19 may have more adverse impact on market trend and economic conditions, actual results in any future periods could differ materially from the estimates.

The following is not intended to be a comprehensive list of all our accounting policies. Our significant accounting policies are described in note "(3) Significant Accounting Policies" to the accompanying consolidated financial statements.

We have identified the following critical accounting policies with respect to our financial presentation.

Product Warranty

We warrant our products for specific periods of time. We also provide specific warranty programs, including product recalls, as needed. Product warranties vary depending upon the nature of the product, the geographic location of their sales and other factors.

We recognize costs for general warranties on products we sell and for specific warranty programs, including product recalls. We recognize general estimated warranty costs at the time products are sold to customers. We also recognize specific estimated warranty program costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Estimated warranty costs are provided based on historical warranty claim experience with consideration given to the expected level of future warranty costs, including current sales trends, the expected number of units to be affected and the estimated average repair cost per unit for warranty claims. Our products contain certain parts manufactured by third party suppliers that typically warrant these parts.

We believe our provision for product warranties is a "critical accounting estimate" because changes in the calculation can materially affect profit for the year attributable to owners of the parent, and require us to estimate the frequency and amounts of future claims, which are inherently uncertain.

Our policy is to continuously monitor warranty cost accruals to determine the adequacy of the accrual. Therefore, warranty expense accruals are maintained at an amount we deem adequate to cover estimated warranty expenses.

Actual claims incurred in the future may differ from the original estimates, which may result in material revisions to the warranty expense accruals.

The changes in the provision for those product warranties and sales revenue for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Provisions for product warranties			
Balance at beginning of year	¥ 458,482	¥ 380,689	¥ 481,023
Provision*	¥ 212,275	¥ 272,076	¥ 118,378
Write-offs	(250,522)	(166,206)	(172,754)
Reversal	(26,843)	(22,002)	(36,882)
Exchange differences on translating foreign operations	(12,703)	16,466	29,436
Balance at end of year	¥ 380,689	¥ 481,023	¥ 419,201
Sales revenue	¥14,931,009	¥13,170,519	¥14,552,696

* Provisions for product warranties accrued during the period for the years ended March 31, 2020, 2021 and 2022 are ¥212.2 billion, ¥272.0 billion and ¥118.3 billion, respectively, due mainly to the future warranty costs for product recalls in the Automobile business.

Credit Losses

Our finance subsidiaries provide retail lending and leasing to customers and wholesale financing to dealers primarily to support sales of our products. Honda includes retail and finance lease receivables (“consumer finance receivables”) derived from those services in receivables from financial services, and operating leases are classified as equipment on operating leases. Honda also includes wholesale receivables in receivables from financial services.

Credit losses are an expected cost of extending credit. The majority of the credit risk is with consumer financing. Credit risk on consumer finance receivables can be affected by general economic conditions. Adverse changes such as a rise in unemployment can increase the likelihood of defaults. Declines in used vehicle prices can reduce the amount of recoveries on repossessed collateral. Exposure to credit risk on consumer finance receivables is managed by monitoring and adjusting underwriting standards, which affect the level of credit risk that is assumed, pricing contracts for expected losses, and focusing collection efforts to minimize losses.

Our finance subsidiaries are also exposed to credit risk on equipment on operating leases. A portion of our finance subsidiaries’ operating leases are expected to terminate prior to their scheduled maturities when lessees default on their contractual obligations. Losses are generally realized upon the disposition of the repossessed operating lease vehicles. The factors affecting credit risk on operating leases and management of the risk are similar to that of consumer finance receivables.

Credit risk on dealer finance receivables is affected primarily by the financial strength of the dealers within the portfolio, the value of collateral securing the financings, and economic factors that could affect the creditworthiness of dealers. Exposure to credit risk in dealer financing is managed by performing comprehensive reviews of dealers prior to establishing financing arrangements and monitoring the payment performance and creditworthiness of dealers with existing financing arrangements on an ongoing basis.

The allowance for credit losses is management's estimate of expected credit loss on receivables from financial services. Our finance subsidiaries evaluate these estimates, at minimum, on a quarterly basis.

The allowance for credit losses is measured at amounts according to the three-stage expected credit loss (ECL) model:

- Stage 1 12-month ECL for financial assets without a significant increase in credit risk since initial recognition
- Stage 2 Lifetime ECL for financial assets with a significant increase in credit risk since initial recognition but that are not credit-impaired
- Stage 3 Lifetime ECL for credit-impaired financial assets

Lifetime ECL represents ECL that results from all possible default events over the expected life of a financial asset. 12-month ECL is the portion of lifetime ECL that results from default events that are possible within 12 months after the reporting date. ECL is a probability-weighted estimate of the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rates.

To determine whether credit risk has increased significantly, consumer finance receivables are assessed both individually and collectively. Individual assessments are based on delinquencies. Consumer finance receivables 30 days or greater past due have historically experienced increased default rates and therefore are considered to have a significant increase in credit risk. Collective assessments are performed for groups of consumer finance receivables with shared risk characteristics such as the period of initial recognition, collateral type, original term, and credit score considering relative changes in expected default rates since initial recognition. Dealer finance receivables are assessed at the individual dealership level to determine whether credit risk has increased significantly considering payment performance and other factors such as changes in the financial condition of the dealership and compliance with debt covenants.

Our definition of default on receivables from financial services varies depending on internal risk management practices of each of our finance subsidiaries. Our most significant finance subsidiary located in the United States considers delinquencies of 60 days past due to be in default. Collection efforts on consumer finance receivables are escalated after becoming 60 days past due including repossession of the underlying vehicles if it has been determined that the borrower is unable to perform on their obligations. Defaulted consumer finance receivables are considered to be credit-impaired. Dealer finance receivables are considered to be credit-impaired when there is evidence we will be unable to collect all amounts due in accordance with the original contractual terms including significant financial difficulty of the dealership, a breach of contract, such as a default or delinquency, or bankruptcy.

At the finance subsidiary in the United States, the estimated uncollectible portion of consumer finance receivables are written-off at 120 days past due or upon repossession of the underlying vehicle. Although various statutory regulations limit the length of time and circumstances when enforcement activities can be taken, in general, the outstanding contractual balances continue to be subject to enforcement activities for several years after write-offs. The portion of outstanding contractual balances that is estimated to be uncollectible reflects our expectations of collections from enforcement activities. Dealer finance receivables are written-off when there is no reasonable expectation of recovery.

At the finance subsidiary in the United States, ECL of consumer finance receivables is measured for groups of financial assets with shared risk characteristics by reflecting historical results, current conditions, and forward-looking factors such as unemployment rates, used vehicles prices, and consumer debt service burdens. Estimated losses on operating leases due to early terminations are also measured collectively, using estimation techniques similar to those applied for consumer finance receivables.

We believe our allowance for credit losses and impairment losses on operating leases is a “critical accounting estimate” because it requires significant judgment about inherently uncertain items. Our finance subsidiaries regularly review the adequacy of the allowance for credit losses and impairment losses on operating leases. The estimates are based on information available at the end of each reporting period. However, actual losses may differ from the original estimates as a result of actual results varying from those assumed in our estimates.

As an example of the sensitivity of the allowance calculation, the following scenario demonstrates the impact that a deviation in one of the primary factors estimated as part of our allowance calculation would have on the remeasurement and allowance for credit losses. If we had experienced a 10% increase in write-offs during fiscal year 2022, the remeasurement for fiscal year 2022 and the allowance balance at the end of fiscal year 2022 would have increased by approximately ¥5.1 billion and ¥3.9 billion, respectively. Note that this sensitivity analysis may be asymmetric and is specific to the base conditions in fiscal year 2022.

Additional Narrative of the Change in Credit Loss

The following tables summarize our allowance for credit losses on receivables from financial services:

	Yen (millions)			
	Retail	Finance lease	Wholesale	Total
For the year ended March 31, 2020				
Allowance for credit losses				
Balance at beginning of year	¥ 39,760	¥ 730	¥ 2,713	¥ 43,203
Remeasurement	¥ 54,833	¥ 142	¥ 1,905	¥ 56,880
Write-offs	(31,436)	(130)	(1,784)	(33,350)
Exchange differences on translating foreign operations	(2,916)	(52)	(297)	(3,265)
Balance at end of year	¥ 60,241	¥ 690	¥ 2,537	¥ 63,468
Ending balance of receivables from financial services	¥4,440,364	¥125,958	¥666,992	¥5,233,314
Average balance of receivables from financial services	¥4,552,643	¥132,568	¥651,139	¥5,336,350
Write-offs as a % of average balance of receivables from financial services	0.69%	0.10%	0.27%	0.62%
Allowance as a % of ending balance of receivables from financial services	1.36%	0.55%	0.38%	1.21%
For the year ended March 31, 2021				
Allowance for credit losses				
Balance at beginning of year	¥ 60,241	¥ 690	¥ 2,537	¥ 63,468
Remeasurement	¥ (4,778)	¥ 142	¥ (402)	¥ (5,038)
Write-offs	(20,733)	(107)	18	(20,822)
Exchange differences on translating foreign operations	(444)	88	114	(242)
Balance at end of year	¥ 34,286	¥ 813	¥ 2,267	¥ 37,366
Ending balance of receivables from financial services	¥4,847,906	¥126,766	¥486,138	¥5,460,810
Average balance of receivables from financial services	¥4,547,545	¥123,547	¥501,943	¥5,173,035
Write-offs as a % of average balance of receivables from financial services	0.46%	0.09%	0.00%	0.40%
Allowance as a % of ending balance of receivables from financial services	0.71%	0.64%	0.47%	0.68%

	Yen (millions)			
	Retail	Finance lease	Wholesale	Total
For the year ended March 31, 2022				
Allowance for credit losses				
Balance at beginning of year	¥ 34,286	¥ 813	¥ 2,267	¥ 37,366
Remeasurement	¥ 10,263	¥ (255)	¥ (726)	¥ 9,282
Write-offs	(12,256)	(97)	30	(12,323)
Exchange differences on translating foreign operations	4,474	26	238	4,738
Balance at end of year	¥ 36,767	¥ 487	¥ 1,809	¥ 39,063
Ending balance of receivables from financial services	¥5,054,428	¥145,932	¥284,506	¥5,484,866
Average balance of receivables from financial services	¥4,964,846	¥134,316	¥319,583	¥5,418,744
Write-offs as a % of average balance of receivables from financial services	0.25%	0.07%	(0.01)%	0.23%
Allowance as a % of ending balance of receivables from financial services	0.73%	0.33%	0.64%	0.71%

The following table provides information related to losses on operating leases due to customer defaults:

	Yen (millions)		
	2020	2021	2022
Remeasurement for credit losses on past due lease payments under operating leases	¥ 3,046	¥ 3,287	¥ 225
Impairment losses (reversal of impairment losses) on operating leases due to early termination	¥36,037	¥(16,321)	¥1,872

Fiscal Year 2022 Compared with Fiscal Year 2021

The remeasurement for credit losses on receivables from financial services for the fiscal year ended March 31, 2022 increased by ¥14.3 billion, from the fiscal year ended March 31, 2021. Write-offs of receivables from financial services for the fiscal year ended March 31, 2022 decreased by ¥8.4 billion, or 40.8%, from the fiscal year ended March 31, 2021.

Impairment losses on operating leases due to early termination for the fiscal year ended March 31, 2022 increased by ¥18.1 billion from the fiscal year ended March 31, 2021.

The increase in the remeasurement for credit losses and impairment losses on operating leases due to early termination were due to the relatively stable estimate of credit risk in our North American finance subsidiaries during the fiscal year ended March 31, 2022, compared to the significant reduction in credit risk during the fiscal year ended March 31, 2021. The North American economy experienced a recovery as a result of the government's economic stimulus measures in North America resulting in positive changes in forward-looking factors including unemployment rates and a decrease in credit risk in our North American finance subsidiaries during the fiscal year ended March 31, 2021.

The decrease in write-offs was due to lower default frequencies which was attributable to the continued positive effects of the government's economic stimulus measures in North America, relatively low unemployment rates, and strong used vehicle prices.

Fiscal Year 2021 Compared with Fiscal Year 2020

The remeasurement for credit losses on receivables from financial services for the fiscal year ended March 31, 2021 decreased by ¥61.9 billion, from the fiscal year ended March 31, 2020. Write-offs of receivables

from financial services for the fiscal year ended March 31, 2021 decreased by ¥12.5 billion, or 37.6%, from the fiscal year ended March 31, 2020.

Impairment losses (reversal of impairment losses) on operating leases due to early termination for fiscal year ended March 31, 2021 decreased by ¥52.3 billion, from the fiscal year ended March 31, 2020.

The decrease in the remeasurement for credit losses and the reversal of impairment losses on operating leases due to early termination are primarily due to a decrease in credit risk in our North American finance subsidiaries. The North American economy is experiencing a recovery as a result of the government's economic stimulus measures in North America resulting in a positive change in forward-looking factors including unemployment rates. The positive changes in forward-looking factors has resulted in a decrease in credit risk in our North American finance subsidiaries.

The decrease in write-offs was primarily attributable to lower default frequencies resulted from the positive effect of the government's economic stimulus measures in North America and the relief including payment deferrals for customers in our North American finance subsidiaries.

Losses on Lease Residual Values

Our finance subsidiaries in North America determine contractual residual values of operating lease vehicles at lease inception based on expectations of end of term used vehicle values. Lease customers have the option at the end of the lease term to return the vehicle to the dealer or to buy the vehicle for the contractual residual value (or if purchased prior to lease maturity, for the outstanding contractual balance). Returned lease vehicles can be purchased by the grounding dealer for the contractual residual value (or if purchased prior to lease maturity, for the outstanding contractual balance) or a market based price. Returned lease vehicles that are not purchased by the grounding dealers are sold through online and physical auctions. We are exposed to a risk of loss on the disposition of returned lease vehicles if the market values of leased vehicles at the end of their lease terms are less than their contractual residual values.

Estimated end of term residual values are dependent on the percentage of leased vehicles expected to be returned by lessees and the expected market values of leased vehicles at the end of their lease terms. Factors considered in this evaluation include, among other factors, economic conditions, external market information on new and used vehicles, historical trends, and recent auction values. We depreciate operating lease vehicles on a straight-line basis over the lease term to the lower of contract residual values or estimated end of term residual values. We assess our estimates for end of term residual values of lease vehicles, at minimum, on a quarterly basis. Adjustments to estimated residual values are made on a straight-line basis over the remaining term of the lease and are recognized as depreciation expense.

We also review our equipment on operating leases for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. If impairment conditions are met, impairment losses are measured by the amount carrying values exceed their recoverable amounts.

We believe that our estimated end of term residual values and impairment losses are "critical accounting estimates" because it is highly susceptible to market volatility and requires us to make assumptions about future economic trends, market values of leased vehicles, and return rates, which are inherently uncertain. We believe that the assumptions used are appropriate. However, actual results may differ from those assumed in our estimates.

If future auction values for all Honda and Acura vehicles in our North American operating lease portfolio as of March 31, 2022 were to decrease by approximately ¥10,000 per unit from our present estimates, holding all other assumptions constant, the total impact would be an increase in depreciation expense by approximately ¥5.6 billion, which would be recognized over the remaining lease terms. Similarly, if future return rates for our

existing portfolio of all Honda and Acura vehicles were to increase by one percentage point from our present estimates, the total impact would be an increase in depreciation expense by approximately ¥1.5 billion, which would be recognized over the remaining lease terms. Note that this sensitivity analysis may be asymmetric and is specific to the base conditions in fiscal year 2022. Also, declines in auction values are likely to have a negative effect on return rates which could affect the sensitivities.

Post-employment Benefits

We have various pension plans covering substantially all of our employees in Japan and certain employees in foreign countries. Defined benefit obligations and defined benefit costs are based on assumptions of many factors, including the discount rate and the rate of salary increase. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds that is consistent with the currency and estimated term of the post-employment benefit obligations. The rate of salary increase reflects our actual experience as well as near-term outlook. Our assumed discount rate and rate of salary increase for Japanese plans as of March 31, 2022 were 0.8% and 1.5%, respectively. Our assumed discount rate and rate of salary increase for foreign plans as of March 31, 2022 were 2.8 - 4.0% and 2.0 - 3.6%, respectively.

We believe that the accounting estimates related to our pension plans are a “critical accounting estimate” because changes in these estimates can materially affect our financial position and results of operations.

We believe that the assumptions currently used are appropriate. However, changes in assumptions could affect our defined benefit costs and obligations, including our cash requirements to fund such obligations in the future. Actual results may differ from our assumptions, and the difference is recognized in other comprehensive income when it is incurred and reclassified immediately to retained earnings.

For information on the effect of change in the assumed discount rate on our defined benefit obligations, see “4) Sensitivity analysis” of note “(18) Employee Benefits” to the accompanying consolidated financial statements.

Deferred Tax Assets

We consider the probability that a portion of or all of the deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit can be utilized against future taxable profits in the recognition of deferred tax assets. In assessing recoverability of deferred tax assets, we consider the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning strategies.

We believe that our accounting for the deferred tax assets is a “critical accounting estimate” because it requires us to evaluate and assess the probability of future taxable profit and our business plan, which are inherently uncertain.

Based upon the level of historical taxable profit and projections for future taxable profit over the periods for which the deferred tax assets are deductible, we believe it is probable that we will utilize the benefits of these deferred tax assets as of March 31, 2021 and 2022. Uncertainty of estimates of future taxable profit could increase due to changes in the economic environment surrounding us, effects by market conditions, effects of currency fluctuations or other factors.

New Accounting Pronouncements Not Yet Adopted

For a description of new accounting pronouncements not yet adopted, see “(d) New Accounting Standards and Interpretations Not Yet Adopted” of note “(2) Basis of Preparation” to the accompanying consolidated financial statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Effective on June 23, 2021, Honda adopted a “company with three committees” corporate governance system (the “Three Committees system”) under the Company Law. Under the Three Committees system, Honda has no Board of Corporate Auditors and the function of corporate audit is implemented by the Audit Committee within the Board of Directors.

For Japanese companies which employ the Three Committees system, including Honda, the Company Law requires that such companies have a board of directors and one or more executive officers, and within the board of directors, a nominating committee (the “Nominating Committee”), an audit committee (the “Audit Committee”), and a compensation committee (the “Compensation Committee”) shall be established. Each of these three committees shall consist of three or more directors, a majority of which shall be outside directors. The members of each of the three committees as well as executive officers are elected by the resolution of the board of directors. In addition, Honda’s regulations of each of the three committees provide that the chairperson of each committee shall be elected from the Outside Directors who are members of the relevant committee by the resolution of the Board of Directors. For the Audit Committee, Honda’s regulations of the committee provide that full-time member of the Audit Committee shall be assigned by the resolution of the Board of Directors. The normal term of office of a director and an executive officer is one year. Directors and executive officers may serve any number of consecutive terms.

Honda’s Articles of Incorporation provide for the Board of Directors of not more than 15 Directors. Honda’s Board of Directors may appoint one Chairperson of the Board of Directors from among Directors. Also, Honda’s Board of Directors appoints one President and Executive Officer and may appoint several Executive Vice Presidents and Executive Officers, Senior Managing Executive Officers and Managing Executive Officers from among executive officers. The President and Executive Officer represents the Company. In addition, the Board of Directors may appoint, pursuant to its resolutions, Executive Officers who shall each represent the Company. Under the Company Law, a representative executive officer individually has authority to represent the company generally in the conduct of its affairs. The Board of Directors has an authority to determine the execution of business of the Company and to supervise the execution of duties of Directors and Executive Officers. Executive Officers are entitled to determine the execution of business of the Company which is entrusted by the Board of Directors and to execute business of the Company.

Under the Company Law, the Nominating Committee has the responsibility to determine the content of proposals regarding the election and dismissal of directors to be submitted to a general meeting of shareholders. The Audit Committee has the following responsibilities: (i) auditing the execution of duties by directors and executive officers and preparing audit reports and (ii) determining the content of proposals regarding the election and dismissal of accounting auditors and the refusal to reelect accounting auditors to be submitted to a general meeting of shareholders. The Compensation Committee has the responsibility to determine the content of the financial benefits as consideration for the execution of the duties, such as remuneration and bonuses, of directors and executive officers. As described above, not less than half of the members of each of the three committees must be outside directors. Each of the outside directors is required to meet all of the following independence requirements: the relevant person must be (1) a person who is not an executive director, executive officer, manager or any other employee of the company or any of its subsidiaries and has not been in such position for ten years prior to the assumption of office; (2) if the relevant person assumed an office of a non-executive director, accounting councilor or corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been an executive director, executive officer, manager or any other employee of the company or any of its subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the company; and (5) a person who is not a spouse or one of a

certain kinds of relatives of (a) a director, executive officer, manager or any other important employee of the company or (b) the natural person controlling the company. In addition, Honda has established additional independence requirements for the Outside Directors, the “Criteria for Independence of Outside Directors” as described in Exhibit 1.4 by the resolution of the Board of Directors, and all of Outside Directors meet the criteria. With respect to audit reports prepared by the audit committee, each member of the committee may note his or her opinion in the audit report if his or her opinion is different from the opinion expressed in the audit report. In addition, the Company is required to appoint independent certified public accountants or audit corporations as accounting auditors. Such accounting auditors have as their primary statutory duties to audit the consolidated and non-consolidated financial statements of the Company prepared in accordance with the Company Law to be submitted by a director to general meetings of shareholders and to prepare an accounting audit report thereon and to notify the contents of such report to the specified member of the audit committee (or, if such member is not specified, any member of the committee) and the specified director in charge.

The following table provides the names, date of birth, current positions held and brief biographies, term of office and number of shares owned of all the members of the Board of Directors and composition of the Three Committees. Also the names, date of birth, current positions held and brief biographies, term of office and number of shares owned of the Executive Officers (who are not concurrently the members of the Board of Directors) of the Company are provided below.

Members of the Board of Directors

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Chairman and Director</i>			
Seiji Kuraishi (July 10, 1958)	<p>Joined Honda Motor Co., Ltd. in April 1982</p> <p>Operating Officer, appointed in June 2011</p> <p>President of Honda Motor (China) Technology Co., Ltd., appointed in November 2013</p> <p>Managing Officer of the Company, appointed in April 2014</p> <p>Senior Managing Officer, appointed in April 2016</p> <p>Executive Vice President, Executive Officer and Representative Director, appointed in June 2016</p> <p>Risk Management Officer, appointed in June 2016</p> <p>Corporate Brand Officer, appointed in June 2016</p> <p>Chief Operating Officer, appointed in April 2017</p> <p>In Charge of Strategy, Business Operations and Regional Operations, appointed in April 2017</p> <p>Executive Vice President and Representative Director, appointed in June 2017</p>	*3	43,000

Name (Date of birth)	Current Positions and Biographies with Registrant	Number of Term Shares Owned
	Director in Charge of Strategy, Business Operations and Regional Operations, appointed in April 2019	
	Chief Officer for Automobile Operations, appointed in April 2019	
	Director, Executive Vice President and Representative Executive Officer, appointed in June 2021	
	Compensation Committee Member, appointed in June 2021	
	Chairman and Director, appointed in April 2022 (presently held)	
	Chairman of the Board of Directors, appointed in April 2022 (presently held)	

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Director and Representative Executive Officers</i>			
Toshihiro Mibe (July 1, 1961)	<p>Joined Honda Motor Co., Ltd. in April 1987</p> <p>Managing Officer of Honda R&D Co., Ltd., appointed in April 2012</p> <p>Operating Officer of the Company, appointed in April 2014</p> <p>Executive in Charge of Powertrain Business for Automobile Operations, appointed in April 2014</p> <p>Head of Powertrain Production Supervisory Unit of Automobile Production for Automobile Operations, appointed in April 2014</p> <p>Executive in Charge of Powertrain Business and Drivetrain Business for Automobile Operations, appointed in April 2015</p> <p>Head of Drivetrain Business Unit in Automobile Production for Automobile Operations, appointed in April 2015</p> <p>Senior Managing Officer and Director of Honda R&D Co., Ltd., appointed in April 2016</p> <p>Managing Officer of the Company, appointed in April 2018</p> <p>Executive Vice President and Director of Honda R&D Co., Ltd., appointed in April 2018</p> <p>President and Representative Director of Honda R&D Co., Ltd., appointed in April 2019</p> <p>In Charge of Intellectual Property and Standardization of the Company, appointed in April 2019</p> <p>Senior Managing Officer, appointed in April 2020</p> <p>In Charge of Mono-zukuri (Research & Development, Production, Purchasing, Quality, Parts, Service, Intellectual Property, Standardization and IT), appointed in April 2020</p> <p>Risk Management Officer, appointed in April 2020</p> <p>Senior Managing Director, appointed in June 2020</p>	*3	22,600

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
	Director in Charge of Mono-zukuri (Research & Development, Production, Purchasing, Quality, Parts, Service, Intellectual Property, Standardization and IT), appointed in June 2020		
	President and Representative Director, appointed in April 2021		
	Chief Executive Officer, appointed in April 2021 (presently held)		
	Director, President and Representative Executive Officer, appointed in June 2021 (presently held)		
	Nominating Committee Member, appointed in June 2021 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kohei Takeuchi (February 10, 1960)	<p>Joined Honda Motor Co., Ltd. in April 1982</p> <p>Operating Officer, appointed in April 2011</p> <p>Chief Officer for Business Management Operations, appointed in April 2013</p> <p>Operating Officer and Director, appointed in June 2013</p> <p>Managing Officer and Director, appointed in April 2015</p> <p>Senior Managing Officer and Director, appointed in April 2016</p> <p>Chief Officer for Driving Safety Promotion Center, appointed in April 2016</p> <p>Chief Financial Officer (Accounting, Finance, Human Resources, Corporate Governance and IT), appointed in April 2017</p> <p>Senior Managing Director, appointed in June 2017</p> <p>Chief Financial Officer and Director in Charge of Finance and Administration (Accounting, Finance, Human Resources, Corporate Governance and IT), appointed in April 2019</p> <p>Compliance Officer, appointed in April 2019</p> <p>Chief Financial Officer and Director in Charge of Finance and Administration (Accounting, Finance, Human Resources, and Corporate Governance), appointed in April 2020</p> <p>Chief Financial Officer, appointed in April 2021 (presently held)</p> <p>Director, Senior Managing Executive Officer, appointed in June 2021</p> <p>Director, Executive Vice President and Representative Executive Officer, appointed in April 2022 (presently held)</p> <p>Compensation Committee Member, appointed in April 2022 (presently held)</p> <p>Risk Management Officer, appointed in April 2022 (presently held)</p>	*3	31,700

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Director, Senior Managing Executive Officer</i>			
Shinji Aoyama (December 25, 1963)	<p>Joined Honda Motor Co., Ltd. in April 1986</p> <p>Operating Officer, appointed in April 2012</p> <p>Chief Officer for Motorcycle Operations, appointed in April 2013</p> <p>Operating Officer and Director, appointed in June 2013</p> <p>Chief Officer for Regional Operations (Asia & Oceania), appointed in April 2017</p> <p>President and Director of Asian Honda Motor Co., Ltd., appointed in April 2017</p> <p>Operating Officer of the Company (resigned from position as Director), appointed in June 2017</p> <p>Managing Officer, appointed in April 2018</p> <p>Vice Chief Officer for Regional Operations (North America), appointed in April 2018</p> <p>Senior Executive Vice President, Chief Operating Officer and Director of Honda North America, Inc., appointed in April 2018</p> <p>Senior Executive Vice President, Chief Operating Officer and Director of American Honda Motor Co., Inc., appointed in April 2018</p> <p>President, Chief Operating Officer and Director of Honda North America, Inc., appointed in November 2018</p> <p>President, Chief Operating Officer and Director of American Honda Motor Co., Inc., appointed in November 2018</p> <p>Chief Officer for Regional Operations (North America) of the Company, appointed in April 2019</p> <p>President, Chief Executive Officer and Director of Honda North America, Inc., appointed in April 2019,</p> <p>President, Chief Executive Officer and Director of American Honda Motor Co., Inc. appointed in April 2019,</p>	*3	35,900

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
	Managing Officer in Charge of Electrification of the Company, appointed in July 2021		
	Managing Executive Officer, appointed in October 2021		
	Senior Managing Executive Officer, appointed in April 2022		
	Chief Officer for Business Development Operations, appointed in April 2022 (presently held)		
	Corporate Brand Officer, appointed in April 2022 (presently held)		
	Chief Officer for Automobile Operations, appointed in June 2022 (presently held)		
	Director, Senior Managing Executive Officer, appointed in June 2022 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Directors</i>			
Asako Suzuki (January 28, 1964)	Joined Honda Motor Co., Ltd. in April 1987	*3	20,600
	President of Dongfeng Honda Automobile Co., Ltd., appointed in April 2014		
	Operating Officer of the Company, appointed in April 2016		
	Vice Chief Officer for Regional Operations (Japan), appointed in April 2018		
	Chief Officer for Human Resources and Corporate Governance Operations, appointed in April 2019		
	Operating Executive, appointed in April 2020		
	Director, appointed in June 2021 (presently held)		
Masafumi Suzuki (April 23, 1964)	Full-time Audit Committee Member, appointed in June 2021 (presently held)	*3	58,520
	Joined Honda Motor Co., Ltd. in April 1987		
	General Manager of Regional Operation Planning Office for Regional Operations (Europe, CIS, the Middle & Near East and Africa), appointed in April 2012		
	General Manager of Accounting Division for Business Management Operations, appointed in April 2013		
	Director (Full-time Audit and Supervisory Committee Member), appointed in June 2017		
	Director, appointed in June 2021 (presently held)		
	Full-time Audit Committee Member, appointed in June 2021 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kunihiko Sakai (March 4, 1954)	Public Prosecutor of Tokyo District Public Prosecutors' Office, appointed in April 1979	*3	1,200
	President of Research and Training Institute of Ministry of Justice, appointed in June 2012		
	Superintending Prosecutor of Takamatsu High Public Prosecutors' Office, appointed in July 2014		
	Superintending Prosecutor of Hiroshima High Public Prosecutors' Office, appointed in September 2016 (resigned in March 2017)		
	Registered with the Dai-Ichi Tokyo Bar Association in April 2017		
	Advisor Attorney to TMI Associates, appointed in April 2017 (presently held)		
	Audit and Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd., appointed in June 2018 (presently held)		
	Director (Audit and Supervisory Committee Member) of the Company, appointed in June 2019		
	Director, appointed in June 2021 (presently held)		
	Nominating Committee Member, appointed in June 2021 (presently held)		
Audit Committee Member, appointed in June 2021 (presently held)			
Fumiya Kokubu (October 6, 1952)	Joined Marubeni Corporation in April 1975	*3	700
	Senior Executive Vice President of Marubeni Corporation, appointed in April 2012		
	Senior Executive Vice President, Member of the Board of Marubeni Corporation, appointed in June 2012		
	President and CEO, Member of the Board of Marubeni Corporation, appointed in April 2013		
	Chairman of the Board of Marubeni Corporation, appointed in April 2019 (presently held)		
	Outside Director of Taisei Corporation, appointed in June 2019 (presently held)		
	Director of the Company, appointed in June 2020 (presently held)		
	Nominating Committee Member (Chairperson), appointed in June 2021 (presently held)		
	Compensation Committee Member, appointed in June 2021 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Yoichiro Ogawa (February 19, 1956)	<p>Joined Tohmatsu & Aoki Audit Corporation (currently Deloitte Touche Tohmatsu LLC) in October 1980</p> <p>Registered as Japanese Certified Public Accountant in March 1984</p> <p>Vice Chairman of the Board of Directors of Deloitte Touche Tohmatsu Limited (United Kingdom), appointed in June 2011</p> <p>Deputy CEO of Deloitte Touche Tohmatsu LLC, appointed in October 2013</p> <p>Deputy CEO of Tohmatsu Group (currently Deloitte Tohmatsu Group), appointed in October 2013</p> <p>Global Managing Director for Asia Pacific of Deloitte Touche Tohmatsu Limited (United Kingdom), appointed in June 2015 (resigned in May 2018)</p> <p>CEO of Deloitte Tohmatsu Group, appointed in July 2015</p> <p>Senior Advisor of Deloitte Tohmatsu Group, appointed in June 2018 (resigned in October 2018)</p> <p>Founder of Yoichiro Ogawa CPA Office in November 2018 (presently held)</p> <p>Outside Audit & Supervisory Board Member of Recruit Holdings Co., Ltd., appointed in June 2020 (presently held)</p> <p>Director of the Company, appointed in June 2021 (presently held)</p> <p>Audit Committee Member (Chairperson), appointed in June 2021 (presently held)</p> <p>Compensation Committee Member, appointed in June 2021 (presently held)</p>	*3	200

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kazuhiro Higashi (April 25, 1957)	Joined Resona Group in April 1982	*3	200
	Director, Deputy President and Representative Executive Officer of Resona Holdings, Inc., appointed in April 2011		
	Executive Officer of Resona Bank, Limited, appointed in April 2011		
	Representative Director, Deputy President and Executive Officer of Resona Bank, Limited, appointed in April 2012		
	Director, President and Representative Executive Officer of Resona Holdings, Inc., appointed in April 2013		
	Representative Director, President and Executive Officer of Resona Bank, Limited, appointed in April 2013		
	Chairman of Osaka Bankers Association, appointed in June 2013 (resigned in June 2014)		
	Chairman of the Board, President, and Representative Director of Resona Bank, Limited, appointed in April 2017		
	Chairman of Osaka Bankers Association, appointed in June 2017 (resigned in June 2018)		
	Chairman of the Board, President, Representative Director and Executive Officer of Resona Bank, Limited, appointed in April 2018		
	Chairman and Director of Resona Holdings, Inc., appointed in April 2020 (presently held)		
	Chairman and Director of Resona Bank, Limited, appointed in April 2020 (presently held)		
	Outside Director of Sompo Holdings, Inc., appointed in June 2020 (presently held)		
	Director of the Company, appointed in June 2021 (presently held)		
Nominating Committee Member, appointed in June 2021 (presently held)			
Compensation Committee Member (Chairperson), appointed in June 2021 (presently held)			
Ryoko Nagata (July 14, 1963)	Joined Japan Tobacco Inc. in April 1987	*3	200
	Executive Officer of Japan Tobacco Inc., appointed in June 2008		
	Standing Audit & Supervisory Board Member of Japan Tobacco Inc., appointed in March 2018 (presently held)		
	Director of the Company, appointed in June 2021 (presently held)		
	Audit Committee Member, appointed in June 2021 (presently held)		

- *1 Effective on June 23, 2021, Honda adopted the Three Committees system under the Company Law.
- *2 Directors Mr. Kunihiko Sakai, Mr. Fumiya Kokubu, Mr. Yoichiro Ogawa, Mr. Kazuhiro Higashi, and Ms. Ryoko Nagata are Outside Directors.
- *3 The term of office of a Director is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2023 after his/her election to office at the close of the ordinary general meeting of shareholders on June 22, 2022.

Composition of the Three Committees under the Board of Directors

●: Chairperson ○: Member

Director's Name	Nominating Committee	Audit Committee	Compensation Committee
Toshihiro Mibe	○		
Kohei Takeuchi			○
Asako Suzuki		○	
Masafumi Suzuki		○	
Kunihiko Sakai	○	○	
Fumiya Kokubu	●		○
Yoichiro Ogawa		●	○
Kazuhiro Higashi	○		●
Ryoko Nagata		○	

Executive Officers (who are not concurrently the members of the Board of Directors)

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Managing Executive Officers</i>			
Noriaki Abe (October 8, 1962)	<p>Joined Honda Motor Co., Ltd. in April 1986</p> <p>Operating Officer, appointed in April 2014</p> <p>Chief Officer for Regional Operations (Asia & Oceania), appointed in April 2014</p> <p>President and Director of Asian Honda Motor Co., Ltd., appointed in April 2014</p> <p>President and Director of Honda Automobile (Thailand) Co., Ltd., appointed in April 2014</p> <p>Chief Officer for Motorcycle Operations of the Company, appointed in April 2017</p> <p>Managing Officer, appointed in April 2019</p> <p>Chief Officer for Regional Operations (Japan), appointed in April 2021 (presently held)</p>	*4	18,600

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
	Chief Officer for Traffic Safety Promotion Operations, appointed in April 2021 (presently held)		
	Managing Executive Officer, appointed in June 2021 (presently held)		
	Risk Management Officer, appointed in October 2021		
	Compliance Officer, appointed in April 2022 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Keiji Ohtsu (July 7, 1964)	<p>Joined Honda R&D Co., Ltd. in April 1983</p> <p>Operating Officer of Honda R&D Co., Ltd., appointed in April 2013</p> <p>Managing Officer of Honda R&D Co., Ltd., appointed in April 2014</p> <p>Operating Officer of the Company, appointed in April 2018</p> <p>Chief Quality Officer, appointed in April 2018</p> <p>Operating Executive, appointed in April 2020</p> <p>Chief Officer for Quality Innovation Operations, appointed in April 2020</p> <p>In Charge of Certification & Regulation Compliance Division, appointed in April 2020</p> <p>In Charge of Quality & Compliance Audit Division, appointed in April 2020</p> <p>Managing Officer, appointed in April 2021</p> <p>President and Representative Director of Honda R&D Co., Ltd., appointed in April 2021 (presently held)</p> <p>Managing Executive Officer of the Company, appointed in June 2021 (presently held)</p>	*4	15,400

*4 The term of office of an Executive Officer is until at the close of the first Board of Directors meeting held after the ordinary general meeting of shareholders of the fiscal year ending March 31, 2023 after his/her appointment to office.

*5 The Company has adopted an operating officer system to strengthen operations in regions and local workplaces, and implement quick and appropriate decisions. Operating Officers under the operating officer system are not statutory positions under the Company Law and do not conform to the definition of “Directors and Senior Management” as defined in Form 20-F. The Company’s Senior Managing Officers and Managing Officers under the operating officer system, as voluntarily disclosed in Japan, are as follows:

**Senior
Managing Officers**

Yasuhide Mizuno Honda-Sony JV Prep Office

Hisao Takahashi General Manager of Mono-zukuri Center for Automobile Operations
Director of Honda R&D Co., Ltd.

Managing Officers

Noriya Kaihara Chief Officer for Regional Operations (North America)
President, Chief Executive Officer and Director of American Honda Motor Co., Inc.

Mitsugu Matsukawa President and Director of Honda Development & Manufacturing of America, LLC

Katsushi Inoue	Chief Officer for Regional Operations (China) President of Honda Motor (China) Investment Co., Ltd. President of Honda Motor (China) Technology Co., Ltd.
Yoshishige Nomura	Chief Officer for Motorcycle and Power Products Operations
Masayuki Igarashi	Chief Officer for Regional Operations (Asia & Oceania) President and Director of Asian Honda Motor Co., Ltd.
Kensuke Oe	Head of Production Supervisory Unit for Automobile Operations

*6 The Company introduced the Operating Executive position effective April 1, 2020, with the aim of advancing its corporate executive structure and enabling the Company to address changes in the business environment with greater speed and flexibility. Operating Executives will engage in company operations, with responsibility for business execution in their respective areas under the direction and supervision of management. Operating Executives are not statutory positions under the Company Law and do not conform to the definition of “Directors and Senior Management” as defined in Form 20-F.

There is no family relationship between any Director, Executive Officer or Operating Officer and any other Director, Executive Officer or Operating Officer.

None of Honda’s members of the Board of Directors or Executive Officers is party to a service contract with Honda or any of its subsidiaries that provides for benefits upon termination of employment.

B. Compensation

Methods of determining the policy for determining individual remuneration of Directors and Executive Officers

The Company views remuneration for Directors and Executive Officers, the key to its corporate governance, as an important driving force in realizing our fundamental beliefs, management policies, and aspirations. The Compensation Committee has established the following decision-making policy in order to encourage appropriate risk-taking and accurately reflect management responsibility in an effort to promote speedy reforms to achieve our vision amidst a drastically changing environment.

1. The Company’s remuneration structure for Directors and Executive Officers is designed to motivate officers to contribute to the improvement of the Company’s business performance not only over the short-term, but also over the mid- to long-term, so that the Company can continuously enhance its corporate value, and it consists of monthly remuneration, a fixed amount paid each month as remuneration for the execution of duties, STI (Short Term Incentive) based on business performance for the relevant fiscal year, and LTI (Long Term Incentive) based on the mid- to long-term business performance.
2. Monthly remuneration shall be paid as a fixed amount each month based on remuneration standards resolved by the Compensation Committee.
3. STI shall be determined and paid by resolution of the Compensation Committee, taking into consideration the business performance of each fiscal year.
4. Based on standards and procedures approved by the Compensation Committee, LTI is based on the mid- to long-term performance and paid in the form of the Company’s shares and cash, in order to function as a sound incentive for sustainable growth.
5. Remuneration paid to Directors who concurrently serve as Executive Officers and Executive Officers shall consist of monthly remuneration, STI and LTI, and the composition rate shall be determined based on the remuneration standards resolved by the Compensation Committee. The composition ratio of variable compensation is increased according to the weight of management responsibility attributed to each position.

6. Remuneration paid to Outside Directors and other Directors who do not concurrently serve as Executive Officers shall consist only of monthly remuneration.
7. In order to advance the Company's sustainable growth and enhance its corporate value over the mid-to long-term by sharing common interests with the shareholders through having a shareholding in the Company, even Directors and Executive Officers who are not eligible for LTI shall acquire the Company's stock by contributing a certain portion of their remuneration to the Officers Shareholding Association.
8. Directors and Executive Officers shall continuously hold, throughout their term of office and for one year after their retirement, any stock of the Company acquired as LTI or acquired through the Officers Shareholding Association.

Approach to remuneration level

The remuneration levels for Directors and Executive Officers are set at a level that is highly competitive in order to secure diverse and talented human resources based on objective remuneration data from an outside research organization and information provided by outside consultants, as well as research and analysis of a peer group of approximately 20 to 30 global Japanese companies of similar size. The Company also reviews remuneration from time to time in response to changes in the business environment.

Remuneration structure

Remuneration paid to Executive Officers consists of monthly remuneration, STI and LTI, and the ratio of STI and LTI is set according to the weight of management responsibility attributed to each position, with a view to providing an incentive to continuously improve corporate value. The same remuneration structure as the structure for Executive Officers is applied to the Company's Operating Officers.

1. Outline of remuneration system for Executive Officers

Type of remuneration	Based on performance	Fluctuation	Payment method	Payment timing	Remuneration composition ratio (When STI/LTI are paid at the base amount)		
					President	Vice President, Senior Managing Executive Officer	Managing Executive Officer
Monthly remuneration	Fixed	—	Cash	Monthly	25%	40%	50%
STI	Short-term performance-based remuneration	0 to 180%	Cash	Annually	25%	30%	25%
LTI	Medium- to long-term performance-based remuneration	50 to 150%	Stock	Three years after granting points each year	50%	30%	25%

2. Monthly remuneration

Monthly remuneration is paid each month as a fixed monthly amount in cash based on positions as consideration for the execution of duties.

3. STI

STI is a performance-based remuneration that is paid once a year in cash, taking into account the Company's performance each fiscal year and the individual performance of each Executive Officer.

The final payment amount is determined by multiplying the standard STI amount by the individual performance coefficient after determining the payment level using the Company's performance coefficient.

The Company's performance coefficient fluctuates between 0 and 150% depending on the achievement of key performance indicators (KPIs), which are operating profit margin and profit attributable to owners of the parent of consolidated accounting, both of which are important indicators that measure the contribution to corporate value during each fiscal year.

The individual performance coefficient fluctuates between 80 and 120% depending on the achievement of individual targets set for each Executive Officer's role. The President's performance is evaluated by the Compensation Committee, while those of the Executive Officers, excluding the President, are evaluated by the Compensation Committee following an evaluation by the President.

[Company's performance coefficient] Fluctuation range: 0-150%

KPIs (Consolidated accounting)	Evaluation method	Weight of each KPI
Operating profit margin	Degree of achievement of targets	50%
Profit attributable to owners of the parent		50%

[Individual performance coefficient] Fluctuation range: 80-120%

KPIs	Evaluation method	Weight of each KPI
Individual targets set according to role	Degree of achievement of individual targets	100%

$$\boxed{\text{STI payment}} = \boxed{\text{Standard STI}} \times \boxed{\text{Company's performance coefficient}} \times \boxed{\text{Individual performance coefficient}}$$

4. LTI

LTI is a non-monetary performance-based remuneration that provides shares based on financial and non-financial performance through a trust structure, aiming to further enhance mindfulness toward contributing to the sustained improvement of corporate value of the Company over the mid- to long-term, as well as to share profits with shareholders.

Points are granted according to the base amount for each position in July each year, and shares equivalent to the points based on performance are granted three years after the points are awarded. Furthermore, 50% of the shares to be granted will be paid in cash after being converted into cash to fund tax payments.

Performance evaluations are based on key indicators that measure the degree of contribution to increasing corporate value over the mid- to long-term. KPIs for financial indicators are consolidated profit before income taxes and consolidated operating profit margin, which vary from 50 to 150% depending on the level of growth over the past three fiscal years. KPIs for non-financial indicators are brand value, SRI indicators, and Associate Engagement, which vary from 50 to 150% depending on the degree of achievement of the target values for the year under evaluation.

Points shall be forfeited in the event of certain misconduct or violations of laws, regulations, or company rules.

KPIs		Evaluation method	Weight	Fluctuation
Financial indicators	Consolidated profit before income taxes	Evaluated based on growth over the past three fiscal years	35%	50 to 150%
	Consolidated operating profit margin		35%	
Non-financial indicators	Brand value	Evaluated based on degree of achievement of targets	30%	
	SRI index			
	Associate Engagement			

* Non-financial indicators are evaluated based on the following indicators:

- Brand value: Survey of motorcycle/automobile/life creation businesses by a third-party research firm
- SRI index: Dow Jones Sustainability World Index
- Associate Engagement: Survey of employee activeness in each region by a third-party research firm

In addition, Executive Officers who are nonresidents of Japan are not eligible for LTI, but shall be eligible for the same addition to or subtraction from the remuneration based on the performance evaluation used in LTI.

As a result of the evaluation in the fiscal year ended March 31, 2022, STI were increased by 16% compared to the base amount, and LTI was paid with a performance-based coefficient of 116%.

Matters related to non-monetary remuneration

In order to function as a sound incentive for sustainable growth, in accordance with the criteria and procedures approved by the Compensation Committee, the Company delivers and provides the Company's shares and cash equivalent to the proceeds from the conversion of the Company's shares, together with dividends accruing on the Company's shares, in conjunction with the mid- to long-term business performance.

Overview of the Compensation Committee and its activities

The Company transitioned from being a Company with an Audit and Supervisory Committee to being a Company with three committees based on a resolution of the 97th Ordinary General Meeting of Shareholders held on June 23, 2021. The Compensation Committee determines the details of remuneration, for each individual Director and Executive Officer and undertakes other duties as required by laws and regulations and the Articles of Incorporation. The Compensation Committee consists of four Directors, including three Outside Directors, and the Chairperson is selected from among the independent Outside Directors.

The Compensation Committee met five times in the fiscal year ended March 31, 2022, with all members present at each meeting.

The main matters discussed during the fiscal year ended March 31, 2022 are as follows.

- Basic policies and annual activity plans
- Remuneration standards for Directors and Executive Officers
- Stock-based compensation plan and share delivery rules

Reasons for the Compensation Committee to determine that the details of individual remuneration for Directors and Executive Officers are in line with the determination policy

The Company examines and deliberates the consistency of remuneration levels, the composition of remuneration, and the setting of targets for performance-based remuneration, etc., with the Company's basic policy on the determination of remuneration for officers from various perspectives, based on comparisons with the external environment and information provided by external consultants.

Therefore, the Compensation Committee believes that the individual remuneration for Directors and Executive Officers for the fiscal year ended March 31, 2022 is in line with the determination policy.

The total amount of fixed monthly remuneration paid to the Company's Directors and Executive Officers during the fiscal year ended March 31, 2022 was ¥696 million. This amount includes fixed monthly remuneration paid to five Directors who retired during the fiscal year. The amount of fixed monthly remuneration paid to Executive Officers includes amount of fixed monthly remuneration paid to the Executive Officer who was also a Director of a subsidiary of the Company.

The total amount of STI and LTI for the Company's Directors and Executive Officers accrued for the fiscal year ended March 31, 2022 were ¥188 million and ¥159 million, respectively.

The amounts of fixed monthly remuneration paid, STI and LTI accrued from April 2021 to June 2021 are as follows:

	Fixed remuneration		Performance-based remuneration				Total
	Remuneration		STI		LTI		Yen (millions)
	Number of persons	Yen (millions)	Number of persons	Yen (millions)	Number of persons	Yen (millions)	
Directors excluding Audit and Supervisory Committee Members and outside Directors	6	¥113	—	¥ —	3	¥ 26	¥139
Outside Directors excluding Audit and Supervisory Committee Members	2	8	—	—	—	—	8
Audit and Supervisory Committee Members excluding outside Directors	2	36	—	—	—	—	36
Outside Audit and Supervisory Committee Members	3	12	—	—	—	—	12
Total	<u>13</u>	<u>¥169</u>	<u>—</u>	<u>¥ —</u>	<u>3</u>	<u>¥ 26</u>	<u>¥195</u>

The amounts of fixed monthly remuneration paid, STI and LTI accrued from July 2021 to March 2022 are as follows:

	Fixed remuneration		Performance-based remuneration				Total
	Remuneration		STI		LTI		Yen (millions)
	Number of persons	Yen (millions)	Number of persons	Yen (millions)	Number of persons	Yen (millions)	
Directors excluding Outside							
Directors	3	¥181	—	¥ —	—	¥ —	¥181
Outside Directors	5	66	—	—	—	—	66
Executive Officers	8	280	8	188	8	133	601
Total	16	¥527	8	¥188	8	¥133	¥848

*1 Effective on June 23, 2021, Honda adopted a “company with three committees” corporate governance system (the “Three Committees system”).

*2 Directors excluding Outside Directors do not include three directors who concurrently serve as Executive Officers.

The amount of fixed monthly remuneration paid to Toshiaki Mikoshiba during the fiscal year ended March 31, 2022 was ¥104 million.

The amount of fixed monthly remuneration paid to Toshihiro Mibe during the fiscal year ended March 31, 2022 was ¥91 million. The amount of STI and LTI for Toshihiro Mibe accrued for the fiscal year ended March 31, 2022 were ¥58 million and ¥46 million, respectively.

The amount of fixed monthly remuneration paid to Seiji Kuraishi during the fiscal year ended March 31, 2022 was ¥59 million. The amount of STI and LTI for Seiji Kuraishi accrued for the fiscal year ended March 31, 2022 were ¥25 million and ¥29 million, respectively.

The amount of fixed monthly remuneration paid to Kohei Takeuchi during the fiscal year ended March 31, 2022 was ¥49 million. The amount of STI and LTI for Kohei Takeuchi accrued for the fiscal year ended March 31, 2022 were ¥28 million and ¥24 million, respectively.

The Board Incentive Plan

At the Board of Directors meeting held on May 15, 2018 and the Ordinary General Meeting of Shareholders held on June 14, 2018, the Company resolved to introduce a stock compensation scheme (the “Scheme”) for the purpose of further enhancing Executive Officers’ and Operating Officers’ mindfulness toward contributing to the sustained improvement of corporate value of the Company over the mid- to long-term as well as seeking for the sharing of common interests with its shareholders. The continuation of the content of the Scheme was resolved at the Company’s Compensation Committee meeting held on August 2, 2021.

Executive Officers, Operating Officers and a part of Operating Executives of the Company who are residents of Japan (collectively, “Executive Officers Etc.”) are eligible for the Scheme.

Outline of the Scheme

The Scheme is a stock compensation scheme that uses a BIP (Board Incentive Plan) trust (a “BIP Trust”). A BIP Trust is a scheme where, in the same way as performance share and restricted stock schemes in the U.S., shares in the Company and money are delivered and paid to Executive Officers Etc. in accordance with their positions and the degree of achievement or growth in management indicators of the Company such as performance and corporate value.

Content of trust agreement

Type of trust	An individually-operated specified trust of money other than cash trust (third party beneficiary trust)
Purpose of trust	To further enhance mindfulness of Executive Officers Etc. toward contributing to the sustained improvement of corporate value of the Company over the mid- to long-term
Trustor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Executive Officers Etc. who satisfy the beneficiary requirements
Trust administrator	A third party which has no interests in the Company (a certified public accountant)
Date of trust agreement	August 20, 2018
Period of trust	From August 20, 2018 to August 31, 2024
Exercise of voting rights of Company shares	None
Class of shares acquired	Common shares of the Company
Amount of trust money added at the time of the trust period extension	1,975 million yen (including trust fees and trust expenses)
Timing of acquisition of shares	August 20, 2021
Method of acquisition of shares	Acquisition from stock market
Holder of vested rights	The Company
Residual assets	The residual assets that the Company can obtain as a holder of vested rights shall be included in the trust expenses reserve

Total number of shares scheduled to be acquired by Executive Officers Etc.

787,000 shares (Total number of shares scheduled to be acquired for three fiscal years from 2021)

Scope of persons eligible to receive beneficiary rights and other rights under the Scheme

Executive Officers Etc. who satisfy the beneficiary requirements

C. Board Practices

See Item 6.A “Directors and Senior Management” for information concerning the Company’s Directors required by this item.

D. Employees

The following tables list the number of Honda full-time employees as of March 31, 2020, 2021 and 2022.

As of March 31, 2020

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Life Creation and Other Businesses</u>
<u>218,674</u>	<u>47,013</u>	<u>159,555</u>	<u>2,455</u>	<u>9,651</u>

As of March 31, 2020, Honda had 218,674 full-time employees, including 151,530 local nationals employed in its overseas operations.

As of March 31, 2021

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Life Creation and Other Businesses</u>
<u>211,374</u>	<u>46,255</u>	<u>153,413</u>	<u>2,385</u>	<u>9,321</u>

As of March 31, 2021, Honda had 211,374 full-time employees, including 143,878 local nationals employed in its overseas operations.

As of March 31, 2022

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Life Creation and Other Businesses</u>
<u>204,035</u>	<u>46,448</u>	<u>146,092</u>	<u>2,321</u>	<u>9,174</u>

As of March 31, 2022, Honda had 204,035 full-time employees, including 138,796 local nationals employed in its overseas operations.

Most of the Company's regular employees in Japan, except management personnel, are required by the terms of the Company's collective bargaining agreement with its labor union to become members of the Federation of All Honda Workers' Union (AHWU), which is affiliated with the Japan Council of the International Metalworkers' Federation. Approximately 87% of the employees of the Company and its Japanese subsidiaries were members of AHWU as of March 31, 2022.

In Japan, basic wages are negotiated annually and the average increases in wages of the Company's employees in the fiscal year ended March 31, 2020, 2021 and 2022 were 2.1%, 2.0% and 2.0%, respectively. In addition, in accordance with Japanese custom, each employee is paid a semi-annual bonus. Bonuses are negotiated during wage negotiations and are based on the overall performance of the Company or the applicable subsidiary in the previous year, the outlook for the current year and other factors.

The Company has had labor contracts with its labor union in Japan since 1970. These contracts are renegotiated with respect to basic wages and other working conditions. The regular employees of the Company's Japanese subsidiaries are covered by similar contracts. Since 1957, neither the Company nor any of its subsidiaries has experienced any strikes or other labor disputes that materially affected its business activities. The Company considers labor relations with its employees to be very good.

E. Share Ownership

The total amount of the Company's voting securities owned by its Directors and Executive Officers as a group as of June 22, 2022 is as follows. The individual ownership of each of the Directors and Executive Officers is listed next to their names under Item 6.A. Directors and Senior Management.

<u>Title of Class</u>	<u>Amount Owned</u>	<u>% of Class</u>
Common Stock	248,820 shares	0.015%

The Company's full-time employees are eligible to participate in the Honda Employee Shareholders' Association, whereby participating employees contribute a portion of their salaries to the Association and the Association purchases shares of the Company's Common Stock on their behalf. As of March 31, 2022, the Association owned 7,087,184 shares of the Company's common stock.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2022, 1,811,428,430 shares of Honda's Common Stock were issued and 1,710,600,356 shares were outstanding.

The following table shows the shareholders of record that owned 5% or more of the issued shares of Honda's Common Stock as of March 31, 2022:

<u>Name</u>	<u>Shares owned (thousands)</u>	<u>Ownership (%)</u>
The Master Trust Bank of Japan, Ltd. (Trust Account)	269,361	15.7
Moxley & Co. LLC*	107,517	6.3
Custody Bank of Japan, Ltd. (Trust Account)	107,250	6.3

* Moxley & Co., LLC is the nominee of JPMorgan Chase Bank, N.A., which acts as the Depository for the Honda's ADSs.

According to a statement on Schedule 13G (Amendment No. 7) filed by BlackRock, Inc. with SEC on February 1, 2022, BlackRock, Inc. directly and indirectly held, as of December 31, 2021, 109,774,328, or 6.1% of the then issued shares, of Honda's Common Stock. According to a statement on Schedule 13G (Amendment No. 5) filed by Sumitomo Mitsui Trust Holdings, Inc. with the SEC on February 4, 2022, Sumitomo Mitsui Trust Holdings, Inc. directly and indirectly held, as of December 31, 2021, 99,654,867 shares, or 5.5% of the then issued shares, of Honda's Common Stock. According to a statement on Schedule 13G (Amendment No. 18) filed by Mitsubishi UFJ Financial Group, Inc. with the SEC on February 8, 2022, Mitsubishi UFJ Financial Group, Inc. directly and indirectly held, as of December 31, 2021, 90,973,497 shares, or 5.3% of the then issued shares, of Honda's Common Stock.

None of the above shareholders has voting rights that are different from those of our other shareholders.

ADSs representing American Depositary Shares are issued by JPMorgan Chase Bank, N.A., as Depository. The normal trading unit is 100 American Depositary Shares. Total issued shares of Honda as of the close of business on March 31, 2022 were 1,811,428,430 shares of Common Stock, of which 107,517,766 shares represented by ADSs and 369,498,151 shares not represented by ADSs were owned by residents of the United States. The number of holders of record of the Company's shares of Common Stock in the United States was 193 at March 31, 2022.

To the knowledge of Honda, it is not directly or indirectly owned or controlled by any other corporation, by any government, or by any other natural or legal person or persons severally or jointly. As far as is known to the Company, there are no arrangements, the operation of which may at a subsequent date, result in a change in control of the Company.

B. Related Party Transactions

Honda purchases materials, supplies and services from numerous suppliers throughout the world in the ordinary course of business, including firms with which Honda is affiliated.

During the fiscal year ended March 31, 2022, Honda had sales of ¥1,146.5 billion and purchases of ¥1,370.3 billion with affiliates and joint ventures accounted for using the equity method. As of March 31, 2022, Honda had receivables of ¥380.6 billion from affiliates and joint ventures, and had payables of ¥184.0 billion to affiliates and joint ventures.

Honda does not consider the amounts involved in such transactions to be material to its business.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

1 – 3. Consolidated Financial Statements

Honda's audited consolidated financial statements are included under "Item 18—Financial Statements".

4. Not applicable.

5. Not applicable.

6. Export Sales

See "Item 4—Information on the Company—Marketing and Distribution".

7. Legal Proceedings

Various legal proceedings are pending against us. We believe that such proceedings constitute ordinary routine litigation incidental to our business.

Honda is subject to potential liability under various lawsuits and claims. Honda recognizes a provision for loss contingencies when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recognized for these contingent liabilities, if necessary, by considering the nature of lawsuits and claims, the progress of the case and the opinions of legal counsel.

With respect to product liability, personal injury claims or lawsuits, Honda believes that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by Honda's insurance and provision. Punitive damages are claimed in certain of these lawsuits.

After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position or results of operations.

8. Profit Redistribution Policy

The Company strives to carry out its operations worldwide from a global perspective and to increase its corporate value. With respect to the redistribution of profits to its shareholders, which we consider to be one of the most important management issues, the Company's basic policy is to determine such distributions after taking into account, among others, its retained earnings for future growth and consolidated earnings performance based on a long-term perspective. With respect to dividends, the Company will strive to pay stable and continuous dividends aiming at a consolidated dividend payout ratio of approximately 30%.

The Company's basic policy for dividends is to make semiannual distributions (an interim dividend and a year-end dividend). The Company may determine dividends from surplus by a resolution of the Board of Directors.

The Company may also acquire its own shares at a timing that it deems optimal, with the goal of improving efficiency of the Company's capital structure and implementing a flexible capital strategy.

Retained earnings will be allocated toward financing R&D activities that are essential for the future growth of the Company as well as for capital expenditures and investment programs that will expand its operations for the purpose of improving business results and maintaining the Company's sound financial condition.

The Company determined total dividends for the year ended March 31, 2022 were ¥120 per share. Semiannual dividends per share for the year ended March 31, 2022 were as follows: the interim ¥55, the year-end ¥65 per share.

Details of Distribution of Surplus (Record dates of the fiscal year ended March 31, 2022)

	<u>Resolution of the Board of Directors</u>	<u>Resolution of the Board of Directors</u>
	<u>November 5, 2021</u>	<u>May 13, 2022</u>
Dividend per Share of Common Stock (yen)	55.00	65.00
Total Amount of Dividends (millions of yen)	95,130	111,256

B. Significant Changes

Except otherwise disclosed in this Annual Report on Form 20-F, no significant change has occurred since the date of the annual financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

Honda's shares have traded on the Tokyo Stock Exchange (TSE) since its shares were first listed on the TSE in 1957. Our ordinary shares are traded on the TSE under the symbol "7267".

Since February 11, 1977, American Depositary Shares (each representing one share of Common Stock and evidenced by American Depositary Receipts (ADRs)) have been listed and traded on the New York Stock Exchange (the NYSE) under the symbol "HMC", having been traded on the over-the-counter markets in the United States since 1962.

B. Plan of Distribution

Not applicable.

C. Markets

See Item 9.A, “Offer and Listing Details”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Set forth below is certain information relating to Honda’s Common Stock, including brief summaries of the relevant provisions of Honda’s Articles of Incorporation and Share Handling Regulations as currently in effect, and of the Company Law of Japan (the “Company Law”) and related legislation. Additionally, the information called for by Items 10.B.3, 4, 5, 6, 7, 8, 9 and 10 of Form 20-F is included in Exhibit 2.7 to this Annual Report “Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934—Common Stock” and is incorporated by reference herein.

Objects and Purposes

Article 2 of the Articles of Incorporation of Honda states that its purpose is to engage in the following businesses:

- Manufacture, sale, lease and repair of motor vehicles, ships and vessels, aircraft and other transportation machinery and equipment.
- Manufacture, sale, lease and repair of prime movers, agricultural machinery and appliances, generators, processing machinery and other general machinery and apparatus, electric machinery and apparatus and precision machinery and apparatus.
- Manufacture and sale of fiber products, paper products, leather products, lumber products, rubber products, chemical industry products, ceramic products, metal products and other products.
- Overland transportation business, marine transportation business, air transportation business, warehousing business, travel business and other transport business and communication business.
- Sale of sporting goods, articles of clothing, stationery, daily sundries, pharmaceuticals, drink and foodstuffs and other goods.
- Financial business, nonlife insurance agency business, life insurance agency business, construction business including building construction work and real estate business, including real estate brokerage.
- Publishing business, advertising business, translation business, interpretation business, management consultancy business, information services including information processing, information

communication and information provision, industrial planning and design, comprehensive security business and labor dispatch services.

- Management of parking garages, driving schools, training and education facilities, racecourses, recreation grounds, sporting facilities, marina facilities, hotels, restaurants and other facilities.
- Electricity generation and supply and sale of electricity.
- Manufacture, sale and licensing of equipment, parts and supplies and all other relevant business activities and investments relating to each of the foregoing items.

Provisions Regarding Directors and Executive Officers

There is no provision in Honda's Articles of Incorporation as to a Director's power to vote on a proposal, arrangement or contract in which the Director is materially interested, but the Company Law and Honda's regulations of the Board of Directors provide that such Director is required to refrain from voting on such matters at the Board of Director's meetings.

The Company Law provides that compensation for directors and executive officers of a company which adopts a "company with three committees" corporate governance system, including Honda, is determined at the compensation committee within the board of directors, and the Articles of Incorporation of the Company also include the equivalent provisions. The compensation committee shall establish the compensation policy as well as determine the compensation for directors and executive officers.

The Company Law provides that a significant loan from a third party to a company should be approved by the board of directors.

There is no mandatory retirement age for directors under the Company Law or Honda's Articles of Incorporation.

The Company Law provides that any articles of incorporation of a company having no restriction on a transfer of its shares, including Honda, may not provide any requirement concerning the number of shares one individual must hold in order to qualify him or her as a director.

Shareholders' Register Manager

With effect from June 20, 2020, Mitsubishi UFJ Trust and Banking Corporation, located at 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212, Japan, is the Shareholders' Register Manager for Honda's shares. Mitsubishi UFJ Trust and Banking Corporation maintains Honda's register of shareholders and records the names and addresses of its shareholders and other relevant information in its register of shareholders upon notice thereof from JASDEC, as described in Exhibit 2.7 to this Annual Report "Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934—Common Stock—Rights of the Shares—Record Date".

C. Material Contracts

All contracts concluded by Honda during the two years preceding this filing were entered into in the ordinary course of business.

D. Exchange Controls

There are no laws, decrees, regulations or other legislation of Japan which materially affect our ability to import or export capital for our use or our ability to pay dividends or other payments to non-resident holders of our shares.

E. Taxation

Japanese Taxes

The following is a summary of the principal Japanese tax consequences as of the date of filing of this Form 20-F to owners of Honda's shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which income from Honda's shares is attributable. The tax treatment is subject to possible changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor. Potential investors should consult their own tax advisers as to:

- the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law;
- the laws of the jurisdiction of which they are resident; and
- any tax treaty between Japan and their country of residence.

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to a non-resident of Japan or a non-Japanese corporation is (a) 20.42% for dividends to be paid on or before December 31, 2037, and (b) 20% for dividends to be paid thereafter. With respect to dividends paid on listed shares issued by Japanese corporations (such as Honda's shares) to a non-resident of Japan or a non-Japanese corporation, the aforementioned 20.42% or 20% withholding tax rate is reduced to (i) 15.315% for dividends to be paid on or before December 31, 2037, and (ii) 15% for dividends to be paid thereafter, except for dividends paid to any individual shareholder who holds 3% or more of the issued shares of that corporation. Japan has entered into income tax treaties, conventions or agreements with various countries, whereby the maximum withholding tax rate is generally set at 15% or 10% for portfolio investors. Under the income tax treaty between Japan and the United States, the maximum withholding tax rate is generally set at 10% for portfolio investors.

Pursuant to the Convention Between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "U.S.-Japan Tax Treaty"), a portfolio investor that is a U.S. holder is generally subject to Japanese withholding tax on dividends on shares at a rate of 10%. Under Japanese tax law, the maximum rate applicable under the tax treaties, conventions or agreements shall be applicable except when such maximum rate is more than the Japanese statutory rate.

Gains derived from the sale outside Japan of common stock or Depositary Receipts by a non-resident of Japan or a non-Japanese corporation, or from the sale of common stock within Japan by a non-resident of Japan or by a non-Japanese corporation not having a permanent establishment in Japan, are in general not subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired common stock or Depositary Receipt as a legatee, heir or donee, even if the individual is not a Japanese resident.

United States Taxes

This section describes the material U.S. federal income tax consequences of the ownership of shares or ADSs by U.S. holders, as defined below. It applies only to persons who hold shares or ADSs as capital assets for tax purposes.

This section is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on

the U.S.-Japan Tax Treaty (the “Treaty”). These authorities are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of the Treaty and the Code, U.S. holders of ADRs evidencing ADSs will be treated as the owners of the shares represented by those ADRs. Exchanges of shares for ADRs and ADRs for shares generally will not be subject to U.S. federal income tax. For purposes of this discussion, a “U.S. holder” is a beneficial owner of shares or ADSs that is, for U.S. federal income tax purposes, (i) a citizen or resident individual of the United States, (ii) a domestic corporation, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust; and that, for purposes of the Treaty, is not ineligible for benefits under the Treaty with respect to income and gain from the shares or ADSs.

This section does not apply to a person who is a member of a special class of holders subject to special rules, including a dealer in securities, a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings, a tax-exempt organization, a life insurance company, a person liable for alternative minimum tax, a person that actually or constructively owns 10% or more of the combined voting power of the voting stock or of the total value of the stock of Honda, a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction, a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or a person whose functional currency is not the U.S. dollar.

If a partnership holds the shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the shares or ADSs.

This summary is not a comprehensive description of all the tax considerations that may be relevant with respect to a U.S. holder’s shares or ADSs. Each beneficial owner of shares or ADSs should consult its own tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of shares and ADSs in its particular circumstances.

Taxation of Dividends

Under the U.S. federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any dividend paid by Honda out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) to a U.S. holder is subject to U.S. federal income taxation. A U.S. holder must include any Japanese tax withheld from the dividend payment in this gross amount even though it does not in fact receive it.

Dividends paid to a noncorporate U.S. holder that constitute qualified dividend income will be taxable to such U.S. holder at the preferential rates applicable to long-term capital gains provided that the noncorporate U.S. holder holds the shares or ADSs with respect to which the dividends are paid for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends that Honda pays with respect to the shares or ADSs generally will be qualified dividend income if, in the year you receive the dividend, the ADSs are readily tradable on an established securities market in the United States. Our ADSs are listed on the New York Stock Exchange and we therefore expect that dividends that you receive on the ADSs will be qualified dividend income. Dividends that Honda pays with respect to the shares generally will be qualified dividend income if we are eligible for the benefits of the Treaty in the year that you receive the dividend. We believe that we are currently eligible for the benefits of the Treaty, and we therefore believe that dividends on the shares are currently qualified dividend income. There can be no assurance, however, that we will continue to qualify under the Treaty in future taxable years.

A U.S. holder must include the dividend in its taxable income when the holder, in the case of shares, or the Depository, in the case of ADSs, receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that a U.S. holder must include in its income will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date of the dividend distribution, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is distributed to the date payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the U.S. for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of U.S. holder's basis in the shares or ADSs and thereafter as capital gain. However, Honda does not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, a U.S. holder should expect to generally treat distributions that Honda makes as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against a U.S. holder's United States federal income tax liability. However, under recently finalized U.S. Treasury regulations, it is possible that such withholding tax will not be creditable unless the U.S. holder is eligible to claim the benefits of the Treaty and elects to apply the Treaty. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to a U.S. holder under Japanese law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. holder's U.S. federal income tax liability.

Dividends will generally be income from sources outside the U.S. and will generally be "passive" income for purposes of computing the foreign tax credit allowable to such U.S. holder.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if a U.S. holder sells or otherwise disposes of its shares or ADSs, it will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that it realizes and its tax basis, determined in U.S. dollars, in its shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

Passive Foreign Investment Company (PFIC) Rules

Honda believes its shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes. This conclusion is a factual determination that is made annually and thus may be subject to change.

In general, Honda will be a PFIC with respect to a U.S. holder if for any taxable year in which such holder held shares or ADSs of Honda:

- at least 75% of Honda's gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of Honda's assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income.

If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income.

If Honda is treated as a PFIC, and a U.S. holder does not make a mark-to-market election, as described below, that U.S. holder will be subject to special rules with respect to:

- any gain it realizes on the sale or other disposition of its shares or ADSs; and
- any excess distribution that Honda makes to the U.S. holder (generally, any distributions to it during a single taxable year that are greater than 125% of the average annual distributions received by it in respect of the shares or ADSs during the three preceding taxable years or, if shorter, its holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over the U.S. holder's holding period for the shares or ADSs,
- the amount allocated to the taxable year in which it realized the gain or excess distribution will be taxed as ordinary income,
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If a U.S. holder owns shares or ADSs in a PFIC that are treated as marketable stock, such U.S. holder may make a mark-to-market election. If a U.S. holder makes this election, it will not be subject to the PFIC rules described above. Instead, in general, a U.S. holder will include as ordinary income each year the excess, if any, of the fair market value of its shares or ADSs at the end of the taxable year over its adjusted basis in its shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A U.S. holder will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously-included income as a result of the mark-to-market election). The U.S. holder's basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

Shares or ADSs held by a U.S. holder will be treated as stock in a PFIC if Honda was a PFIC at any time during the U.S. holder's holding period in its shares or ADSs, even if Honda is not currently a PFIC, unless a U.S. holder has made a mark-to-market election with respect to its shares or ADSs or the U.S. holder has otherwise made a "purging election" with respect to its shares or ADSs.

In addition, notwithstanding any election that a U.S. holder makes with regard to the shares or ADSs, dividends that a U.S. holder receives from Honda will not constitute qualified dividend income to such U.S. holder if Honda is a PFIC (or is treated as a PFIC with respect to such U.S. holder) in either the taxable year of the distribution or the preceding taxable year. Dividends that a U.S. holder receives that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, the U.S. holder must include the gross amount of any such dividend paid by Honda in the U.S. holder's gross income, and it will be subject to tax at rates generally applicable to ordinary income.

If a U.S. holder owns shares or ADSs during any year that Honda is a PFIC with respect to such U.S. holder, it must file Internal Revenue Service Form 8621, subject to certain applicable exceptions set forth in Internal Revenue Service regulations. Each U.S. holder should consult its own tax advisors regarding the PFIC rules and potential filing and other requirements.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Honda is subject to the information requirements of the Securities Exchange Act of 1934 and, in accordance therewith, it will file annual reports on Form 20-F and furnish other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected without charge at the public reference room at the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a web site at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. Also, as a foreign private issuer, Honda is exempt from the rules under the Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements to shareholders.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure about Market Risk

The information required under this Item 11 is set forth in “(b) Market Risk” of note “(25) Financial Risk Management” to the accompanying consolidated financial statements.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

3. Fees and charges

JPMorgan Chase Bank, N.A., as ADR depository, collects fees for delivery and surrender of ADSs directly from investors, or from intermediaries acting for them, depositing ordinary shares or surrendering ADSs for the purpose of withdrawal. The ADR depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees.

The charges of the ADR depository payable by investors are as follows:

Category (as defined by SEC)	Depository Actions	Associated Fee
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of Shares, including without limitation, deposits and issuances in respect of: <ul style="list-style-type: none"> • Share distributions, stock split, rights, merger • Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the deposited securities 	USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered
(b) Receiving or distributing dividends	Any Cash distribution made, or for any elective cash/ stock dividend offered.	USD 0.05 or less per ADS
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	USD 5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depository receipts	Not applicable
(f) General depository services, particularly those charged on an annual basis	Services performed by the depository in administering the ADSs	An aggregate fee of USD 0.05 or less per ADS per calendar year (or portion thereof) which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders as of the record date or record dates set by the depository during each calendar year and shall be payable at the sole discretion of the depository by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions

Category	Depository Actions	Associated Fee
(g) Expenses of the depository	Expenses incurred on behalf of holders in connection with <ul style="list-style-type: none"> • The servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depository's or its custodian's compliance with applicable law, rule or regulation. • Stock transfer or other taxes and other governmental charges. • SWIFT, cable, telex and facsimile transmission and delivery charges incurred at the request of persons depositing, or holders delivering shares, ADSs or deposited securities. • Transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities. • In connection with the conversion of foreign currency into U.S. dollars, transferring foreign currency or U.S. dollars to the United States, obtaining any approval or license of any governmental authority required for such conversion or transfer or making any sale. 	<p>Fees for the reimbursement of such fees, charges and expenses may be charged on a periodic basis during each calendar year and shall be assessed on a proportionate basis against holders as of the record date or record dates set by the depository during each calendar year and shall be payable at the sole discretion of the depository by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions.</p> <p>Fees for such charges to be payable by the holders or persons depositing shares.</p> <p>Fees for such charges to be payable by the persons depositing or holders delivering shares, ADSs or deposited securities.</p> <p>Fees for such charges to be payable by the persons depositing shares or holders withdrawing deposited securities.</p> <p>To be deducted from cash distributed to holders.</p>

4. Direct / Indirect Payment Disclosure

Honda does not receive any reimbursement from the depository bank. JPMorgan Chase Bank, N.A. agreed to waive an out-of-pocket expense of \$50,000 associated with the administration of the ADR program. The out-of-pocket expenses relate to depository service administration, including but not limited to, dividend disbursement and proxy process. From April 1, 2021 to March 31, 2022, the Depository waived \$192,858.82 in expenses related to the Ordinary General Meeting of Shareholders.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and participation of our management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934) as of March 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of that date.

Management's Report on Internal Control over Financial Reporting

The management of Honda is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Our management assessed the effectiveness of internal control over financial reporting as of March 31, 2022 based on the criteria established in "Internal Control-Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that assessment, our management concluded that our internal control over financial reporting was effective as of March 31, 2022.

KPMG AZSA LLC(PCAOB ID:1009), the Company's independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

No significant changes were made in our internal control over financial reporting for the fiscal year ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Honda's Audit Committee has determined that Mr. Yoichiro Ogawa and Mr. Masafumi Suzuki are each qualified as an "audit committee financial expert" as defined by the rules of the SEC. Additionally, Mr. Ogawa and Mr. Suzuki each meet the independence requirements applicable under Section 303A.06 of the New York Stock Exchange Listed Company Manual.

Item 16B. Code of Ethics

Honda has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of Honda’s code of ethics is attached as an exhibit to this Annual Report on Form 20-F.

Item 16C. Principal Accountant Fees and Services

KPMG AZSA LLC has served as Honda’s independent registered public accounting firm for each of the fiscal years in the three-year period ended March 31, 2022, for which audited financial statements appear in this Annual Report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by KPMG AZSA LLC and the various member firms of KPMG International to Honda in fiscal year 2021 and 2022:

	Yen (millions)	
	2021	2022
Audit Fees	¥4,152	¥4,394
Audit-Related Fees	127	136
All Other Fees	11	11
Total	¥4,290	¥4,541

“Audit Fees” means fees for audit services, which are professional services provided by independent auditors for the audit of our annual financial statements or for services that are normally provided by independent auditors with respect to any submissions required under applicable laws and regulations.

“Audit-Related Fees” means fees for audit-related services, which are assurance services provided by independent auditors that are reasonably related to the carrying out of auditing or reviewing of our financial reports and other related services. This category includes fees for agreed-upon or expanded audit procedures related to accounting and/or other records.

“All Other Fees” mainly includes fees for services rendered with respect to advisory services.

Pre-approval policies and procedures of the Audit Committee

Under applicable SEC rules, the Audit Committee must pre-approve audit services, audit-related services, tax services and other services to be provided by the principal accountant to ensure that the independence of the principal accountant under such rules is not impaired as a result of the provision of any of these services.

While, as a general rule, specific pre-approval must be obtained for these services to be provided, the Audit Committee has adopted pre-approval policies and procedures which list particular audit and non-audit services that may be provided without specific pre-approval. The Audit Committee reviews this list of services on an annual basis, and is informed of each such service that is actually provided.

All services to be provided to us by the principal accountant and its affiliates which are not specifically set forth in this list must be specifically pre-approved by the Audit Committee.

None of the services described above in this Item 16C. were waived from the pre-approval requirements pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth certain information with respect to purchases by Honda of its own shares during the fiscal year ended March 31, 2022. There were no purchases of Honda’s shares by its affiliated purchasers during that fiscal year.

<u>Period</u>	<u>(a) Total Number of Shares Purchased*1</u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>(d) Maximum Yen Amount of Shares that May Yet Be Purchased Under the Plans or Programs*2</u>
April 1 to April 30, 2021	250	¥3,261	—	—
May 1 to May 31, 2021	115	¥3,322	—	—
June 1 to June 30, 2021	364	¥3,465	—	—
July 1 to July 31, 2021	232	¥3,534	—	—
August 1 to August 31, 2021	229	¥3,404	—	—
September 1 to September 30, 2021	5,000,078	¥3,500	5,000,000	52,500,000,000
October 1 to October 31, 2021	5,250,133	¥3,420	5,250,000	34,543,658,600
November 1 to November 30, 2021	5,000,232	¥3,306	5,000,000	18,013,488,500
December 1 to December 31, 2021	2,750,350	¥3,199	2,750,000	9,216,758,300
January 1 to January 31, 2022	94	¥3,466	—	9,216,758,300
February 1 to February 28, 2022	98	¥3,375	—	9,216,758,300
March 1 to March 31, 2022	285	¥3,279	—	9,216,758,300
Total	18,002,460	¥3,377	18,000,000	

*1 For each month, the number of shares shown in column (a) in excess of the number of shares shown in column (c) represents the aggregate number of shares representing less than one unit that Honda purchased from the holders thereof upon their request. For an explanation of the right of such holders, see “Japanese Unit Share System” and “Right of a Holder of Shares Representing Less Than One Voting Unit to Require Honda to Purchase or Sell Its Shares” under Item 10.B of this Annual Report. Total number of shares purchased does not include purchases of BIP trust.

*2 During the year ended March 31, 2022, the following share repurchase program was in effect: Share repurchase was resolved at the meeting of the Board of Directors pursuant to the articles of incorporation Date of announcement: August 4, 2021 Maximum number of shares authorized to be repurchased: 18,000,000 Maximum yen amount authorized to be used for repurchase: ¥70,000,000,000 Repurchase period: from August 5, 2021 to December 31, 2021 (This program expired on the last day of the repurchase period referred to above.)

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Companies listed on the New York Stock Exchange (the “NYSE”) must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual.

However, listed companies that are foreign private issuers, such as Honda, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Honda.

Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Honda
<p>A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p>	<p>Honda has adopted a “company with three committees” corporate governance system (the “Three Committees system”) under Japan’s Company Law.</p> <p>For Japanese companies which employ the Three Committees system, including Honda, Japan’s Company Law requires that such companies have a board of directors and one or more executive officers, and within the board of directors, a nominating committee (the “Nominating Committee”), an audit committee (the “Audit Committee”), and a compensation committee (the “Compensation Committee”) shall be established. Each of these committees shall consist of three or more directors, a majority of which shall be “outside directors” as defined below. Honda’s Articles of Incorporation provides for its Board of Directors consisting of no more than 15 members. Honda currently has eleven Directors (including five Outside Directors) and five Executive Officers. The Nominating Committee has four members, of which three are Outside Directors. The Audit Committee has five members, of which three are Outside Directors. The Compensation Committee has four members, of which three are Outside Directors. Under Japan’s Company Law, the members of three committees are elected by the resolutions of the board of directors. In addition, Honda’s regulations of each of the three committees provide that the chairperson of each committee shall be elected from the Outside Directors who are members of the relevant committee by the resolution of the Board of Directors.</p> <p>“Outside director” is defined as a director who meets all of the following independence requirements: the relevant person must be (1) a person who is not an executive director, executive officer, manager or any other employee of the company or any of its subsidiaries and has not been in such position for ten years prior to the assumption of office; (2) if the relevant person assumed an office of a non-executive director, accounting councilor or corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been an executive director, executive officer, manager or any other employee of the company or any of its</p>

subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the company; and (5) a person who is not a spouse or one of a certain kinds of relatives of (a) a director, executive officer, manager or any other important employee of the company or (b) the natural person controlling the company. Companies which employ the Three Committees system, including Honda shall have at least two “outside directors”.

In addition, the listing rules of the Tokyo Stock Exchange, which Honda is subject to (but reference to “corporate auditor” below is not applicable to Honda), require listed companies to have at least one “independent” director or corporate auditor, and to make efforts to have at least one “independent” director. Requirements for an independent director/corporate auditor are more stringent than those for outside directors or outside corporate auditors. Unlike an outside director/corporate auditor, an independent director/corporate auditor may not be (a) a person who is, or has been until recently, a major business counterparty or an executive director, executive officer, manager or employee of the major business counterparties, (b) a person who is, or has been until recently, a professional advisor receiving significant remuneration from the company, (c) a person who has been, for ten years prior to the assumption of office, a director, executive officer, manager or employee, or corporate auditor of the parent company or an executive director or executive officer, manager or employee of the parent company’s subsidiaries, or (d) a relative of persons mentioned in (a), (b) and (c) or a relative of certain scope of persons such as directors of the parent company or any of its subsidiaries. Currently, Honda has five Outside Directors all of whom are also independent Directors. Furthermore, Honda has established additional independence requirements for the Outside Directors, the “Criteria for Independence of Outside Directors” as described in Exhibit 1.4 by the resolution of the Board of Directors, and all of the Outside Directors meet the criteria.

**Corporate Governance Practices Followed by
NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must have an audit committee composed entirely of independent directors meeting the independence requirements under Section 303A.02 of the NYSE Listed Company Manual, and the audit committee must have at least three members.

A NYSE-listed U.S. company must have a nominating/corporate governance committee entirely of independent directors.

Corporate Governance Practices Followed by Honda

Honda has an Audit Committee, as one of the Three Committees within its Board of Directors.

Honda is required to satisfy the requirements set forth Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees. However, as a foreign private issuer, Honda is not subject to the independence requirements applicable to U.S. issuers pursuant to Section 303A.02 of the NYSE Listed Company manual. Additionally, as a foreign private issuer, Honda is not subject to the additional requirements under the Section 303A .07 of the NYSE Listed Company manual, including that the audit committee be made up of at least three members.

Under Japan's Company Law, the audit committee has the following responsibilities: (i) auditing the execution of duties by directors and executive officers, and preparing audit reports and (ii) determining the content of proposals regarding the election and dismissal of accounting auditors and the refusal to reelect accounting auditors to be submitted to a general meeting of shareholders. The Audit Committee shall consist of at least three directors and a majority shall be outside directors. Each director, including an Audit Committee member, has a one-year term. Honda's regulations of the Audit Committee provide that full-time member of the Audit Committee shall be established by the resolution of the Board of Directors.

Honda's Directors are elected at a general meeting of shareholders. Its Board of Directors does not have the power to fill vacancies thereon.

A proposal to elect a Director must be determined by the Nominating Committee and Honda's Board of Directors itself does not have the power to determine a proposal to elect a Director.

Under Japan's Company Law, the Nominating Committee is responsible for determining the content of proposals regarding the election and dismissal of directors to be submitted to a general meeting of shareholders. The Nominating Committee shall consist of at least three directors and a majority shall be outside directors. Each director, including a Nominating Committee member, has a one-year term.

**Corporate Governance Practices Followed by
NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

Corporate Governance Practices Followed by Honda

The compensation of Honda's Directors and Executive Officers is determined by the Compensation Committee within the Board of Directors, and a General Meeting of Shareholders of the Company does not have the power to determine the compensation of Directors.

Under Japan's Company Law, the Compensation Committee shall establish the compensation policy as well as determine the compensation for directors and executive officers. The Compensation Committee shall consist of at least three directors and a majority shall be outside directors. Each director, including a Compensation Committee member, has a one-year term.

Honda has a stock compensation scheme (the "Scheme") for Executive Officers, Operating Officers and a part of Operating Executives of the Company who are residents of Japan (collectively, "Executive Officers Etc."). Under the Scheme, which uses a Board Incentive Plan trust (the "BIP Trust"), Honda's shares and money will be delivered and paid to Executive Officers Etc. in accordance with their positions and the degree of growth in management indicators of Honda such as performance and corporate value. The period of the BIP Trust shall be from September 2021 to August 2024 (scheduled), provided, however, that this period may be extended by resolutions of the Compensation Committee and the Board of Directors for another three years by amending the trust agreement and entrusting additional amounts to the BIP Trust within the scope of the approval at the Ordinary General Meeting of Shareholders.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

Not applicable.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

See Consolidated Financial Statements attached hereto.

Item 19. Exhibits

- 1.1 Articles of Incorporation of the registrant (English translation) *1
- 1.2 Share Handling Regulations of the registrant (English translation) *2
- 1.3 Regulations of the Board of Directors of the registrant (English translation)
- 1.4 Honda Motor Co., Ltd. Criteria for Independence of Outside Directors (English translation) *3
- 2.1 Specimen common stock certificates of the registrant (English translation) *4
- 2.2 Form of Second Amended and Restated Deposit Agreement dated as of March, 2022, among the registrant, JPMorgan Chase Bank, N.A., as Depositary, and holders and beneficial owners of American Depositary Receipts *5
- 2.3 Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934
- 8.1 List of Significant Subsidiaries (See “Organizational Structure” in Item 4.C of this Form 20-F)
- 11.1 Code of Ethics *6
- 12.1 Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
- 12.2 Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
- 13.1 Certification of the chief executive officer required by 18 U.S.C. Section 1350
- 13.2 Certification of the chief financial officer required by 18 U.S.C. Section 1350
- 15.1 Consent of Independent Registered Public Accounting Firm
- 101.INS Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- 104 The cover page for the Company’s Annual Report on Form 20-F for the year ended March 31, 2022, has been formatted in Inline XBRL

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- *1 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 23, 2021.
 - *2 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 23, 2021.
 - *3 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 23, 2021.
 - *4 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on September 27, 2001. (P)
 - *5 Incorporated by reference to the registration statement for American Depositary Shares on Form F-6 (File No. 333-263937) filed by JPMorgan Chase Bank, N.A. as depositary, on March 29, 2022.
 - *6 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on July 9, 2004.

The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

(P) Paper exhibits

HONDA MOTOR CO., LTD.
(Honda Giken Kogyo Kabushiki Kaisha)
(A Japanese Company)
AND SUBSIDIARIES

Consolidated Financial Statements
and
Reports of Independent Registered
Public Accounting Firm

March 31, 2022

To be Included in
The Annual Report
Form 20-F
Filed with
The Securities and Exchange Commission
Washington, D.C., U.S.A.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Index to Consolidated Financial Statements

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Financial statements of affiliates and joint ventures are omitted because such affiliates and joint ventures are not individually significant.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Honda Motor Co., Ltd.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Honda Motor Co., Ltd. and subsidiaries (the “Company”) as of March 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 22, 2022 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the provision for specific warranty programs

As discussed in Note 17 to the consolidated financial statements, the Company's provisions for product warranties as of March 31, 2022 amounted to ¥419,201 million, which included the provision for specific warranty programs such as product recalls. The provision for specific warranty programs represents the estimated future warranty costs that are covered under such programs. The estimated future warranty costs are provided based on historical warranty claim experience with consideration given to the expected level of future warranty costs, including the expected number of units to be affected and the average repair cost per unit for warranty claims.

We identified the evaluation of the provision for specific warranty programs as a critical audit matter. A high degree of auditor judgment was required to evaluate the Company's estimate of the expected number of units to be affected and the average repair cost per unit, due to the degree of subjectivity associated with such assumptions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's product warranty accrual process. This included controls related to the development of the assumptions regarding the expected number of units to be affected and the average repair cost per unit. We assessed the Company's assumptions regarding the expected number of units to be affected and the average repair cost per unit by evaluating:

- the consistency of the Company's assumptions with recent historical trends of warranty costs, taking into account changes in conditions and events affecting the Company,
- input data used to develop those assumptions by testing the consistency of the data with underlying documents and historical claims data, and
- facts and circumstances related to specific warranty programs identified after year end but before the consolidated financial statements were issued, and the impact, if any, of such facts and circumstances on the expected number of units to be affected and the average repair cost per unit underlying the provision for specific warranty programs at year end.

Allowance for expected credit losses on retail receivables at the finance subsidiary in the United States

As discussed in Note 7 to the consolidated financial statements, the Company's allowance for expected credit losses (ECL) related to receivables from financial services was ¥39,063 million as of March 31, 2022, which included the allowance for ECL on retail receivables which amounted to ¥36,767 million. The allowance for ECL on retail receivables is measured at amounts according to the ECL methodology, including the determination on whether credit risk increased significantly since initial recognition. ECL is a probability-weighted estimate of the difference between the contractual cash flows and the cash flows that the Company expects to receive, which can be affected by forward-looking economic conditions. At the finance subsidiary in the United States, ECL on retail receivables is determined for groups of financial assets based on relevant risk characteristics including borrower, collateral and macroeconomic risk characteristics.

We identified the assessment of the allowance for ECL on retail receivables at the finance subsidiary in the United States as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to measurement uncertainty. Specifically, the assessment encompassed the evaluation of the ECL methodology, including (1) the methods and models used to derive the allowance for ECL and significant increases in credit risk since initial recognition and (2) the selection of the forward-looking economic conditions and the probability weightings. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the allowance for ECL estimate, including controls related to:

- continued use and appropriateness of the ECL methodology and models, including the determination of significant increases in credit risk since initial recognition and the selection of the forward-looking economic conditions and the probability weightings,
- analysis of model results as compared to actual loss performance, and
- re-evaluation of the model used to estimate expected credit losses.

We evaluated the Company's process to develop the allowance for ECL by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's ECL methodology for compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board,
- assessing the conceptual soundness and performance testing of the models by inspecting model documentation to determine whether the models are consistent with the model methodology and are suitable for their intended use,
- evaluating the Company's method to measure significant increases in credit risk since initial recognition by performing a sensitivity analysis over the significant increase in credit risk threshold,
- assessing the selection of the forward-looking economic conditions and the probability weightings by comparing them to the Company's business environment and relevant industry practices, and
- evaluating model back-testing results to verify model output is consistent with actual loss performance.

We also assessed the sufficiency of the audit evidence obtained by evaluating the:

- cumulative results of the audit procedures,
- qualitative aspects of the Company's accounting practices, and
- potential bias in the accounting estimates.

Estimated end of term residual values of lease vehicles at the finance subsidiary in the United States

As discussed in Note 3(f) to the consolidated financial statements, depreciation of equipment on operating leases is calculated on the straight-line method over the lease term. The Company's equipment on operating leases as of March 31, 2022 was ¥5,159,129 million, which included leased vehicles at the finance subsidiary in the United States. Equipment on operating leases is depreciated to the lower of contract residual value or estimated end of term residual value, and adjustments to estimated end of term residual values are made prospectively on a straight-line basis over the remaining term of the lease. At the finance subsidiary in the United States, the primary factors that affect estimated end of term residual values of leased vehicles are the percentage of leased vehicles expected to be returned by the lessees and the expected market values of leased vehicles at the end of their lease terms. Factors considered in this evaluation include, among other factors, economic conditions, external market information on new and used vehicles, historical trends, and recent auction values.

We identified the assessment of estimated end of term residual values of leased vehicles at the finance subsidiary in the United States as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to measurement uncertainty. Specifically, complex auditor judgment was required to assess the residual value methodology, the model used to estimate the percentage of leased vehicles expected to be returned by the lessee at the end of the lease term and the expected market values of leased vehicles at the end of the lease term. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the end of term residual values of lease vehicles estimate, including controls related to the:

- development of the residual value methodology, including the identification and determination of the expected market values of leased vehicles at the end of the lease term assumption,
- continued use and appropriateness of the model used to estimate the percentage of leased vehicles expected to be returned,
- evaluation of the percentage of lease vehicles expected to be returned by the lessees as compared to actual vehicles returned, and
- analysis of the actual gain or loss recorded on the disposition of lease vehicles.

We evaluated the Company's process to develop the estimated end of term residual values of lease vehicles by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's residual value methodology for compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board,
- assessing the conceptual soundness and performance testing of the model by inspecting model documentation to determine whether the model is consistent with the model methodology and is suitable for their intended use, and
- evaluating the Company's expected market values of leased vehicles at the end of the lease term assumption by comparing it to specific portfolio risk characteristics and trends.

We also assessed the sufficiency of the audit evidence obtained by evaluating the:

- cumulative results of the audit procedures,
- qualitative aspects of the Company's accounting practices, and
- potential bias in the accounting estimates.

/s/ KPMG AZSA LLC

We have served as the Company's auditor since 1962.

Tokyo, Japan
June 22, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Honda Motor Co., Ltd.:

Opinion on Internal Control Over Financial Reporting

We have audited Honda Motor Co., Ltd. and subsidiaries' (the "Company") internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of March 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated June 22, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG AZSA LLC

Tokyo, Japan
June 22, 2022

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2021 and 2022

	Note	Yen (millions)	
		2021	2022
Assets			
Current assets:			
Cash and cash equivalents	5	¥ 2,758,020	¥ 3,674,931
Trade receivables	6	801,814	896,768
Receivables from financial services	7	1,794,654	1,694,113
Other financial assets	8	295,307	217,743
Inventories	9	1,545,600	1,918,548
Other current assets		383,696	439,322
Total current assets		7,579,091	8,841,425
Non-current assets:			
Investments accounted for using the equity method	10	891,002	967,404
Receivables from financial services	7	3,619,896	3,740,383
Other financial assets	8	628,533	819,654
Equipment on operating leases	11	4,919,916	5,159,129
Property, plant and equipment	12	3,021,514	3,079,407
Intangible assets	13	818,763	849,507
Deferred tax assets	23	99,552	91,592
Other non-current assets		342,763	424,652
Total non-current assets		14,341,939	15,131,728
Total assets		¥21,921,030	¥23,973,153
Liabilities and Equity			
Current liabilities:			
Trade payables	14	¥ 1,088,061	¥ 1,236,233
Financing liabilities	15	3,005,624	3,118,304
Accrued expenses		415,106	375,601
Other financial liabilities	16	182,145	236,900
Income taxes payable		47,793	96,116
Provisions	17	362,151	268,388
Other current liabilities		614,577	672,857
Total current liabilities		5,715,457	6,004,399
Non-current liabilities:			
Financing liabilities	15	4,715,361	4,984,252
Other financial liabilities	16	280,809	282,083
Retirement benefit liabilities	18	358,532	282,054
Provisions	17	278,890	253,625
Deferred tax liabilities	23	842,001	990,754
Other non-current liabilities		357,141	403,440
Total non-current liabilities		6,832,734	7,196,208
Total liabilities		12,548,191	13,200,607
Equity:			
Common stock		86,067	86,067
Capital surplus		172,049	185,495
Treasury stock		(273,786)	(328,309)
Retained earnings		8,901,266	9,539,133
Other components of equity		196,710	990,438
Equity attributable to owners of the parent		9,082,306	10,472,824
Non-controlling interests		290,533	299,722
Total equity	19	9,372,839	10,772,546
Total liabilities and equity		¥21,921,030	¥23,973,153

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2020, 2021 and 2022

	Note	Yen (millions)		
		2020	2021	2022
Sales revenue	20	¥ 14,931,009	¥ 13,170,519	¥ 14,552,696
Operating costs and expenses:				
Cost of sales		(11,851,659)	(10,439,689)	(11,567,923)
Selling, general and administrative		(1,641,590)	(1,331,728)	(1,326,485)
Research and development	21	(804,123)	(738,894)	(787,056)
Total operating costs and expenses		<u>(14,297,372)</u>	<u>(12,510,311)</u>	<u>(13,681,464)</u>
Operating profit		<u>633,637</u>	<u>660,208</u>	<u>871,232</u>
Share of profit of investments accounted for using the equity method	10	164,203	272,734	202,512
Finance income and finance costs:				
Interest income	22	49,412	19,805	25,627
Interest expense	22	(24,689)	(13,877)	(16,867)
Other, net	22	(32,645)	(24,817)	(12,314)
Total finance income and finance costs		<u>(7,922)</u>	<u>(18,889)</u>	<u>(3,554)</u>
Profit before income taxes		789,918	914,053	1,070,190
Income tax expense	23	<u>(279,986)</u>	<u>(218,609)</u>	<u>(309,489)</u>
Profit for the year		<u>¥ 509,932</u>	<u>¥ 695,444</u>	<u>¥ 760,701</u>
Profit for the year attributable to:				
Owners of the parent		455,746	657,425	707,067
Non-controlling interests		54,186	38,019	53,634
			Yen	
		<u>2020</u>	<u>2021</u>	<u>2022</u>
Earnings per share attributable to owners of the parent				
Basic and diluted	24	¥ 260.13	¥ 380.75	¥ 411.09

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020, 2021 and 2022

	Note	Yen (millions)		
		2020	2021	2022
Profit for the year	¥	509,932	¥ 695,444	¥ 760,701
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans		(102,983)	238,262	117,042
Net changes in revaluation of financial assets measured at fair value through other comprehensive income . . .		(23,361)	67,603	58,635
Share of other comprehensive income of investments accounted for using the equity method	10	(1,550)	4,910	1,786
Items that may be reclassified subsequently to profit or loss				
Net changes in revaluation of financial assets measured at fair value through other comprehensive income . .		279	(43)	(682)
Exchange differences on translating foreign operations		(293,201)	239,097	680,724
Share of other comprehensive income of investments accounted for using the equity method	10	(30,393)	27,350	77,447
Total other comprehensive income, net of tax	19	(451,209)	577,179	934,952
Comprehensive income for the year	¥	58,723	¥ 1,272,623	¥ 1,695,653
Comprehensive income for the year attributable to:				
Owners of the parent		24,287	1,214,757	1,619,997
Non-controlling interests		34,436	57,866	75,656

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended March 31, 2020, 2021 and 2022

		Yen (millions)							
		Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
Note		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
	Balance as of April 1, 2019	¥86,067	¥171,460	¥(177,827)	¥7,973,637	¥ 214,383	¥ 8,267,720	¥298,070	¥ 8,565,790
	Comprehensive income for the year								
	Profit for the year				455,746		455,746	54,186	509,932
	Other comprehensive income, net of tax	19				(431,459)	(431,459)	(19,750)	(451,209)
	Total comprehensive income for the year				455,746	(431,459)	24,287	34,436	58,723
	Reclassification to retained earnings	19			(102,437)	102,437	—		—
	Transactions with owners and other								
	Dividends paid	19			(196,795)		(196,795)	(55,693)	(252,488)
	Purchases of treasury stock			(96,284)			(96,284)		(96,284)
	Disposal of treasury stock			171			171		171
	Share-based payment transactions		363				363		363
	Equity transactions and others							(3,049)	(3,049)
	Total transactions with owners and other		363	(96,113)	(196,795)		(292,545)	(58,742)	(351,287)
	Other changes				12,797		12,797		12,797
	Balance as of March 31, 2020	¥86,067	¥171,823	¥(273,940)	¥8,142,948	¥(114,639)	¥ 8,012,259	¥273,764	¥ 8,286,023
	Comprehensive income for the year								
	Profit for the year				657,425		657,425	38,019	695,444
	Other comprehensive income, net of tax	19				557,332	557,332	19,847	577,179
	Total comprehensive income for the year				657,425	557,332	1,214,757	57,866	1,272,623
	Reclassification to retained earnings	19			245,983	(245,983)	—		—
	Transactions with owners and other								
	Dividends paid	19			(145,090)		(145,090)	(43,348)	(188,438)
	Purchases of treasury stock			(6)			(6)		(6)
	Disposal of treasury stock			160			160		160
	Share-based payment transactions		226				226		226
	Equity transactions and others							2,251	2,251
	Total transactions with owners and other		226	154	(145,090)		(144,710)	(41,097)	(185,807)
	Balance as of March 31, 2021	¥86,067	¥172,049	¥(273,786)	¥8,901,266	¥ 196,710	¥ 9,082,306	¥290,533	¥ 9,372,839
	Comprehensive income for the year								
	Profit for the year				707,067		707,067	53,634	760,701
	Other comprehensive income, net of tax	19				912,930	912,930	22,022	934,952
	Total comprehensive income for the year				707,067	912,930	1,619,997	75,656	1,695,653
	Reclassification to retained earnings	19			119,202	(119,202)	—		—
	Transactions with owners and other								
	Dividends paid	19			(188,402)		(188,402)	(45,131)	(233,533)
	Purchases of treasury stock			(62,758)			(62,758)		(62,758)
	Disposal of treasury stock			578			578		578
	Share-based payment transactions		(233)				(233)		(233)
	Equity transactions and others		13,679	7,657			21,336	(21,336)	—
	Total transactions with owners and other		13,446	(54,523)	(188,402)		(229,479)	(66,467)	(295,946)
	Balance as of March 31, 2022	¥86,067	¥185,495	¥(328,309)	¥9,539,133	¥ 990,438	¥10,472,824	¥299,722	¥10,772,546

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2020, 2021 and 2022

	Note	Yen (millions)		
		2020	2021	2022
Cash flows from operating activities:				
Profit before income taxes		¥ 789,918	¥ 914,053	¥ 1,070,190
Depreciation, amortization and impairment losses excluding equipment on operating leases		699,877	624,239	611,063
Share of profit of investments accounted for using the equity method		(164,203)	(272,734)	(202,512)
Finance income and finance costs, net		(47,892)	22,630	(56,352)
Interest income and interest costs from financial services, net		(130,636)	(137,178)	(155,872)
Changes in assets and liabilities				
Trade receivables		132,702	(133,788)	(24,037)
Inventories		(59,931)	68,281	(208,895)
Trade payables		(141,159)	101,301	50,122
Accrued expenses		(4,529)	(40,927)	(68,811)
Provisions and retirement benefit liabilities		118	106,829	(156,079)
Receivables from financial services		103,614	(59,934)	509,741
Equipment on operating leases		(270,677)	(161,579)	171,600
Other assets and liabilities		(20,524)	(72,473)	28,981
Other, net		10,959	5,190	(19,782)
Dividends received		185,742	191,112	193,555
Interest received		288,821	236,729	237,724
Interest paid		(162,263)	(113,100)	(97,884)
Income taxes paid, net of refund		(230,522)	(206,272)	(203,130)
Net cash provided by operating activities		979,415	1,072,379	1,679,622
Cash flows from investing activities:				
Payments for additions to property, plant and equipment		(370,195)	(318,410)	(268,143)
Payments for additions to and internally developed intangible assets		(231,063)	(232,727)	(181,083)
Proceeds from sales of property, plant and equipment and intangible assets		17,638	6,770	27,108
Payments for acquisitions of subsidiaries, net of cash and cash equivalents acquired		(3,047)	2,230	—
Payments for acquisitions of investments accounted for using the equity method		(14,584)	(110,747)	—
Proceeds from sales of investments accounted for using the equity method		—	12,570	—
Payments for acquisitions of other financial assets		(282,806)	(433,375)	(488,631)
Proceeds from sales and redemptions of other financial assets		265,980	276,808	534,693
Other, net		(1,404)	—	—
Net cash used in investing activities		(619,481)	(796,881)	(376,056)
Cash flows from financing activities:				
Proceeds from short-term financing liabilities		9,037,608	9,115,347	7,487,724
Repayments of short-term financing liabilities		(9,039,601)	(9,294,859)	(7,960,144)
Proceeds from long-term financing liabilities		2,021,173	1,948,835	2,002,823
Repayments of long-term financing liabilities		(1,676,504)	(1,798,429)	(1,761,561)
Dividends paid to owners of the parent		(196,795)	(145,090)	(188,402)
Dividends paid to non-controlling interests		(54,280)	(41,755)	(53,813)
Purchases and sales of treasury stock, net		(96,113)	154	(62,180)
Repayments of lease liabilities		(78,659)	(67,628)	(80,165)
Other, net		(4,240)	(555)	—
Net cash provided by (used in) financing activities		(87,411)	(283,980)	(615,718)
Effect of exchange rate changes on cash and cash equivalents				
		(94,291)	94,149	229,063
Net change in cash and cash equivalents		178,232	85,667	916,911
Cash and cash equivalents at beginning of year		2,494,121	2,672,353	2,758,020
Cash and cash equivalents at end of year	5	¥ 2,672,353	¥ 2,758,020	¥ 3,674,931

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Reporting Entity

Honda Motor Co., Ltd. (the “Company”) is a public company domiciled in Japan. The Company and its subsidiaries (collectively “Honda”) develop, manufacture and distribute motorcycles, automobiles, power products and others throughout the world, and also provide financial services to customers and dealers for the sale of those products. Principal manufacturing facilities are located in Japan, the United States of America, Canada, Mexico, Italy, France, China, India, Indonesia, Malaysia, Philippines, Thailand, Vietnam, Argentina and Brazil.

(2) Basis of Preparation

(a) Compliance with International Financial Reporting Standards

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The term “IFRS” also includes International Accounting Standards (IASs) and the related interpretations of the interpretations committees (SIC and IFRIC).

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities separately stated in note 3.

(c) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. All financial information presented in Japanese yen has been rounded to the nearest million Japanese yen, except when otherwise indicated.

(d) New Accounting Standards and Interpretations Not Yet Adopted

None of new or amended standards and interpretations that have been issued as of the date of approval of the consolidated financial statements but are not effective and have not yet been adopted by Honda as of March 31, 2022 have a significant effect on the consolidated financial statements.

(e) Use of Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Regarding the spread of COVID-19, there is no significant impact on Honda’s consolidated financial results for the fiscal year ended March 31, 2022 and there is no significant impact on accounting estimates. As the spread of COVID-19 may have more adverse impact on market trend and economic conditions, actual results in any future periods could differ materially from the estimates.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Information about judgments that have been made in the process of applying accounting policies and that have significant effects on the amounts reported in the consolidated financial statements is as follows:

- Scope of subsidiaries, affiliates and joint ventures (notes 3(a) and 3(b))
- Recognition of intangible assets arising from development (note 3(h))
- Accounting for contracts including lease (note 3(i))

Information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements is as follows:

- Valuation of financial assets measured at amortized cost and debt securities classified into financial assets measured at fair value through other comprehensive income (notes 6, 7 and 8)
- Fair value of financial instruments (note 26)
- Net realizable value of inventories (note 9)
- Recoverable amount of non-financial assets (notes 11, 12 and 13)
- Measurement of provisions (note 17)
- Measurement of net defined benefit liabilities (assets) (note 18)
- Recoverability of deferred tax assets (note 23)
- Likelihood and magnitude of outflows of resources embodying economic benefits required to settle contingent liabilities (note 28)

(3) Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries which are directly or indirectly controlled by the Company, and those structured entities which are controlled by Honda. All significant intercompany balances and transactions have been eliminated in consolidation.

Honda controls an entity when Honda is exposed or has rights to variable returns from involvement with the entity, and has the ability to affect those returns by using its power, which is the current ability to direct the relevant activities, over the entity. To determine whether or not Honda controls an entity, status of voting rights or similar rights, contractual agreements and other specific factors are taken into consideration.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Honda consolidates structured entities over which it has control, by comprehensively determining whether its control over the entity exists based on any contractual arrangements with such entity as well as the percentage of its voting or similar rights in the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost. The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. When control over a subsidiary is lost, the investment retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss on such remeasurement and disposal of the interest sold is recognized in profit or loss.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(b) Investments in Affiliates and Joint Ventures (Investments Accounted for Using the Equity Method)

Affiliates are entities over which Honda has a significant influence over the decisions on financial and operating policies, but does not have control or joint control.

Joint ventures are joint arrangements whereby the parties including Honda that have joint control have rights to the net assets of the arrangement. Joint arrangements are arrangements of which two or more parties have joint control, and joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in affiliates and joint ventures are accounted for using the equity method from the date when the investees are determined to be affiliates or joint ventures until the date when they ceased to be classified as affiliates or joint ventures. Under the equity method, the investment is initially recognized at cost, and the carrying amount is subsequently increased or decreased, to recognize Honda's share of profit or loss and other comprehensive income of the affiliate or the joint venture after the date of initial recognition. The financial statements of affiliates and joint ventures have been adjusted in order to ensure consistency with the accounting policies adopted by the Company in applying the equity method, as necessary.

The use of the equity method is discontinued from the date when the investees are determined to be no longer affiliates or joint ventures. The investment retained after cessation of the equity method is remeasured at fair value, and any gain or loss on such remeasurement and disposal of the investment is recognized in profit or loss.

(c) Foreign Currency Translations

1) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies at the exchange rates prevailing when such transactions occur. All foreign currency receivables and payables are translated into the respective functional currencies at the applicable exchange rates at the end of the reporting period. Gains or losses on exchange differences arising on settlement of foreign currency receivables and payables or on their translations at the end of the reporting date are recognized in profit or loss and they are included in finance income and finance costs-other, net in the consolidated statements of income.

2) Foreign operations

All assets and liabilities of foreign subsidiaries, affiliates and joint ventures (collectively "foreign operations"), which use a functional currency other than Japanese yen, are translated into Japanese yen at the exchange rates at the end of the reporting period. All revenues and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period except when a functional currency is the currency of a hyperinflationary economy. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in other components of equity in the consolidated statements of financial position. When a foreign operation is disposed of, and control, significant influence or joint control over the foreign operation is lost, the cumulative amount of exchange differences relating to the foreign operation is reclassified from equity to profit or loss.

(d) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity security of another entity. When Honda becomes a party to the contractual provision of a financial

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

instrument, the financial instrument is recognized either as a financial asset or as a financial liability. When Honda purchases or sells a financial asset, the financial asset is recognized or derecognized at the trade date.

1) Non-derivative financial assets

Honda classifies financial assets other than derivatives into “financial assets measured at amortized cost”, “financial assets measured at fair value through other comprehensive income” or “financial assets measured at fair value through profit or loss”. Honda determines the classification of financial assets upon initial recognition.

Financial assets are derecognized when the contractual rights to cash flows from the financial assets expire, or when the contractual rights to receive the cash flows from the financial assets are transferred and all risks and rewards of ownership of the financial assets are substantially transferred.

Financial assets measured at amortized cost

A financial asset is classified into financial assets measured at amortized cost when the asset is held within a business model whose objective is to hold the asset in order to collect the contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost except trade receivables arising from contracts with customers are initially measured at their fair value and trade receivables arising from contracts with customers are initially measured at their transaction price. Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

Financial assets measured at fair value

A financial asset other than a financial asset measured at amortized cost is classified into financial assets measured at fair value. The financial assets measured at fair value are further classified into the following categories:

Financial assets measured at fair value through other comprehensive income

A debt security is classified into financial assets measured at fair value through other comprehensive income when the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt securities are initially measured at their fair value, and subsequent changes in fair value are recognized in other comprehensive income except for impairment gain or loss and foreign exchange gain or loss. When the debt securities are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Honda elects to designate investments in equity securities such as shares, held for maintaining and strengthening the trade relationship as financial assets measured at fair value through other comprehensive income. Equity securities designated as financial assets measured at fair value through other comprehensive income are initially measured at their fair value, and subsequent changes in fair value of the investment are recognized in other comprehensive income. However, dividends from the equity securities are principally recognized in profit or loss. When the equity securities are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is directly reclassified to retained earnings.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value other than financial assets measured at fair value through other comprehensive income are classified into financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially measured at their fair value, and subsequent changes in fair value are recognized in profit or loss.

(Cash and cash equivalents)

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Honda includes all highly liquid debt instruments with original maturities of three months or less in cash equivalents.

2) Non-derivative financial liabilities

Financial liabilities other than derivatives are initially measured at their fair value, and are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are derecognized, when the obligations specified in the contract are discharged, canceled or expire.

3) Derivatives

Honda has entered into foreign exchange and interest rate agreements to manage currency and interest rate exposures. These agreements include foreign currency forward exchange contracts, currency option contracts, currency swap agreements and interest rate swap agreements.

All these derivatives are initially recognized as assets or liabilities and measured at fair value, when Honda becomes a party to the contractual provision of the derivatives. Subsequent changes in fair value of derivatives are recognized in profit or loss in the period of the changes.

Honda has not held any derivatives designated as hedging instruments for the years ended March 31, 2020, 2021 and 2022.

4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position, only when Honda currently has a legally enforceable right to offset the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes purchase costs and conversion costs, and it is determined principally by using the first-in first-out method. Conversion cost includes an appropriate share of production overheads on the normal operation capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(f) Equipment on Operating Leases

Equipment on operating leases is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses.

A vehicle subject to operating lease is initially measured at its cost. Depreciation of equipment on operating leases is calculated on the straight-line method over the lease term. The depreciable amount is the cost of the vehicle less its residual value which is estimated by using the estimate of future used vehicle value, taking into consideration economic conditions, external market information on new and used vehicles, historical trends, and recent auction values.

(g) Property, Plant and Equipment

Property, plant and equipment is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses.

Property, plant and equipment is initially measured at its cost. Subsequent expenditures on an item of property, plant and equipment acquired, are recognized in the carrying amount of the item, only when it is probable that the expenditure will generate a future economic benefit.

Depreciation of property, plant and equipment, except for land that is not subject to depreciation, is calculated on the straight-line method over the estimated useful life. The depreciable amount is the cost of the asset less the respective estimated residual values.

The estimated useful lives used in calculating depreciation of property, plant and equipment are mainly as follows:

- Buildings and structures: 3 to 50 years
- Machinery and equipment: 2 to 20 years

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually at each fiscal year end, and adjusted prospectively, if appropriate.

Property, plant and equipment in the consolidated statements of financial position include right-of-use assets under lease arrangements. For the accounting for the right-of-use assets, see “(i) Lease.”

(h) Intangible Assets

Intangible assets are measured based on the cost model and carried at their cost less accumulated amortization and impairment losses.

(Research and development)

Development expenditure for a product is capitalized only when there is a technical and commercial feasibility of completing the development, Honda has intention, ability and sufficient resources to use the outcome of the development, it is probable that the outcome will generate a future economic benefit, and the cost can be measured reliably.

Capitalized development cost is measured at the sum of expenditures for development incurred between when the foregoing conditions for capitalization are initially met and when the development is completed, and

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

includes all directly attributable costs to the development process. Capitalized development cost is amortized using the straight-line method over the expected product life cycle of the developed product ranging mainly from 2 to 6 years.

Expenditures on research and other development expenditures which do not meet the foregoing conditions are expensed as incurred.

(Other intangible asset)

Other intangible assets are initially measured at cost and principally amortized using the straight-line method over their estimated useful lives. Other intangible assets are mainly comprised of software for internal use whose estimated useful lives range from 3 to 5 years.

The amortization method and useful lives of intangible assets are reviewed annually at each fiscal year end, and adjusted prospectively, if appropriate.

(i) Lease

At inception of a contract, Honda assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When Honda has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and the right to direct the use of the identified asset, the contract conveys the right to control the use of the identified asset.

1) Lease as a lessee

A right-of-use asset and a lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the amount of initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset. For a contract that contains a lease component and non-lease components, Honda has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The right-of-use asset is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses. After the initial recognition, depreciation of the right-of-use asset is subsequently calculated on the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful lives of underlying assets, see note “(3) Significant Accounting Policies (g) Property, Plant and Equipment.”

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Honda’s incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise mainly the fixed payments (including the lease payments in an optional renewal period if Honda is reasonably certain to exercise the extension option) and the penalties for termination of a lease unless Honda is reasonably certain not to terminate early.

After the initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest that produces a constant periodic rate of interest on the remaining balance of the lease liability and reducing the carrying amount to reflect the lease payments. The lease liability is remeasured if Honda changes its assessment of whether it will exercise an extension or termination option.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

When the lease liability is remeasured, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, any remaining amount of the remeasurement is recognized in profit or loss.

2) Lease as a lessor

For a contract that is, or contains a lease, the lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and the lease other than finance lease is classified as an operating lease.

Honda assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The finance subsidiaries of the Company engage in the business of leasing vehicles as a lessor. A receivable from customer held under a finance lease is initially recognized at the amount of net investment in the lease which is the gross investment in the lease discounted at the interest rate implicit in the lease, and included in receivables from financial services in the consolidated statements of financial position. Vehicles subject to operating leases are presented as equipment on operating leases in the consolidated statements of financial position.

If a contract contains lease and non-lease components, Honda applies IFRS 15 to allocate the consideration in the contract.

(j) Impairment

1) Financial assets measured at amortized cost and debt securities classified into financial assets measured at fair value through other comprehensive income

The allowance for impairment losses of financial assets measured at amortized cost other than trade receivables and debt securities classified into financial assets measured at fair value through other comprehensive income is measured at amounts according to the three-stage expected credit loss (ECL) model:

Stage 1 12-month ECL for financial assets without a significant increase in credit risk since initial recognition

Stage 2 Lifetime ECL for financial assets with a significant increase in credit risk since initial recognition but that are not credit-impaired

Stage 3 Lifetime ECL for credit-impaired financial assets

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The allowance for impairment losses of trade receivables is continuously measured at amounts equal to lifetime ECL.

Lifetime ECL represents ECL that results from all possible default events over the expected life of a financial asset. 12-month ECL is the portion of lifetime ECL that results from default events that are possible within 12 months after the reporting date. ECL is a probability-weighted estimate of the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rates.

Receivables from financial services – Allowance for credit losses

The allowance for credit losses is management's estimate of expected credit loss on receivables from financial services.

To determine whether credit risk has increased significantly, consumer finance receivables are assessed both individually and collectively. Individual assessments are based on delinquencies. Consumer finance receivables 30 days or greater past due have historically experienced increased default rates and therefore are considered to have a significant increase in credit risk. Collective assessments are performed for groups of consumer finance receivables with shared risk characteristics such as the period of initial recognition, collateral type, original term, and credit score considering relative changes in expected default rates since initial recognition. Dealer finance receivables are assessed at the individual dealership level to determine whether credit risk has increased significantly considering payment performance and other factors such as changes in the financial condition of the dealership and compliance with debt covenants.

Our definition of default on receivables from financial services varies depending on internal risk management practices of each of our finance subsidiaries. Our most significant finance subsidiary located in the United States considers delinquencies of 60 days past due to be in default. Collection efforts on consumer finance receivables are escalated after becoming 60 days past due including repossession of the underlying vehicles if it has been determined that the borrower is unable to perform on their obligations. Defaulted consumer finance receivables are considered to be credit-impaired. Dealer finance receivables are considered to be credit-impaired when there is evidence we will be unable to collect all amounts due in accordance with the original contractual terms including significant financial difficulty of the dealership, a breach of contract, such as a default or delinquency, or bankruptcy.

At the finance subsidiary in the United States, the estimated uncollectible portion of consumer finance receivables are written-off at 120 days past due or upon repossession of the underlying vehicle. Although various statutory regulations limit the length of time and circumstances when enforcement activities can be taken, in general, the outstanding contractual balances continue to be subject to enforcement activities for several years after write-offs. The portion of outstanding contractual balances that is estimated to be uncollectible reflects our expectations of collections from enforcement activities. Dealer finance receivables are written-off when there is no reasonable expectation of recovery.

At the finance subsidiary in the United States, ECL of consumer finance receivables is measured for groups of financial assets with shared risk characteristics by reflecting historical results, current conditions and forward-looking factors such as unemployment rates, used vehicles prices, and consumer debt service burdens.

2) Non-financial assets and investments accounted for using the equity method

At the end of the reporting period, the carrying amount of non-financial assets other than inventories and deferred tax assets (which are comprised mainly of equipment on operating leases, property, plant and

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

equipment, and intangible assets) is assessed to determine whether or not there is any indication of impairment. If there is such an indication, the recoverable amount of such asset is estimated and compared with the carrying amount of the asset, as test of impairment.

For investments accounted for using the equity method, the entire carrying amount of each investment in affiliates and joint ventures is tested for impairment as a single asset, when there is objective evidence that the investments accounted for using the equity method may be impaired.

The recoverable amount of an individual asset or a cash-generating unit is the higher of fair value less costs to sell and value in use. Value in use is determined as the present value of future cash flows expected to be derived from an asset or a cash-generating unit. A cash-generating unit is determined as the smallest identifiable group of assets that generate cash inflows which are largely independent of cash inflows from other assets or a group of assets. When it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

When the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in profit or loss. An impairment loss for a cash-generating unit is allocated to the assets on the basis of the relative carrying amount of each asset in the unit.

An impairment loss recognized for an asset or a cash-generating unit in prior period is reversed, if there is any indication that the impairment loss may have decreased or may no longer exist, and when the recoverable amount of the asset exceeds the carrying amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but the increased carrying amount does not exceed the carrying amount (net of depreciation or amortization) calculated on the basis that no impairment loss had occurred in the prior period.

(k) Provisions

Provisions are recognized when Honda has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured based on the best estimate of expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, a provision is measured at the present value of the expenditures required to settle the obligation. In calculating the present value, a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability is used as the discount rate.

(l) Employee Benefits

1) Short-term employee benefits

For short-term employee benefits including salaries, bonuses and paid annual leave, when the employees render related services, the amounts expected to be paid in exchange for those services are recognized as expenses.

2) Post-employment benefits

Honda has various post-employment benefit plans including defined benefit plans and defined contribution plans.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Defined benefit plans

For defined benefit plans, the present value of defined benefit obligations less the fair value of plan assets is recognized as either liability or asset in the consolidated statements of financial position.

The present value of defined benefit obligations and service cost are principally determined for each plan using the projected unit credit method. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds that is consistent with the currency and estimated term of the post-employment benefit obligation. Net interest on the net defined benefit liability (asset) for the reporting period is determined by multiplying the net defined benefit liability (asset) by the discount rate.

Past service cost defined as the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment is recognized in profit or loss upon occurrence of the plan amendment or curtailment.

Honda recognizes the difference arising from remeasurement of present value of the defined benefit obligations and the fair value of the plan assets in other comprehensive income when it is incurred, and reclassifies it immediately to retained earnings.

Defined contribution plans

For defined contribution plans, when the employees render related services, the contribution payables to defined contribution plan are recognized as expenses.

(m) Equity

1) Common share

Common share issued by the Company is classified as equity, and the proceeds from issuance of common share are included in common stock and capital surplus.

2) Treasury stock

Treasury stock acquired by Honda is recognized at cost and deducted from equity. When treasury stock is sold, the consideration received is recognized as equity with the difference between the carrying amount and the consideration received included in capital surplus.

(n) Revenue Recognition

1) Sale of products

Sales of products are reported by Motorcycle business, Automobile business, Life creation and other businesses. For details of the information on each business, see note 4.

Honda recognizes revenue when control over products is transferred to customers. This transfer generally corresponds to the date of delivery of products to customers. Revenue is measured based on consideration specified in a contract with customer and excludes amounts collected on behalf of third parties. The total consideration in the contract is allocated to all products and services based on their stand-alone selling prices. The stand-alone selling prices are determined with reference to the selling prices of similar products or services and other reasonably available information.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Honda provides dealer incentives, which generally represent discounts provided from Honda to the dealer. Honda also provides incentive programs generally in the form of below-market interest rate loans or lease programs for the retail customers to enhance dealer's sales activities. The amount incurred for these programs is calculated based on the difference between the interest or lease rate offered to retail customers and the market-based interest or lease rate. These incentives are considered variable consideration when determining the transaction price and they are deducted from sales revenue recognized when products are sold to the dealers. Sales revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Customers usually pay consideration for sales of products within 30 days from the transfers of control over the products to customers.

In addition, product sales contracts with customers include warranty clauses to guarantee that the products comply with agreed-upon specifications and Honda recognizes provisions for product warranties to meet these guarantees. For more information on product warranties, see note 17.

2) Rendering of financial services

Interest income from receivables from financial services is recognized using the effective interest method. Finance receivable origination fees and certain direct origination costs are included in the calculation of the effective interest rate, and the net fee or cost is amortized using the effective interest method over the contractual term of the finance receivables.

The finance subsidiaries of the Company offer financial services that contain a lease. Interest income from receivables held under a finance lease is recognized using the effective interest method. When Honda is the manufacturer or dealer lessor, sales revenue and the corresponding cost for a portion identified as sale of products is recognized in profit or loss in accordance with the policy on revenue recognition for sale of products. Revenue from operating leases is recognized on a straight-line basis over the term of the lease.

(o) Income Taxes

Income tax expenses are presented as the aggregate amount of current taxes and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss, except for the tax arising from a transaction which is recognized either in other comprehensive income or directly in equity.

Current taxes are measured at the amount expected to be paid to (or recovered from) the taxation authorities in respect of the taxable profit (or tax loss) for the reporting period, using the tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amount of assets or liabilities in the consolidated statements of financial position and the tax base of the assets or liabilities and carryforward of unused tax losses and tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilized.

Deferred tax liabilities for taxable temporary differences related to investments in subsidiaries and affiliates, and interest in joint ventures are not recognized to the extent that Honda is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Deferred tax assets for deductible temporary differences arising from investments in subsidiaries and affiliates, and interest in joint ventures are recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which they can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Honda expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Honda reviews the carrying amount of deferred tax assets at the end of each reporting period, and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are offset, only when Honda has a legally enforceable right to set off current tax assets against current tax liabilities, and the same taxation authority levies income taxes either on the same taxable entity or on different taxable entity which intends either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

Honda reflects the effect of uncertainty in the consolidated financial statements if Honda concludes it is not probable that the taxation authority will accept the tax treatment.

(p) Earnings per Share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of common shares outstanding during the period.

(4) Segment Information

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

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

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

<u>Segment</u>	<u>Principal products and services</u>	<u>Functions</u>
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs), side-by-sides (SxS) and relevant parts	Research and development Manufacturing Sales and related services
Automobile Business	Automobiles and relevant parts	Research and development Manufacturing Sales and related services
Financial Services Business	Financial services	Retail loan and lease related to Honda products Others
Life Creation and Other Businesses	Power products and relevant parts, and others	Research and development Manufacturing Sales and related services Others

(a) Segment Information

Segment information as of and for the years ended March 31, 2020, 2021 and 2022 is as follows:

As of and for the year ended March 31, 2020

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥2,059,335	¥ 9,959,080	¥ 2,586,965	¥325,629	¥14,931,009	¥ —	¥14,931,009
Intersegment	—	235,558	13,972	25,025	274,555	(274,555)	—
Total	<u>2,059,335</u>	<u>10,194,638</u>	<u>2,600,937</u>	<u>350,654</u>	<u>15,205,564</u>	<u>(274,555)</u>	<u>14,931,009</u>
Segment profit (loss)	<u>¥ 285,668</u>	<u>¥ 153,323</u>	<u>¥ 219,704</u>	<u>¥ (25,058)</u>	<u>¥ 633,637</u>	<u>¥ —</u>	<u>¥ 633,637</u>
Share of profit of investments accounted for using the equity method	¥ 34,526	¥ 129,114	¥ —	¥ 563	¥ 164,203	¥ —	¥ 164,203
Segment assets	1,483,888	7,821,499	10,282,136	354,472	19,941,995	519,470	20,461,465
Investments accounted for using the equity method	83,144	566,582	—	5,749	655,475	—	655,475
Depreciation and amortization	67,512	555,153	823,996	14,742	1,461,403	—	1,461,403
Capital expenditures	93,871	498,260	2,248,597	17,611	2,858,339	—	2,858,339
Impairment losses on non-financial assets	345	57,817	36,039	15	94,216	—	94,216
Provision (reversal) for credit and lease residual losses on receivables from financial services	—	—	56,894	—	56,894	—	56,894

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

As of and for the year ended March 31, 2021

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥1,787,283	¥8,567,205	¥ 2,494,294	¥321,737	¥13,170,519	¥ —	¥13,170,519
Intersegment	—	212,144	12,494	20,107	244,745	(244,745)	—
Total	<u>1,787,283</u>	<u>8,779,349</u>	<u>2,506,788</u>	<u>341,844</u>	<u>13,415,264</u>	<u>(244,745)</u>	<u>13,170,519</u>
Segment profit (loss)	<u>¥ 224,608</u>	<u>¥ 90,255</u>	<u>¥ 356,980</u>	<u>¥ (11,635)</u>	<u>¥ 660,208</u>	<u>¥ —</u>	<u>¥ 660,208</u>
Share of profit of investments accounted for							
using the equity method	¥ 18,164	¥ 254,079	¥ —	¥ 491	¥ 272,734	¥ —	¥ 272,734
Segment assets	1,555,057	8,643,109	10,832,645	374,169	21,404,980	516,050	21,921,030
Investments accounted for using the equity							
method	88,476	796,036	—	6,490	891,002	—	891,002
Depreciation and amortization	68,258	515,241	825,975	15,644	1,425,118	—	1,425,118
Capital expenditures	48,800	500,431	2,006,264	11,609	2,567,104	—	2,567,104
Impairment losses on non-financial assets	726	19,999	(16,319)	357	4,763	—	4,763
Provision (reversal) for credit and lease							
residual losses on receivables from							
financial services	—	—	(5,038)	—	(5,038)	—	(5,038)

As of and for the year ended March 31, 2022

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥2,185,253	¥9,147,498	¥ 2,820,667	¥399,278	¥14,552,696	¥ —	¥14,552,696
Intersegment	—	213,095	2,656	22,480	238,231	(238,231)	—
Total	<u>2,185,253</u>	<u>9,360,593</u>	<u>2,823,323</u>	<u>421,758</u>	<u>14,790,927</u>	<u>(238,231)</u>	<u>14,552,696</u>
Segment profit (loss)	<u>¥ 311,492</u>	<u>¥ 236,207</u>	<u>¥ 333,032</u>	<u>¥ (9,499)</u>	<u>¥ 871,232</u>	<u>¥ —</u>	<u>¥ 871,232</u>
Share of profit of investments accounted for							
using the equity method	¥ 33,510	¥ 168,415	¥ —	¥ 587	¥ 202,512	¥ —	¥ 202,512
Segment assets	1,448,926	9,563,553	11,318,756	475,124	22,806,359	1,166,794	23,973,153
Investments accounted for using the equity							
method	104,535	855,309	—	7,560	967,404	—	967,404
Depreciation and amortization	65,423	510,755	883,712	17,018	1,476,908	—	1,476,908
Capital expenditures	49,203	410,169	2,028,700	15,748	2,503,820	—	2,503,820
Impairment losses on non-financial assets	(23)	13,097	1,874	276	15,224	—	15,224
Provision (reversal) for credit and lease							
residual losses on receivables from							
financial services	—	—	9,282	—	9,282	—	9,282

Explanatory notes:

1. Segment profit (loss) of each segment is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable.
2. Segment assets of each segment are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

3. Intersegment sales revenues are generally made at values that approximate arm's-length prices.
4. Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2020, 2021 and 2022 amounted to ¥787,022 million, ¥696,327 million and ¥1,319,995 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.
5. Provisions for product warranties accrued for the years ended March 31, 2020, 2021 and 2022 are ¥212,275 million, ¥272,076 million and ¥118,378 million, respectively. These are mainly included in Automobile business.
6. The amounts of write-down of inventories recognized as an expense for the years ended March 31, 2020, 2021 and 2022 are ¥37,752 million, ¥28,420 million and ¥11,295 million respectively. These are related to Automobile business and aircraft and aircraft engines, which are included in Life creation and other businesses.
7. Right-of-use assets are not included in Capital expenditures.

(b) Product or Service Groups Information

Sales revenue by product or service groups of Honda for the years ended March 31, 2020, 2021 and 2022 is as follows:

	Yen (millions)		
	2020	2021	2022
Motorcycles and relevant parts	¥ 1,921,065	¥ 1,658,871	¥ 2,066,557
All-terrain vehicles (ATVs), side-by-sides (SxS) and relevant parts . .	138,270	128,412	118,696
Automobiles and relevant parts	11,199,477	9,746,374	10,582,764
Financial services	1,346,568	1,315,125	1,385,401
Power products and relevant parts	243,251	257,237	294,577
Others	82,378	64,500	104,701
Total	¥14,931,009	¥13,170,519	¥ 14,552,696

(c) Geographical Information

The sales revenue and carrying amounts of non-current assets other than financial instruments, deferred tax assets and net defined benefit assets based on the location of the Company and its subsidiaries as of and for the years ended March 31, 2020, 2021 and 2022 are as follows:

As of and for the year ended March 31, 2020

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥2,307,523	¥7,091,136	¥5,532,350	¥14,931,009
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,003,416	¥4,007,268	¥1,573,982	¥ 8,584,666

As of and for the year ended March 31, 2021

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥2,190,797	¥6,291,857	¥4,687,865	¥13,170,519
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,050,270	¥4,242,405	¥1,641,793	¥ 8,934,468

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

As of and for the year ended March 31, 2022

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥2,354,532	¥6,728,800	¥5,469,364	¥14,552,696
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,036,832	¥4,490,562	¥1,768,697	¥ 9,296,091

(d) Supplemental Geographical Information

In addition to the disclosure required by IFRS, Honda provides the following supplemental information for the financial statements users:

Supplemental geographical information based on the location of the Company and its subsidiaries

As of and for the year ended March 31, 2020

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers	¥2,307,523	¥ 8,167,345	¥561,856	¥3,207,470	¥686,815	¥14,931,009	¥ —	¥14,931,009
Inter-geographic areas	2,115,411	389,474	210,713	652,231	6,825	3,374,654	(3,374,654)	—
Total	4,422,934	8,556,819	772,569	3,859,701	693,640	18,305,663	(3,374,654)	14,931,009
Operating profit (loss)	¥ (28,162)	¥ 305,315	¥ 14,996	¥ 319,565	¥ 37,289	¥ 649,003	¥ (15,366)	¥ 633,637
Assets	¥4,889,920	¥11,375,801	¥689,158	¥2,851,027	¥518,445	¥20,324,351	¥ 137,114	¥20,461,465
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,003,416	¥ 4,755,072	¥ 58,735	¥ 658,397	¥109,046	¥ 8,584,666	¥ —	¥ 8,584,666

As of and for the year ended March 31, 2021

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers	¥2,190,797	¥ 7,081,264	¥503,549	¥2,966,814	¥428,095	¥13,170,519	¥ —	¥13,170,519
Inter-geographic areas	1,677,038	399,573	178,300	491,965	6,400	2,753,276	(2,753,276)	—
Total	3,867,835	7,480,837	681,849	3,458,779	434,495	15,923,795	(2,753,276)	13,170,519
Operating profit (loss)	¥ (75,935)	¥ 455,888	¥ 27,460	¥ 251,886	¥ (5,034)	¥ 654,265	¥ 5,943	¥ 660,208
Assets	¥5,295,475	¥12,209,455	¥677,066	¥3,267,417	¥482,918	¥21,932,331	¥ (11,301)	¥21,921,030
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,050,270	¥ 5,039,085	¥ 60,790	¥ 666,795	¥117,528	¥ 8,934,468	¥ —	¥ 8,934,468

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

As of and for the year ended March 31, 2022

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers	¥2,354,532	¥ 7,618,932	¥602,695	¥3,393,323	¥583,214	¥14,552,696	¥ —	¥14,552,696
Inter-geographic areas	2,004,754	471,255	98,516	662,124	9,925	3,246,574	(3,246,574)	—
Total	4,359,286	8,090,187	701,211	4,055,447	593,139	17,799,270	(3,246,574)	14,552,696
Operating profit (loss)	¥ 6,411	¥ 501,073	¥ 26,681	¥ 339,129	¥ 22,899	¥ 896,193	¥ (24,961)	¥ 871,232
Assets	¥5,318,033	¥12,983,779	¥597,473	¥3,803,877	¥619,998	¥23,323,160	¥ 649,993	¥23,973,153
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,036,832	¥ 5,334,121	¥ 49,129	¥ 706,562	¥169,447	¥ 9,296,091	¥ —	¥ 9,296,091

Explanatory notes:

1. Major countries in each geographic area:

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

2. Operating profit (loss) of each geographical region is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs.
3. Assets of each geographical region are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets.
4. Sales revenues between geographic areas are generally made at values that approximate arm's-length prices.
5. Reconciling items include elimination of inter-geographic transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2020, 2021 and 2022 amounted to ¥787,022 million, ¥696,327 million and ¥1,319,995 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

(5) Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Cash and deposits	¥2,037,392	¥2,654,447
Cash equivalents	720,628	1,020,484
Total	¥2,758,020	¥3,674,931

Cash equivalents held by Honda mainly consist of money market funds and certificates of deposit.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(6) Trade Receivables

Trade receivables are classified as financial assets measured at amortized cost.

Trade receivables as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Trade accounts and notes receivable	¥ 689,347	¥ 793,022
Other	122,988	112,591
Allowance for impairment losses	(10,521)	(8,845)
Total	<u>¥ 801,814</u>	<u>¥ 896,768</u>

The changes in the allowance for impairment losses on trade receivables for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Balance at beginning of year	¥12,555	¥11,302	¥10,521
Remeasurement	¥ 589	¥ 516	¥ 260
Write-offs	(971)	(1,312)	(2,648)
Exchange differences on translating foreign operations	(871)	15	712
Balance at end of year	<u>¥11,302</u>	<u>¥10,521</u>	<u>¥ 8,845</u>

(7) Receivables from Financial Services

The finance subsidiaries of the Company provide various financial services to customers and dealers in order to support the sale of products. These receivables from financial services are categorized as follows:

Consumer finance receivables:

Retail receivables primarily consist of receivables from installment contracts with customers.

Finance lease receivables primarily consist of receivables from non-cancelable auto leases with customers.

Dealer finance receivables:

Wholesale receivables primarily consist of financing receivables from dealers for the purchase of inventories and dealer loans.

Receivables from financial services are mainly classified into financial assets measured at amortized cost.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Receivables from financial services as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Consumer finance receivables:		
Retail	¥4,847,906	¥5,054,428
Finance lease	126,766	145,932
Dealer finance receivables:		
Wholesale	486,138	284,506
Subtotal	¥5,460,810	¥5,484,866
Allowance for credit losses	¥ (37,366)	¥ (39,063)
Unearned interest income and fees	(8,894)	(11,307)
Total	¥5,414,550	¥5,434,496
Current assets	¥1,794,654	¥1,694,113
Non-current assets	3,619,896	3,740,383
Total	¥5,414,550	¥5,434,496

Finance lease receivables

The lease payments receivable under the finance leases by maturity as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Within 1 year	¥ 22,339	¥ 25,066
Between 1 and 2 years	22,566	25,569
Between 2 and 3 years	10,861	13,192
Between 3 and 4 years	5,297	9,335
Between 4 and 5 years	1,289	2,153
Later than 5 years	94	1,827
Undiscounted lease payments receivable	¥ 62,446	¥ 77,142
Unearned finance income	¥ (3,829)	¥ (4,603)
Unguaranteed residual value	¥ 59,255	¥ 62,086
Net investment in the lease	¥ 117,872	¥ 134,625

For the nature of the lessor's leasing activities and the risk management strategy, see note 3(i) and (j).

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Allowance for credit losses

The changes in the allowance for credit losses on receivables from financial services for the years ended March 31, 2020, 2021 and 2022 are as follows:

For the years ended March 31, 2020, 2021 and 2022

	Yen (millions)			
	Lifetime ECL			Total
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
Retail:				
Balance as of April 1, 2019	¥22,612	¥ 10,407	¥ 6,741	¥ 39,760
Remeasurement	¥ 5,547	¥ 16,637	¥ 32,649	¥ 54,833
Write-offs	—	—	(31,436)	(31,436)
Exchange differences on translating foreign operations	(1,504)	(412)	(1,000)	(2,916)
Balance as of March 31, 2020	¥26,655	¥ 26,632	¥ 6,954	¥ 60,241
Remeasurement	¥(3,286)	¥(20,319)	¥ 18,827	¥ (4,778)
Write-offs	—	—	(20,733)	(20,733)
Exchange differences on translating foreign operations	111	(390)	(165)	(444)
Balance as of March 31, 2021	¥23,480	¥ 5,923	¥ 4,883	¥ 34,286
Remeasurement	¥(2,513)	¥ (925)	¥ 13,701	¥ 10,263
Write-offs	—	—	(12,256)	(12,256)
Exchange differences on translating foreign operations	2,822	516	1,136	4,474
Balance as of March 31, 2022	¥23,789	¥ 5,514	¥ 7,464	¥ 36,767
Finance lease:				
Balance as of April 1, 2019	¥ 534	¥ 72	¥ 124	¥ 730
Remeasurement	¥ (15)	¥ 29	¥ 128	¥ 142
Write-offs	—	—	(130)	(130)
Exchange differences on translating foreign operations	(38)	(5)	(9)	(52)
Balance as of March 31, 2020	¥ 481	¥ 96	¥ 113	¥ 690
Remeasurement	¥ (65)	¥ 71	¥ 136	¥ 142
Write-offs	—	—	(107)	(107)
Exchange differences on translating foreign operations	54	17	17	88
Balance as of March 31, 2021	¥ 470	¥ 184	¥ 159	¥ 813
Remeasurement	¥ (339)	¥ (98)	¥ 182	¥ (255)
Write-offs	—	—	(97)	(97)
Exchange differences on translating foreign operations	8	6	12	26
Balance as of March 31, 2022	¥ 139	¥ 92	¥ 256	¥ 487

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

	Yen (millions)			
	Lifetime ECL			
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	Total
Wholesale:				
Balance as of April 1, 2019	¥ 1,419	¥ 329	¥ 965	¥ 2,713
Remeasurement	¥ 127	¥ 2	¥ 1,776	¥ 1,905
Write-offs	—	—	(1,784)	(1,784)
Exchange differences on translating foreign operations	(109)	(13)	(175)	(297)
Balance as of March 31, 2020	¥ 1,437	¥ 318	¥ 782	¥ 2,537
Remeasurement	¥ 160	¥ (270)	¥ (292)	¥ (402)
Write-offs	—	—	18	18
Exchange differences on translating foreign operations	144	14	(44)	114
Balance as of March 31, 2021	¥ 1,741	¥ 62	¥ 464	¥ 2,267
Remeasurement	¥ (649)	¥ (46)	¥ (31)	¥ (726)
Write-offs	—	—	30	30
Exchange differences on translating foreign operations	84	1	153	238
Balance as of March 31, 2022	¥ 1,176	¥ 17	¥ 616	¥ 1,809
Total:				
Balance as of April 1, 2019	¥24,565	¥ 10,808	¥ 7,830	¥ 43,203
Remeasurement	¥ 5,659	¥ 16,668	¥ 34,553	¥ 56,880
Write-offs	—	—	(33,350)	(33,350)
Exchange differences on translating foreign operations	(1,651)	(430)	(1,184)	(3,265)
Balance as of March 31, 2020	¥28,573	¥ 27,046	¥ 7,849	¥ 63,468
Remeasurement	¥(3,191)	¥(20,518)	¥ 18,671	¥ (5,038)
Write-offs	—	—	(20,822)	(20,822)
Exchange differences on translating foreign operations	309	(359)	(192)	(242)
Balance as of March 31, 2021	¥25,691	¥ 6,169	¥ 5,506	¥ 37,366
Remeasurement	¥(3,501)	¥ (1,069)	¥ 13,852	¥ 9,282
Write-offs	—	—	(12,323)	(12,323)
Exchange differences on translating foreign operations	2,914	523	1,301	4,738
Balance as of March 31, 2022	¥25,104	¥ 5,623	¥ 8,336	¥ 39,063

For more information on allowance for credit losses, see note 25(c).

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(8) Other Financial Assets

Other financial assets as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Financial assets measured at amortized cost:		
Receivables other than trade receivables and receivables from financial services . .	¥147,472	¥ 166,936
Debt securities	173,302	79,176
Guaranty deposits	12,006	11,499
Restricted cash	49,166	53,290
Other	13,612	4,352
Allowance for impairment losses	(3,358)	(3,212)
Financial assets measured at fair value through other comprehensive income:		
Debt securities	10,134	19,984
Equity securities	344,205	468,783
Financial assets measured at fair value through profit or loss:		
Derivatives	108,978	134,338
Debt securities	68,323	102,251
Total	<u>¥923,840</u>	<u>¥1,037,397</u>
Current assets	¥295,307	¥ 217,743
Non-current assets	628,533	819,654
Total	<u>¥923,840</u>	<u>¥1,037,397</u>

The changes in the allowance for impairment losses on other financial assets for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Balance at beginning of year	¥ 4,233	¥3,364	¥3,358
Remeasurement	¥ 600	¥ 792	¥ 42
Write-offs	(1,463)	(805)	(191)
Exchange differences on translating foreign operations	(6)	7	3
Balance at end of year	<u>¥ 3,364</u>	<u>¥3,358</u>	<u>¥3,212</u>

The allowance for impairment losses on other financial assets for the years ended March 31, 2020, 2021 and 2022 are mainly for credit-impaired financial assets.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Major securities included in the equity securities designated as financial assets measured at fair value through other comprehensive income as of March 31, 2021 and 2022 are as follows:

As of March 31, 2021

	<u>Yen (millions)</u>
	<u>Fair value</u>
Contemporary Amperex Technology Co., Ltd.	¥124,782
GM Cruise Holdings LLC	94,324
Stanley Electric Co., Ltd.	30,431
Mitsubishi UFJ Financial Group, Inc.	8,581
Daido Steel Co., Ltd.	6,670
Tokio Marine Holdings, Inc.	5,753

As of March 31, 2022

	<u>Yen (millions)</u>
	<u>Fair value</u>
Contemporary Amperex Technology Co., Ltd.	¥226,938
GM Cruise Holdings LLC	105,916
Stanley Electric Co., Ltd.	21,463
Mitsubishi UFJ Financial Group, Inc.	11,026
SES AI Corporation	8,307
Tokio Marine Holdings, Inc.	7,789

(9) Inventories

Inventories as of March 31, 2021 and 2022 consist of the following:

	<u>Yen (millions)</u>	
	<u>2021</u>	<u>2022</u>
Finished goods	¥ 784,544	¥ 907,872
Work in process	71,853	90,871
Raw materials	689,203	919,805
Total	<u>¥1,545,600</u>	<u>¥1,918,548</u>

The amounts of write-down of inventories recognized as an expense for the years ended March 31, 2020, 2021 and 2022 are ¥37,752 million, ¥28,420 million and ¥11,295 million, respectively.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(10) Investments accounted for using the equity method

Honda's equity in affiliates and joint ventures as of March 31, 2021 and 2022 is as follows:

	Yen (millions)	
	2021	2022
Investments accounted for using the equity method:		
Affiliates	¥ 537,702	¥ 544,563
Joint ventures	353,300	422,841
Total	<u>¥ 891,002</u>	<u>¥ 967,404</u>
Honda's equity of undistributed earnings:		
Affiliates	¥ 198,432	¥ 177,231
Joint ventures	262,599	279,288
Total	<u>¥ 461,031</u>	<u>¥ 456,519</u>

Honda's share of comprehensive income of affiliates and joint ventures for the years ended March 31, 2020, 2021 and 2022 is as follows:

	Yen (millions)		
	2020	2021	2022
Profit for the year:			
Affiliates	¥ (434)	¥ 53,511	¥ (17,844)
Joint ventures	164,637	219,223	220,356
Total	<u>¥ 164,203</u>	<u>¥ 272,734</u>	<u>¥ 202,512</u>
Other comprehensive income:			
Affiliates	¥ (5,758)	¥ (1,197)	¥ 26,673
Joint ventures	(26,185)	33,457	52,560
Total	<u>¥ (31,943)</u>	<u>¥ 32,260</u>	<u>¥ 79,233</u>
Comprehensive income for the year:			
Affiliates	¥ (6,192)	¥ 52,314	¥ 8,829
Joint ventures	138,452	252,680	272,916
Total	<u>¥ 132,260</u>	<u>¥ 304,994</u>	<u>¥ 281,745</u>

Investments accounted for using the equity method, Honda's equity of undistributed earnings, profit for the year, other comprehensive income and comprehensive income for the year items include a joint venture that is material to the Company.

(Material joint venture)

Dongfeng Honda Automobile Co., Ltd. is a joint venture that is material to the Company. Dongfeng Honda Automobile Co., Ltd., located in Wuhan City, China, manufactures and sells automobile products. Honda and Dongfeng Motor Corporation each holds 50% equity stake in Dongfeng Honda Automobile Co., Ltd.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Summarized consolidated financial information of Dongfeng Honda Automobile Co., Ltd. as of March 31, 2021 and 2022 is as follows:

	Yen (millions)	
	2021	2022
Current assets	¥ 687,417	¥ 747,397
Non-current assets	238,507	252,219
Total assets	<u>925,924</u>	<u>999,616</u>
Current liabilities	608,408	610,379
Non-current liabilities	32,860	34,182
Total liabilities	<u>641,268</u>	<u>644,561</u>
Total equity	<u>¥ 284,657</u>	<u>¥ 355,055</u>
Honda's share of total equity (50%)	142,328	177,527
Equity method adjustments	(1,212)	(697)
Carrying amount of its interest in the joint venture	<u>¥ 141,116</u>	<u>¥ 176,830</u>
Cash and cash equivalents included in current assets	¥ 332,031	¥ 301,839
Financial liabilities (excluding trade payables and provisions) included in current liabilities	5,363	6,168

Summarized consolidated financial information of Dongfeng Honda Automobile Co., Ltd. for the years ended March 31, 2020, 2021 and 2022 is as follows:

	Yen (millions)		
	2020	2021	2022
Sales revenue	¥1,516,160	¥2,201,051	¥1,994,534
Interest income	8,019	9,412	10,653
Depreciation and amortization	18,870	23,055	25,996
Income tax expense	48,622	65,102	60,868
Profit for the year	130,327	197,217	182,989
Other comprehensive income	(21,100)	25,462	44,812
Comprehensive income for the year	<u>¥ 109,227</u>	<u>¥ 222,679</u>	<u>¥ 227,801</u>
Comprehensive income for the year (50%)	54,614	111,340	113,901
Equity method adjustments	53	53	607
Honda's share of comprehensive income for the year	<u>¥ 54,667</u>	<u>¥ 111,393</u>	<u>¥ 114,508</u>
Dividend from the joint venture to Honda	¥ 72,760	¥ 102,767	¥ 79,191

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Combined financial information in respect of affiliates as of March 31, 2021 and 2022, and for the years ended March 31, 2020, 2021 and 2022 is as follows:

	Yen (millions)			
	Motorcycle Business	Automobile Business	Life Creation and Other Businesses	Total
For the year ended March 31, 2020				
Sales revenue	¥160,557	¥2,505,819	¥ 7,342	¥2,673,718
Profit for the year	8,094	69,339	914	78,347

	Yen (millions)			
	Motorcycle Business	Automobile Business	Life Creation and Other Businesses	Total
As of and for the year ended March 31, 2021				
Current assets	¥ 54,369	¥1,458,252	¥11,813	¥1,524,434
Non-current assets	27,677	1,952,423	21,709	2,001,809
Total assets	82,046	3,410,675	33,522	3,526,243
Current liabilities	25,399	1,015,374	3,140	1,043,913
Non-current liabilities	3,167	616,924	1,180	621,271
Total liabilities	28,566	1,632,298	4,320	1,665,184
Total equity	¥ 53,480	¥1,778,377	¥29,202	¥1,861,059
Sales revenue	¥122,605	¥1,933,675	¥ 6,331	¥2,062,611
Profit for the year	2,552	2,593	843	5,988

	Yen (millions)			
	Motorcycle Business	Automobile Business	Life Creation and Other Businesses	Total
As of and for the year ended March 31, 2022				
Current assets	¥ 64,324	¥1,542,414	¥14,313	¥1,621,051
Non-current assets	28,330	2,030,822	22,928	2,082,080
Total assets	92,654	3,573,236	37,241	3,703,131
Current liabilities	25,819	1,013,738	3,768	1,043,325
Non-current liabilities	5,003	583,308	1,065	589,376
Total liabilities	30,822	1,597,046	4,833	1,632,701
Total equity	¥ 61,832	¥1,976,190	¥32,408	¥2,070,430
Sales revenue	¥173,696	¥3,120,190	¥ 7,146	¥3,301,032
Profit for the year	7,233	73,169	996	81,398

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Combined financial information in respect of joint ventures as of March 31, 2021 and 2022, and for the years ended March 31, 2020, 2021 and 2022 is as follows:

	Yen (millions)			
	Motorcycle Business	Automobile Business	Life Creation and Other Businesses	Total
For the year ended March 31, 2020				
Sales revenue	¥791,250	¥3,483,024	¥ 6,413	¥4,280,687
Profit for the year	63,819	264,216	568	328,603
As of and for the year ended March 31, 2021				
Current assets	¥221,524	¥1,548,875	¥ 4,120	¥1,774,519
Non-current assets	120,238	423,270	704	544,212
Total assets	<u>341,762</u>	<u>1,972,145</u>	<u>4,824</u>	<u>2,318,731</u>
Current liabilities	191,565	1,334,240	1,305	1,527,110
Non-current liabilities	17,035	61,312	879	79,226
Total liabilities	<u>208,600</u>	<u>1,395,552</u>	<u>2,184</u>	<u>1,606,336</u>
Total equity	<u>¥133,162</u>	<u>¥ 576,593</u>	<u>¥ 2,640</u>	<u>¥ 712,395</u>
Sales revenue	¥543,504	¥4,839,927	¥ 3,443	¥5,386,874
Profit for the year	33,115	403,088	174	436,377
As of and for the year ended March 31, 2022				
Current assets	¥272,962	¥1,810,581	¥ 4,771	¥2,088,314
Non-current assets	130,271	479,707	909	610,887
Total assets	<u>403,233</u>	<u>2,290,288</u>	<u>5,680</u>	<u>2,699,201</u>
Current liabilities	227,215	1,513,623	1,704	1,742,542
Non-current liabilities	17,769	70,675	665	89,109
Total liabilities	<u>244,984</u>	<u>1,584,298</u>	<u>2,369</u>	<u>1,831,651</u>
Total equity	<u>¥158,249</u>	<u>¥ 705,990</u>	<u>¥ 3,311</u>	<u>¥ 867,550</u>
Sales revenue	¥811,764	¥4,612,394	¥ 3,940	¥5,428,098
Profit for the year	62,907	375,642	363	438,912

The amounts of a joint venture that is material to the Company are included in above.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(Management Integration)

Through tender offers (the “Tender Offers”) targeting our former affiliates accounted for using the equity method which were Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. (collectively, the “Target Companies”) conducted by Honda from September 2, 2020 to October 15, 2020 and the subsequent procedures for demand for sale of shares pursuant to the provisions of Article 179 of the Company Law of Japan, Honda has obtained all of the common shares of the Target Companies (excluding the common shares of the Target Companies owned by Honda and treasury shares owned by the Target Companies) for the year ended March 31, 2021.

In accordance with the basic contract agreed between Hitachi, Ltd., Hitachi Automotive Systems, Ltd. (“Hitachi Automotive Systems”) which is a consolidated subsidiary of Hitachi, Ltd., the Target Companies and Honda on October 30, 2019 to conduct a management integration, agreements of absorption-type merger in which Hitachi Automotive Systems will be the surviving company, and the Target Companies will be the disappearing companies (the “Absorption-type Merger”) were respectively concluded between each of the Target Companies and Hitachi Automotive Systems on November 18, 2020.

In the Absorption-type Merger, common shares of the surviving company after the Absorption-type Merger (the “Integrated Company”) were allotted to Honda as the consideration for the merger, in a merger ratio where the number of voting rights of the Integrated Company held by Honda will account for 33.4% of the number of voting rights held by all shareholders of the Integrated Company. On January 1, 2021, the effective date of Absorption-type Merger, the Integrated Company became our affiliate accounted for using the equity method. As of the same date, the Integrated Company changed its name to “Hitachi Astemo, Ltd.”

Prior to the effective date of the Absorption-type Merger, in order to have the ratio of the total share value of the Target Companies to Hitachi Automotive Systems’ share value correspond to the above merger ratio, the share values of the Target Companies had been adjusted through acquisitions of treasury shares by the Target Companies.

For the year ended March 31, 2021, upon the successful completion of the Tender Offers for the Target Companies, the Company recognized reversal of impairment losses of ¥56,849 million which had been previously recognized on the investments in certain Target Companies accounted for using the equity method, based on quoted market values which had increased since the announcement of the Tender Offers. The reversal of impairment losses is included in share of profit of investments accounted for using the equity method in the consolidated statements of income and mainly included in the Automobile business segment. For the year ended March 31, 2020 and 2022, the Company did not recognize any significant reversal of impairment losses.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(11) Equipment on Operating Leases

Equipment on operating leases are mainly vehicles.

The changes in cost, accumulated depreciation and impairment losses, and the carrying amounts of equipment on operating leases for the years ended March 31, 2021 and 2022 are as follows:

(Cost)

	<u>Yen (millions)</u>
Balance as of April 1, 2020	¥ 5,903,574
Additions	¥ 2,001,898
Sales or disposal	(1,777,101)
Exchange differences on translating foreign operations	174,338
Other	—
Balance as of March 31, 2021	<u>¥ 6,302,709</u>
Additions	¥ 2,026,098
Sales or disposal	(2,171,117)
Exchange differences on translating foreign operations	509,447
Other	—
Balance as of March 31, 2022	<u><u>¥ 6,667,137</u></u>

(Accumulated depreciation and impairment losses)

	<u>Yen (millions)</u>
Balance as of April 1, 2020	¥(1,277,511)
Depreciation	¥ (821,963)
Sales or disposal	740,627
Exchange differences on translating foreign operations	(40,267)
Other	16,321
Balance as of March 31, 2021	<u>¥(1,382,793)</u>
Depreciation	¥ (879,196)
Sales or disposal	856,835
Exchange differences on translating foreign operations	(100,982)
Other	(1,872)
Balance as of March 31, 2022	<u><u>¥(1,508,008)</u></u>

(Carrying amount)

	<u>Yen (millions)</u>
Balance as of March 31, 2021	¥ 4,919,916
Balance as of March 31, 2022	5,159,129

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(Future lease payments)

Future lease payments expected to be received under the operating leases by maturity as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Within 1 year	¥ 818,025	¥ 824,769
Between 1 and 2 years	571,632	574,536
Between 2 and 3 years	271,863	240,437
Between 3 and 4 years	86,070	84,911
Between 4 and 5 years	25,488	27,796
Later than 5 years	554	—
Total	¥1,773,632	¥1,752,449

Future lease payments expected to be received as shown above should not necessarily be considered indicative of future cash collections.

(Lease income)

Operating leases income for the years ended March 31, 2021 and 2022 are ¥1,069,374 million and ¥1,134,898 million, respectively.

(12) Property, Plant and Equipment

The changes in cost, accumulated depreciation and impairment losses, and the carrying amounts of property, plant and equipment for the years ended March 31, 2021 and 2022 are as follows:

(Cost)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2020	¥ 615,687	¥ 2,468,194	¥5,441,813	¥ 222,273	¥ 8,747,967
Additions	8,534	28,538	79,952	273,057	390,081
Reclassification	1,305	50,529	233,463	(285,297)	—
Sales or disposal	(3,469)	(30,366)	(208,700)	—	(242,535)
Exchange differences on translating foreign operations . .	6,735	47,479	143,683	7,287	205,184
Other	(68)	(5,469)	(3,094)	(122)	(8,753)
Balance as of March 31, 2021	¥ 628,724	¥ 2,558,905	¥5,687,117	¥ 217,198	¥ 9,091,944
Additions	8,473	26,268	102,835	229,253	366,829
Reclassification	387	28,766	199,242	(228,395)	—
Sales or disposal	(4,151)	(33,722)	(275,348)	—	(313,221)
Exchange differences on translating foreign operations . .	11,585	123,536	429,662	21,124	585,907
Other	454	(5,487)	4,421	(1,606)	(2,218)
Balance as of March 31, 2022	¥ 645,472	¥ 2,698,266	¥6,147,929	¥ 237,574	¥ 9,729,241

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(Accumulated depreciation and impairment losses)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2020	¥ (10,517)	¥(1,394,982)	¥(4,288,929)	¥ (1,835)	¥(5,696,263)
Depreciation	(6,118)	(89,997)	(331,948)	—	(428,063)
Sales or disposal	2,031	16,569	181,325	—	199,925
Exchange differences on translating foreign operations . .	(263)	(27,643)	(113,736)	(154)	(141,796)
Other	(1,742)	(260)	(2,132)	(99)	(4,233)
Balance as of March 31, 2021	¥ (16,609)	¥(1,496,313)	¥(4,555,420)	¥ (2,088)	¥(6,070,430)
Depreciation	(7,087)	(88,928)	(342,254)	—	(438,269)
Sales or disposal	1,403	22,920	251,628	—	275,951
Exchange differences on translating foreign operations . .	(235)	(68,557)	(344,775)	(19)	(413,586)
Other	(391)	(2,324)	(1,889)	1,104	(3,500)
Balance as of March 31, 2022	¥ (22,919)	¥(1,633,202)	¥(4,992,710)	¥ (1,003)	¥(6,649,834)

(Carrying amount)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of March 31, 2021	¥ 612,115	¥ 1,062,592	¥ 1,131,697	¥ 215,110	¥ 3,021,514
Balance as of March 31, 2022	622,553	1,065,064	1,155,219	236,571	3,079,407

For commitments for purchases of property, plant and equipment, see note 28.

(Right-of-use Assets)

Property, plant and equipment in the consolidated statements of financial position include the right-of-use assets under lease arrangements, which are mainly included in Automobile business.

Honda leases mainly dealer's stores, company housing and parking lots, under arrangements that often contain extension and termination options. Since lease contracts are managed at each company and individually negotiated, the lease contracts include various terms. Extension and termination options are included mainly in order to enhance operational flexibility of each company.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The changes in the carrying amounts of the right-of-use assets for the years ended March 31, 2021 and 2022 are as follows:

	Yen (millions)			
	Land	Buildings and structures	Machinery and equipment	Total
Balance as of April 1, 2020	¥77,916	¥142,521	¥ 85,605	¥306,042
Additions	8,488	24,270	36,029	68,787
Depreciation	(6,118)	(12,997)	(43,088)	(62,203)
Other	257	(18,491)	938	(17,296)
Balance as of March 31, 2021	¥80,543	¥135,303	¥ 79,484	¥295,330
Additions	8,283	18,952	61,189	88,424
Depreciation	(7,087)	(15,882)	(45,326)	(68,295)
Other	(102)	(8,192)	535	(7,759)
Balance as of March 31, 2022	¥81,637	¥130,181	¥ 95,882	¥307,700

(13) Intangible Assets

The changes in cost, accumulated amortization and impairment losses, and carrying amounts of intangible assets for the years ended March 31, 2021 and 2022 are as follows:

(Cost)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2020	¥1,083,525	¥ 392,732	¥ 46,190	¥1,522,447
Additions	¥ —	¥ 19,233	¥ 11,236	¥ 30,469
Internally developed	201,889	11,554	—	213,443
Sales or disposal	(180,744)	(6,028)	(1,429)	(188,201)
Exchange differences on translating foreign operations	3,946	10,655	3,491	18,092
Other	—	1,076	1,417	2,493
Balance as of March 31, 2021	¥1,108,616	¥ 429,222	¥ 60,905	¥1,598,743
Additions	¥ —	¥ 8,597	¥ 11,235	¥ 19,832
Internally developed	159,174	20,311	—	179,485
Sales or disposal	(118,065)	(15,760)	(12,966)	(146,791)
Exchange differences on translating foreign operations	6,565	22,365	6,057	34,987
Other	—	(2,484)	(339)	(2,823)
Balance as of March 31, 2022	¥1,156,290	¥ 462,251	¥ 64,892	¥1,683,433

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(Accumulated amortization and impairment losses)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2020	¥ (456,333)	¥(293,356)	¥(12,324)	¥ (762,013)
Amortization	¥ (144,795)	¥ (29,646)	¥ (651)	¥ (175,092)
Sales or disposal	180,744	3,504	832	185,080
Exchange differences on translating foreign operations	(906)	(8,010)	(873)	(9,789)
Other	(15,923)	(1,596)	(647)	(18,166)
Balance as of March 31, 2021	¥ (437,213)	¥(329,104)	¥(13,663)	¥ (779,980)
Amortization	¥ (129,384)	¥ (29,290)	¥ (769)	¥ (159,443)
Sales or disposal	118,065	15,003	3,447	136,515
Exchange differences on translating foreign operations	(1,288)	(17,442)	(906)	(19,636)
Other	(12,821)	1,364	75	(11,382)
Balance as of March 31, 2022	¥ (462,641)	¥(359,469)	¥(11,816)	¥ (833,926)

(Carrying amount)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of March 31, 2021	¥ 671,403	¥ 100,118	¥ 47,242	¥ 818,763
Balance as of March 31, 2022	693,649	102,782	53,076	849,507

Amortization of capitalized development costs is included in research and development, and amortization of other intangible assets is included in cost of sales, selling, general and administrative, and research and development in the consolidated statements of income.

For commitments for purchases of intangible assets, see note 28.

(14) Trade Payables

Trade payables are classified as financial liabilities measured at amortized cost.

Trade payables as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Trade accounts and notes payable	¥ 943,833	¥ 1,047,623
Other	144,228	188,610
Total	¥ 1,088,061	¥ 1,236,233

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(15) Financing Liabilities

Financing liabilities are classified as financial liabilities measured at amortized cost.

Financing liabilities presented in current liabilities as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Current:		
Commercial paper	¥ 839,292	¥ 421,801
Loans	424,788	434,675
Asset-backed securities	35,267	50,067
Subtotal	<u>¥ 1,299,347</u>	<u>¥ 906,543</u>
Reclassification from non-current liabilities (Current portion)	<u>¥ 1,706,277</u>	<u>¥ 2,211,761</u>
Total	<u>¥ 3,005,624</u>	<u>¥ 3,118,304</u>

The weighted average interest rates for financing liabilities presented in current liabilities (excluding reclassification from non-current liabilities) as of March 31, 2021 and 2022 are as follows:

	2021	2022
Weighted average interest rate	0.50%	1.01%

Financing liabilities presented in non-current liabilities as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Non-current:		
Loans	¥ 1,028,836	¥ 1,026,769
Medium-term notes	3,701,153	3,996,486
Corporate bonds	657,068	1,035,379
Asset-backed securities	1,034,581	1,137,379
Subtotal	<u>¥ 6,421,638</u>	<u>¥ 7,196,013</u>
Reclassification to current liabilities (Current portion)	<u>¥(1,706,277)</u>	<u>¥(2,211,761)</u>
Total	<u>¥ 4,715,361</u>	<u>¥ 4,984,252</u>

The interest rate range and payment due date for financing liabilities presented in non-current liabilities (including reclassification to current liabilities) as of March 31, 2021 and 2022 are as follows:

	2021	2022
Loans	Interest rate: 0.07% - 11.00% Due: 2021 - 2046	Interest rate: 0.07% - 11.75% Due: 2022 - 2046
Medium-term notes	Interest rate: 0.33% - 3.80% Due: 2021 - 2031	Interest rate: 0.30% - 3.63% Due: 2022 - 2031
Corporate bonds	Interest rate: 0.01% - 1.17% Due: 2021 - 2027	Interest rate: 0.01% - 2.97% Due: 2022 - 2032
Asset-backed securities	Interest rate: 0.11% - 3.30% Due: 2021 - 2025	Interest rate: 0.11% - 3.30% Due: 2022 - 2025

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(Pledged assets)

Pledged assets for financing liabilities as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Trade receivables	¥ 19,789	¥ 15,298
Receivables from financial services	1,086,786	1,101,778
Equipment on operating leases	122,320	142,097
Property, plant and equipment	2,138	2,548
Total	¥1,231,033	¥1,261,721

Receivables from financial services and equipment on operating leases are pledged as collateral for liabilities related to asset-backed securities transactions. Other items are mainly pledged as collateral for secured bank loans.

As is customary in Japan, bank loans are extended under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank.

(Reconciliation of liabilities arising from financing activities)

The changes in liabilities arising from financing activities for the years ended March 31, 2020, 2021 and 2022 are as follows:

For the year ended March 31, 2020

	Yen (millions)							
	Balance as of April 1, 2019	Cash flows from financing activities	Cash flows from operating activities	Acquisitions	Non-cash changes			Balance as of March 31, 2020
					Changes in foreign currency exchange rates	Changes in fair value	Other	
Short-term financing liabilities . .	¥1,473,624	¥ (1,993)	¥ —	¥ —	¥ (42,424)	¥ —	¥ (4,540)	¥1,424,667
Long-term financing liabilities . .	5,857,496	362,131	—	—	(170,345)	—	(4,263)	6,045,019
Lease liabilities* ¹	334,540	(78,659)	—	78,923	(3,987)	—	(777)	330,040
Derivative financial liabilities (assets)* ²	24,577	(17,462)	(10,001)	—	(434)	14,935	—	11,615
Total	¥7,690,237	¥ 264,017	¥(10,001)	¥78,923	¥(217,190)	¥ 14,935	¥ (9,580)	¥7,811,341

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2021

	Yen (millions)							Balance as of March 31, 2021
	Balance as of April 1, 2020	Cash flows from financing activities	Cash flows from operating activities	Acquisitions	Non-cash changes			
					Changes in foreign currency exchange rates	Changes in fair value	Other	
Short-term financing liabilities ..	¥1,424,667	¥(179,512)	¥ —	¥ —	¥ 55,337	¥ —	¥ (1,145)	¥1,299,347
Long-term financing liabilities ..	6,045,019	149,807	—	—	222,565	—	4,247	6,421,638
Lease liabilities	330,040	(67,628)	—	67,716	4,346	—	(17,045)	317,429
Derivative financial liabilities (assets)*2	11,615	599	(5,446)	—	(1,705)	(38,946)	—	(33,883)
Total	¥7,811,341	¥ (96,734)	¥ (5,446)	¥67,716	¥ 280,543	¥(38,946)	¥(13,943)	¥8,004,531

For the year ended March 31, 2022

	Yen (millions)							Balance as of March 31, 2022
	Balance as of April 1, 2021	Cash flows from financing activities	Cash flows from operating activities	Acquisitions	Non-cash changes			
					Changes in foreign currency exchange rates	Changes in fair value	Other	
Short-term financing liabilities ..	¥1,299,347	¥(472,420)	¥ —	¥ —	¥ 78,863	¥ —	¥ 753	¥ 906,543
Long-term financing liabilities ..	6,421,638	238,060	—	—	526,822	—	9,493	7,196,013
Lease liabilities	317,429	(80,165)	—	84,413	6,096	—	(9,015)	318,758
Derivative financial liabilities (assets)*2	(33,883)	3,202	(1,296)	—	3,217	67,396	—	38,636
Total	¥8,004,531	¥(311,323)	¥ (1,296)	¥84,413	¥ 614,998	¥ 67,396	¥ 1,231	¥8,459,950

Explanatory notes:

- *1 Honda has adopted IFRS 16 with a date of initial application of April 1, 2019 and recognized additional lease liabilities of ¥272,232 million as of April 1, 2019.
- *2 Derivative financial liabilities (assets) are held by the Company and its finance subsidiaries to hedge foreign currency risk for principals and interests payment of long-term financing liabilities. The cash flows related to repayments of principals are included in cash flows from financing activities, while the cash flows related to interest paid are included in cash flows from operating activities.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(16) Other Financial Liabilities

Other financial liabilities as of March 31, 2021 and 2022 consist of the following:

	Yen (millions)	
	2021	2022
Financial liabilities measured at amortized cost	¥ 63,269	¥ 48,283
Financial liabilities measured at fair value through profit or loss:		
Derivatives	82,256	151,942
Lease liabilities	317,429	318,758
Total	<u>¥462,954</u>	<u>¥ 518,983</u>
Current liabilities	¥182,145	¥ 236,900
Non-current liabilities	280,809	282,083
Total	<u>¥462,954</u>	<u>¥ 518,983</u>

(17) Provisions

The components of and changes in provisions for the year ended March 31, 2022 are as follows:

	Yen (millions)		
	Product warranties*	Other	Total
Balance as of April 1, 2021	¥ 481,023	¥160,018	¥ 641,041
Provision	¥ 118,378	¥ 23,329	¥ 141,707
Write-offs	(172,754)	(88,823)	(261,577)
Reversal	(36,882)	(1,604)	(38,486)
Exchange differences on translating foreign operations	29,436	9,892	39,328
Balance as of March 31, 2022	<u>¥ 419,201</u>	<u>¥102,812</u>	<u>¥ 522,013</u>

Current liabilities and non-current liabilities of provisions as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Current liabilities	¥362,151	¥ 268,388
Non-current liabilities	278,890	253,625
Total	<u>¥641,041</u>	<u>¥ 522,013</u>

Explanatory note:

- * Honda recognizes provisions for product warranties to cover future product warranty expenses. Honda recognizes costs for general warranties on products Honda sells and for specific warranty programs, including product recalls. Honda recognizes general estimated warranty costs at the time products are sold to customers. Honda also recognizes specific estimated warranty program costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. These provisions are estimated based on historical warranty claim experience with consideration given to the expected level of future warranty costs as well as current information on repair costs. Provision for product warranties are utilized for expenditures based on the demand from customers and dealers.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(18) Employee Benefits

(a) Post-employment Benefits

Honda has various pension plans covering substantially all of their employees in Japan and certain employees in foreign countries. The Company and its Japanese subsidiaries provide plans similar to a cash balance pension plan or other defined benefit pension plans in accordance with the Defined-Benefit Corporate Pension Act of Japan. The Company and some of its subsidiaries have retirement pension benefit plans as well as lump-sum retirement benefit plans, in which the amount of benefits is basically determined based on the level of salary, service years, and other factors. In addition, certain consolidated subsidiaries in North America provide mainly health care and life insurance benefits to retired employees.

The Company's pension plans are administered by the Honda Pension Fund (the Fund) which is legally independent of the Company. The Director of the Fund has the fiduciary duty to comply with laws, the directives by the Minister of Health, Labour and Welfare, and the Director-Generals of Regional Bureaus of Health and Welfare made pursuant to those laws, and the by-laws of the Fund and the decisions made by the Board of Representatives of the Fund. The Company is required to make contributions to the Fund and obligated to make contributions in the amount stipulated by the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations.

Certain consolidated subsidiaries in North America amended their health care benefits which are provided to retired employees to eliminate certain plans and reduce the scope of the persons eligible for the benefits, and implemented a voluntary retirement opportunity program to streamline the workforce with the future of Honda's business for the year ended March 31, 2021. The plan amendment and the implementation of the voluntary retirement opportunity program resulted in recognition of the past service cost to profit or loss for the year ended March 31, 2021.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

1) Defined benefit obligations and plan assets

The changes in present value of defined benefit obligations and fair value of plan assets of the Company and certain of its consolidated subsidiaries for the years ended March 31, 2021 and 2022 are as follows:

	Yen (millions)			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Balance at beginning of year	¥1,357,044	¥1,143,911	¥1,305,054	¥1,104,894
Current service cost	35,751	27,158	35,045	22,351
Past service cost	—	9,941	—	—
Interest cost	7,530	29,445	8,360	29,822
Plan participants' contributions	—	3,764	—	3,657
Remeasurements:				
Changes in demographic assumptions	(30,860)	(11,669)	6,346	(777)
Changes in financial assumptions	(17,606)	51,885	(25,500)	(85,754)
Other	1,654	(7,040)	5,502	(3,603)
Benefits paid	(48,459)	(200,249)	(72,562)	(82,561)
Exchange differences on translating foreign operations	—	57,748	—	99,497
Balance at end of year	<u>¥1,305,054</u>	<u>¥1,104,894</u>	<u>¥1,262,245</u>	<u>¥1,087,526</u>
Fair value of plan assets:				
Balance at beginning of year	¥1,187,881	¥ 848,503	¥1,365,509	¥ 910,436
Interest income	6,645	22,458	8,865	24,981
Actual return on plan assets, excluding interest income	194,475	126,176	21,172	50,833
Employer contributions	21,770	49,487	20,484	17,404
Plan participants' contributions	—	3,764	—	3,657
Benefits paid	(45,262)	(200,249)	(60,754)	(82,561)
Exchange differences on translating foreign operations	—	60,297	—	88,300
Balance at end of year	<u>¥1,365,509</u>	<u>¥ 910,436</u>	<u>¥1,355,276</u>	<u>¥1,013,050</u>
Effects of asset ceiling	—	2,774	—	35,321
Net defined benefit liabilities (assets)	<u>¥ (60,455)</u>	<u>¥ 197,232</u>	<u>¥ (93,031)</u>	<u>¥ 109,797</u>

Retirement benefit assets included in net defined benefit liabilities (assets) as of March 31, 2021 and 2022 are ¥168,488 million and ¥216,604 million, respectively, which are presented in other non-current assets in the consolidated statements of financial position.

2) Fair value of plan assets

Honda's investment policies for the Japanese and foreign pension plan assets are designed to maximize total medium-to-long term returns that are available to provide future payments of pension benefits to eligible participants under accepted risks. Plan assets are invested in well-diversified Japanese and foreign individual

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

equity and debt securities using target asset allocations, consistent with accepted tolerance for risks. Honda sets target asset allocations for each asset category with future anticipated performance over medium-to-long term periods based on the expected returns, long-term risks and historical returns. Target asset allocations are adjusted as necessary when there are significant changes in the investment environment of plan assets.

The fair value of the Japanese and foreign pension plan assets by asset category as of March 31, 2021 and 2022 is as follows:

As of March 31, 2021

	Yen (millions)					
	Japanese plans			Foreign plans		
	Market price in active market			Market price in active market		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash and cash equivalents	¥ 17,708	¥ —	¥ 17,708	¥ 17,736	¥ —	¥ 17,736
Equity securities:						
Japan	37,137	28	37,165	11,099	—	11,099
United States	278,052	105	278,157	71,125	—	71,125
Other	285,412	239	285,651	41,302	—	41,302
Debt securities:						
Japan	63,856	—	63,856	—	343	343
United States	3,867	151,484	155,351	—	45,842	45,842
Other	168,460	64,850	233,310	—	8,697	8,697
Group annuity insurance:						
General accounts	—	38,822	38,822	—	—	—
Separate accounts	—	20,290	20,290	—	—	—
Pooled funds:						
Real estate funds	—	404	404	—	68,686	68,686
Private equity funds	—	—	—	—	148,038	148,038
Hedge funds	—	129,796	129,796	—	36,247	36,247
Commingled and other mutual funds	2,309	119,493	121,802	7,197	401,755	408,952
Other	112	(16,915)	(16,803)	541	51,828	52,369
Total	<u>¥856,913</u>	<u>¥508,596</u>	<u>¥1,365,509</u>	<u>¥149,000</u>	<u>¥761,436</u>	<u>¥ 910,436</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

As of March 31, 2022

	Yen (millions)					
	Japanese plans			Foreign plans		
	Market price in active market			Market price in active market		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash and cash equivalents	¥ 56,192	¥ —	¥ 56,192	¥ 15,147	¥ —	¥ 15,147
Equity securities:						
Japan	32,349	—	32,349	9,483	—	9,483
United States	260,424	58	260,482	72,349	—	72,349
Other	248,143	276	248,419	51,606	—	51,606
Debt securities:						
Japan	65,388	—	65,388	—	575	575
United States	2,795	150,494	153,289	—	81,155	81,155
Other	173,477	71,516	244,993	—	7,100	7,100
Group annuity insurance:						
General accounts	—	40,008	40,008	—	—	—
Separate accounts	—	22,317	22,317	—	—	—
Pooled funds:						
Real estate funds	—	402	402	—	87,540	87,540
Private equity funds	—	—	—	—	191,196	191,196
Hedge funds	—	145,474	145,474	—	34,341	34,341
Commingled and other mutual funds	1,798	129,080	130,878	4,732	425,668	430,400
Other	67	(44,982)	(44,915)	61	32,097	32,158
Total	¥840,633	¥514,643	¥1,355,276	¥153,378	¥859,672	¥1,013,050

3) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations as of March 31, 2021 and 2022 are as follows:

	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.7%	2.1 - 3.4%	0.8%	2.8 - 4.0%
Rate of salary increase	1.5%	2.0 - 3.1%	1.5%	2.0 - 3.6%

4) Sensitivity analysis

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate as of March 31, 2021 and 2022 are as follows:

	Yen (millions)			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease	¥ 99,814 increase	¥103,059 increase	¥ 93,079 increase	¥ 86,569 increase
0.5% increase	¥88,788 decrease	¥ 91,523 decrease	¥83,077 decrease	¥78,153 decrease

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

This sensitivity analysis shows changes in defined benefit obligations as of March 31, 2021 and 2022, as a result of changes in actuarial assumptions that the Company can reasonably assume. This analysis is based on provisional calculations, and thus actual results may differ from the analysis. In addition, changes in the rate of salary increase are not expected.

5) Cash flows

The amount of contributions to plan assets made by the Company and certain of its consolidated subsidiaries are determined based on various factors such as the level of salary and service years of employees, status of plan asset reserve, and actuarial calculations. In accordance with the provisions of the Defined Benefit Corporate Pension Act, the Honda Pension Fund also recalculates the amount of contributions every five years at the end of the reporting period as a base date, in an effort to ensure balanced finances in the future. The Company and certain of its consolidated subsidiaries may make contributions of a necessary amount if the amount of reserve falls below the minimum base amount.

The Company and certain of its consolidated subsidiaries expect to contribute ¥19,919 million to its Japanese pension plans and ¥21,057 million to its foreign pension plans in the year ending March 31, 2023.

The weighted average duration of defined benefit obligations as of March 31, 2021 and 2022 are as follows:

	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Weighted average duration of defined benefit obligations	14 years	17 years	14 years	14 years

(b) Personnel Expenses

Personnel expenses included in the consolidated statements of income for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Personnel expenses	¥1,605,553	¥1,470,748	¥1,502,364

Personnel expenses include salaries, bonuses, social security expenses and expenses relating to post-employment benefits.

(19) Equity

(a) Management of Capital

Honda makes investments in capital and research and development to improve corporate value through growth on a global basis. In order to meet these funding needs, Honda makes capital management through consideration of the balance between financing liabilities and equity.

Financing liabilities and equity of Honda as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Financing liabilities	¥7,720,985	¥ 8,102,556
Equity	9,372,839	10,772,546

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(b) Common Stock

The Company's total number of shares authorized and issued for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Shares		
	2020	2021	2022
Total number of authorized shares			
Balance at end of year			
Common shares, no par value	7,086,000,000	7,086,000,000	7,086,000,000
Total number of issued shares			
Balance at beginning of year	1,811,428,430	1,811,428,430	1,811,428,430
Changes during the year	—	—	—
Balance at end of year	1,811,428,430	1,811,428,430	1,811,428,430

All of the issued shares as of March 31, 2020, 2021 and 2022 have been paid in full.

(c) Capital Surplus and Retained Earnings

Capital surplus consists of surplus that is derived from equity transactions and not recorded in common stock, and its primary component is capital reserves. The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in common stock, and that the remaining shall be incorporated in capital reserves. Capital reserves may be incorporated in common stock upon approval of the General Meeting of Shareholders.

Retained earnings consist of legal reserves and accumulated earnings. The Companies Act of Japan provides that earnings in an amount equal to 10% of cash dividends from retained earnings shall be appropriated as a capital reserve or a legal reserve on the date of distribution of retained earnings until an aggregated amount of capital reserve and legal reserve equals 25% of common stock. Legal reserves may be used upon approval of the General Meeting of Shareholders. Certain foreign consolidated subsidiaries are also required to appropriate their earnings under the laws of respective countries.

(d) Treasury Stock

The total number of the Company's treasury stock held by Honda as of March 31, 2020, 2021 and 2022 is as follows:

	Shares		
	2020	2021	2022
Common shares	84,818,644	84,773,162	100,828,074

Under the Companies Act of Japan, the number of shares and total value of treasury stock acquisition may be determined, upon approval of the General Meeting of Shareholders, within the amount available for distribution. Furthermore, treasury stock may be acquired through market transactions or tender offers in accordance with the articles of incorporation within the conditions set forth in the Companies Act, upon approval of the Board of Directors.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(e) Other Components of Equity

The changes in other components of equity for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)			
	Remeasurements of defined benefit plans	Net changes in revaluation of financial assets measured at fair value through other comprehensive income	Exchange differences on translating foreign operations	Total
Balance as of April 1, 2019	¥ —	¥ 49,228	¥ 165,155	¥ 214,383
Adjustment during the year . . .	¥(102,230)	¥ (24,559)	¥(304,670)	¥(431,459)
Reclassification to retained earnings	102,230	207	—	102,437
Balance as of March 31, 2020	¥ —	¥ 24,876	¥(139,515)	¥(114,639)
Adjustment during the year . . .	¥ 239,801	¥ 69,876	¥ 247,655	¥ 557,332
Reclassification to retained earnings	(239,801)	(6,182)	—	(245,983)
Balance as of March 31, 2021	¥ —	¥ 88,570	¥ 108,140	¥ 196,710
Adjustment during the year . . .	¥ 117,489	¥ 58,863	¥ 736,578	¥ 912,930
Reclassification to retained earnings	(117,489)	(1,713)	—	(119,202)
Balance as of March 31, 2022	¥ —	¥145,720	¥ 844,718	¥ 990,438

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(f) Other Comprehensive Income

Each component of other comprehensive income and related tax effect including non-controlling interests for the years ended March 31, 2020, 2021 and 2022 are as follows:

For the year ended March 31, 2020

	Yen (millions)		
	Before-tax	Tax benefit (expense)	Net-of-tax
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year	¥(132,188)	¥ 29,205	¥(102,983)
Net changes	(132,188)	29,205	(102,983)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(33,565)	10,204	(23,361)
Net changes	(33,565)	10,204	(23,361)
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(1,735)	185	(1,550)
Net changes	(1,735)	185	(1,550)
Items that may be reclassified subsequently to profit or loss:			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	356	(47)	309
Reclassification to profit or loss	(31)	1	(30)
Net changes	325	(46)	279
Exchange differences on translating foreign operations:			
Amount incurred during the year	(292,590)	(176)	(292,766)
Reclassification to profit or loss	(611)	176	(435)
Net changes	(293,201)	—	(293,201)
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(31,054)	661	(30,393)
Reclassification to profit or loss	—	—	—
Net changes	(31,054)	661	(30,393)
Total other comprehensive income	¥(491,418)	¥ 40,209	¥(451,209)

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2021

	Yen (millions)		
	<u>Before-tax</u>	<u>Tax benefit (expense)</u>	<u>Net-of-tax</u>
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year	¥ 327,604	¥ (89,342)	¥ 238,262
Net changes	<u>327,604</u>	<u>(89,342)</u>	<u>238,262</u>
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	93,450	(25,847)	67,603
Net changes	<u>93,450</u>	<u>(25,847)</u>	<u>67,603</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	5,186	(276)	4,910
Net changes	<u>5,186</u>	<u>(276)</u>	<u>4,910</u>
Items that may be reclassified subsequently to profit or loss:			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(107)	1	(106)
Reclassification to profit or loss	82	(19)	63
Net changes	<u>(25)</u>	<u>(18)</u>	<u>(43)</u>
Exchange differences on translating foreign operations:			
Amount incurred during the year	239,097	—	239,097
Reclassification to profit or loss	—	—	—
Net changes	<u>239,097</u>	<u>—</u>	<u>239,097</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	27,046	377	27,423
Reclassification to profit or loss	(73)	—	(73)
Net changes	<u>26,973</u>	<u>377</u>	<u>27,350</u>
Total other comprehensive income	<u>¥ 692,285</u>	<u>¥(115,106)</u>	<u>¥ 577,179</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2022

	Yen (millions)		
	Before-tax	Tax benefit (expense)	Net-of-tax
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year	¥ 153,785	¥ (36,743)	¥ 117,042
Net changes	153,785	(36,743)	117,042
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	76,909	(18,274)	58,635
Net changes	76,909	(18,274)	58,635
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	1,862	(76)	1,786
Net changes	1,862	(76)	1,786
Items that may be reclassified subsequently to profit or loss:			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(915)	203	(712)
Reclassification to profit or loss	39	(9)	30
Net changes	(876)	194	(682)
Exchange differences on translating foreign operations:			
Amount incurred during the year	680,724	—	680,724
Reclassification to profit or loss	—	—	—
Net changes	680,724	—	680,724
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	79,484	(1,972)	77,512
Reclassification to profit or loss	(65)	—	(65)
Net changes	79,419	(1,972)	77,447
Total other comprehensive income	¥ 991,823	¥ (56,871)	¥ 934,952

The components of other comprehensive income included in non-controlling interests for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	¥ (753)	¥ 1,030	¥ 565
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	(73)	25	(136)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(18,924)	18,792	21,593
Total	¥ (19,750)	¥ 19,847	¥ 22,022

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(g) Dividends from Retained Earnings

The Company distributes retained earnings within the available amount calculated in accordance with the Companies Act of Japan. The amount of retained earnings available for distribution is calculated based on the amount of retained earnings recorded in the Company's non-consolidated accounting records prepared in accordance with accounting principles generally accepted in Japan.

The amounts recognized as dividends of retained earnings for the years ended March 31, 2020, 2021 and 2022 are as follows:

1) Dividend payout

For the year ended March 31, 2020

Resolution	The Board of Directors Meeting on May 8, 2019
Type of shares	Common shares
Total amount of dividends (millions of yen)	49,287
Dividend per share (yen)	28.00
Record date	March 31, 2019
Effective date	June 3, 2019
Resolution	The Board of Directors Meeting on August 2, 2019
Type of shares	Common shares
Total amount of dividends (millions of yen)	49,287
Dividend per share (yen)	28.00
Record date	June 30, 2019
Effective date	August 30, 2019
Resolution	The Board of Directors Meeting on November 8, 2019
Type of shares	Common shares
Total amount of dividends (millions of yen)	49,287
Dividend per share (yen)	28.00
Record date	September 30, 2019
Effective date	November 29, 2019
Resolution	The Board of Directors Meeting on February 7, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	48,932
Dividend per share (yen)	28.00
Record date	December 31, 2019
Effective date	March 4, 2020

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2021

Resolution	The Board of Directors Meeting on May 12, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	48,363
Dividend per share (yen)	28.00
Record date	March 31, 2020
Effective date	June 3, 2020
Resolution	The Board of Directors Meeting on August 5, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	18,999
Dividend per share (yen)	11.00
Record date	June 30, 2020
Effective date	September 4, 2020
Resolution	The Board of Directors Meeting on November 6, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	32,818
Dividend per share (yen)	19.00
Record date	September 30, 2020
Effective date	December 2, 2020
Resolution	The Board of Directors Meeting on February 9, 2021
Type of shares	Common shares
Total amount of dividends (millions of yen)	44,909
Dividend per share (yen)	26.00
Record date	December 31, 2020
Effective date	March 8, 2021

For the year ended March 31, 2022

Resolution	The Board of Directors Meeting on May 14, 2021
Type of shares	Common shares
Total amount of dividends (millions of yen)	93,272
Dividend per share (yen)	54.00
Record date	March 31, 2021
Effective date	June 7, 2021
Resolution	The Board of Directors Meeting on November 5, 2021
Type of shares	Common shares
Total amount of dividends (millions of yen)	95,130
Dividend per share (yen)	55.00
Record date	September 30, 2021
Effective date	December 1, 2021

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

2) *Dividends payable of which record date was in the year ended March 31, 2022, effective after the period*

Resolution	The Board of Directors Meeting on May 13, 2022
Type of shares	Common shares
Resource for dividend	Retained earnings
Total amount of dividends (millions of yen)	111,256
Dividend per share (yen)	65.00
Record date	March 31, 2022
Effective date	June 6, 2022

(20) Sales Revenue

(a) Disaggregation of revenue

As stated in note 4, Honda has four reportable segments: Motorcycle business, Automobile business, Financial services business and Life creation and other businesses.

The sales revenue disaggregated by geographical markets based on the location of the customer and the reconciliation of the disaggregated sales revenue with the four reportable segments for the years ended March 31, 2020, 2021 and 2022 are as follows:

For the year ended March 31, 2020

	Yen (millions)				Total
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	
Revenue arising from contracts with customers					
Japan	¥ 77,241	¥1,473,552	¥ 130,775	¥ 76,114	¥ 1,757,682
North America	203,822	5,648,818	1,108,827	133,070	7,094,537
Europe	144,392	359,166	—	53,233	556,791
Asia	1,329,352	2,048,588	11	46,433	3,424,384
Other Regions	295,093	425,900	—	16,200	737,193
Total	<u>¥2,049,900</u>	<u>¥9,956,024</u>	<u>¥1,239,613</u>	<u>¥325,050</u>	<u>¥13,570,587</u>
Revenue arising from the other sources*	9,435	3,056	1,347,352	579	1,360,422
Total	<u>¥2,059,335</u>	<u>¥9,959,080</u>	<u>¥2,586,965</u>	<u>¥325,629</u>	<u>¥14,931,009</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2021

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Total
Revenue arising from contracts with customers					
Japan	¥ 88,128	¥1,321,329	¥ 128,265	¥ 59,249	¥ 1,596,971
North America	197,155	4,671,998	1,049,739	133,641	6,052,533
Europe	146,948	290,326	—	63,262	500,536
Asia	1,147,539	2,032,469	1	47,465	3,227,474
Other Regions	205,142	238,509	—	17,785	461,436
Total	¥1,784,912	¥8,554,631	¥1,178,005	¥321,402	¥11,838,950
Revenue arising from the other sources*	2,371	12,574	1,316,289	335	1,331,569
Total	¥1,787,283	¥8,567,205	¥2,494,294	¥321,737	¥13,170,519

For the year ended March 31, 2022

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Total
Revenue arising from contracts with customers					
Japan	¥ 105,022	¥1,337,860	¥ 146,185	¥ 79,182	¥ 1,668,249
North America	230,766	4,877,900	1,289,076	152,096	6,549,838
Europe	202,254	319,340	—	79,393	600,987
Asia	1,307,915	2,314,425	37	63,861	3,686,238
Other Regions	337,219	280,702	—	24,305	642,226
Total	¥2,183,176	¥9,130,227	¥1,435,298	¥398,837	¥13,147,538
Revenue arising from the other sources*	2,077	17,271	1,385,369	441	1,405,158
Total	¥2,185,253	¥9,147,498	¥2,820,667	¥399,278	¥14,552,696

Explanatory note:

* Revenue arising from the other sources primarily includes lease revenues recognized under IFRS 16 and interest recognized under IFRS 9.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(b) Contract balances

The receivables from contracts with customers and contract liabilities for the years ended March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Receivables from contracts with customers:		
Trade receivables	¥682,206	¥785,157
Contract liabilities:		
Other current liabilities	232,580	261,049
Other noncurrent liabilities	169,684	193,845

The amounts of revenue recognized for the years ended March 31, 2020, 2021 and 2022 that were included in the contract liability balances at the beginning of the year are ¥186,581 million, ¥182,339 million and ¥199,902 million, respectively. The amounts of revenue recognized for the years ended March 31, 2020, 2021 and 2022 from performance obligations satisfied (or partially satisfied) in previous years were immaterial. In addition, the balances of contract assets were immaterial.

(c) Transaction price allocated to the remaining performance obligation

The revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Within 1 year	¥113,924	¥127,377
Between 1 and 5 years	197,037	221,282
Later than 5 years	11,436	15,748
Total	¥322,397	¥364,407

The table does not include the remaining performance obligations that have original expected durations of one year or less and estimated amounts of variable consideration that are constrained from being recognized as revenue.

(d) Assets recognized from the costs to obtain or fulfill a contract with a customer

The assets recognized from the costs to obtain a contract with a customer as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Assets recognized from the costs to obtain a contract with a customer	¥103,887	¥128,864

Honda recognizes the incremental costs of obtaining a contract with a customer and the costs incurred in fulfilling a contract with a customer that are directly associated with the contract as an asset, if those costs are expected to be recoverable. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The assets recognized from the costs to obtain a contract are presented in the consolidated statement of financial position mainly as other non-current assets and are amortized over the period for which the services based on a contract are provided. The amounts of assets recognized from the costs to fulfill a contract are not material.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The amounts of amortization of the assets for the years ended March 31, 2020, 2021 and 2022 are ¥35,324 million, ¥33,242 million and ¥39,682 million, respectively.

(21) Research and Development

Research and development costs for the years ended March 31, 2020, 2021 and 2022 consist of the following:

	Yen (millions)		
	2020	2021	2022
Research and development expenditures incurred during the reporting period	¥ 821,478	¥ 780,065	¥ 804,025
Amount capitalized	(192,397)	(201,889)	(159,174)
Amortization and impairment losses of capitalized development costs	175,042	160,718	142,205
Total	<u>¥ 804,123</u>	<u>¥ 738,894</u>	<u>¥ 787,056</u>

(22) Finance Income and Finance Costs

Finance income and finance costs for the years ended March 31, 2020, 2021 and 2022 consist of the following:

	Yen (millions)		
	2020	2021	2022
Interest income:			
Financial assets measured at amortized cost	¥ 47,679	¥ 18,146	¥ 22,847
Financial assets measured at fair value through other comprehensive income	249	196	185
Financial assets measured at fair value through profit or loss	1,484	1,463	2,595
Total	<u>49,412</u>	<u>19,805</u>	<u>25,627</u>
Interest expense:			
Financial liabilities measured at amortized cost	(15,624)	(12,269)	(15,706)
Other	(9,065)	(1,608)	(1,161)
Total	<u>(24,689)</u>	<u>(13,877)</u>	<u>(16,867)</u>
Other, net:			
Dividends received:			
Financial assets measured at fair value through other comprehensive income	5,169	3,372	4,777
Financial assets measured at fair value through profit or loss	25	0	—
Gains (losses) on derivatives:			
Financial assets and financial liabilities measured at fair value through profit or loss	(19,270)	15,102	(77,789)
Gains (losses) on foreign exchange	(24,942)	(26,163)	68,033
Other	6,373	(17,128)	(7,335)
Total	<u>(32,645)</u>	<u>(24,817)</u>	<u>(12,314)</u>
Total	<u>¥ (7,922)</u>	<u>¥ (18,889)</u>	<u>¥ (3,554)</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(23) Income Taxes

(a) Income Tax Expense

Profit before income taxes and income tax expense for the years ended March 31, 2020, 2021 and 2022 consist of the following:

	Yen (millions)								
	2020			2021			2022		
	Japan	Foreign	Total	Japan	Foreign	Total	Japan	Foreign	Total
Profit (loss) before income taxes	¥(63,390)	¥853,308	¥789,918	¥(32,954)	¥947,007	¥914,053	¥(42,213)	¥1,112,403	¥1,070,190
Income tax expense (benefit):									
Current taxes	11,036	233,570	244,606	7,236	174,694	181,930	9,539	277,894	287,433
Deferred taxes	17,470	17,910	35,380	(21,228)	57,907	36,679	(4,081)	26,137	22,056
Total	¥ 28,506	¥251,480	¥279,986	¥(13,992)	¥232,601	¥218,609	¥ 5,458	¥ 304,031	¥ 309,489

The statutory income tax rate in Japan was approximately 30.2% for each of the years in the three-year period ended March 31, 2022. The foreign subsidiaries are subject to taxes based on income at rates ranging from 16.0% to 34.0%.

The Japanese statutory income tax rate for the years ended March 31, 2020, 2021 and 2022 differs from the average effective tax rate for the following reasons:

	2020	2021	2022
Statutory income tax rate	30.2%	30.2%	30.2%
Difference in statutory income tax rates of foreign subsidiaries	(3.9)	(5.2)	(4.5)
Effects of investments accounted for using the equity method	(6.2)	(9.0)	(5.7)
Effects of undistributed earnings and withholding taxes on royalty	8.6	7.8	7.1
Changes in unrecognized deferred tax assets	7.8	1.2	1.4
Effects of income and expense not taxable and deductible for tax purpose	0.8	0.3	0.0
Effects of tax credit	(3.0)	(1.4)	(0.9)
Other adjustments relating to prior years	(0.7)	(0.1)	(0.1)
Adjustments for the uncertain tax treatments on income taxes	0.2	(0.8)	0.9
Adjustments for the changes in income tax laws	2.3	0.1	0.1
Other	(0.7)	0.8	0.4
Average effective tax rate	<u>35.4%</u>	<u>23.9%</u>	<u>28.9%</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(b) Deferred Tax Assets and Deferred Tax Liabilities

The components by major factor in deferred tax assets and deferred tax liabilities as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Deferred tax assets:		
Inventories	¥ 33,616	¥ 44,029
Accrued expenses	61,376	36,567
Provisions	89,470	100,408
Property, plant and equipment	25,534	27,592
Intangible assets	11,170	12,017
Retirement benefit liabilities	82,072	67,120
Carryforward of unused tax losses	64,844	67,787
Carryforward of unused tax credit	36,020	22,285
Other	117,873	103,114
Total	¥ 521,975	¥ 480,919
Deferred tax liabilities:		
Property, plant and equipment	¥ 77,338	¥ 82,518
Intangible assets	194,083	195,542
Other financial assets	38,027	61,580
Operating leases	751,892	846,978
Undistributed earnings	53,173	59,650
Other*	149,911	133,813
Total	¥1,264,424	¥1,380,081
Net deferred tax assets (liabilities)	¥ (742,449)	¥ (899,162)

Explanatory note:

* The amounts of deferred tax liabilities arising from retirement benefit assets included in other as of March 31, 2021 and 2022 are ¥52,792 million and ¥68,772 million, respectively.

The changes in deferred tax assets and deferred tax liabilities recognized as income tax expense in the consolidated statements of income for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Inventories	¥ 8,738	¥ (3,920)	¥ (9,865)
Provisions	22,185	(10,708)	(3,491)
Property, plant and equipment	(3,503)	(6,955)	(3,738)
Retirement benefit liabilities (assets)	7,258	(10,353)	(4,991)
Operating leases	(3,697)	37,506	(35,308)
Undistributed earnings	(1,059)	(2,885)	4,198
Carryforward of unused tax losses	(6,378)	(7,695)	(1,608)
Carryforward of unused tax credit	(8,423)	15,695	16,102
Other*	20,259	25,994	60,757
Total	¥ 35,380	¥ 36,679	¥ 22,056

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

* The income tax expenses recognized due to the decrease of deferred tax assets arising from accrued expenses included in other as of March 31, 2022 is ¥27,321 million.

Honda considers the probability that a portion of, or all of, the deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit can be utilized against future taxable profits in the recognition of deferred tax assets. In assessing recoverability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning strategies. Based upon the level of historical taxable profit and projections for future taxable profit over the periods for which the deferred tax assets are deductible, management believes it is probable that Honda will utilize the benefits of these deferred tax assets as of March 31, 2021 and 2022. Uncertainty of estimates of future taxable profit could increase due to changes in the economic environment surrounding Honda, effects by market conditions, effects of currency fluctuations or other factors. Deferred tax assets recognized by entities that have suffered a loss in either the preceding or current period are ¥19,647 million and ¥26,109 million as of March 31, 2021 and 2022, respectively.

Deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit for which deferred tax assets are not recognized as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Deductible temporary differences	¥519,457	¥553,778
Carryforward of unused tax losses	514,420	693,323
Carryforward of unused tax credit	912	549

The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Within 1 year	¥ 24,886	¥ 3,603
Between 1 and 5 years	62,361	73,448
Between 5 and 20 years	246,941	256,340
Indefinite periods	180,232	359,932
Total	¥514,420	¥693,323

The components by expiry of the carryforward of unused tax credit for which deferred tax assets are not recognized as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Within 1 year	¥ 349	¥ 147
Between 1 and 5 years	371	259
Between 5 and 20 years	192	143
Indefinite periods	—	—
Total	¥ 912	¥ 549

The aggregate amounts of temporary differences relating to investments in subsidiaries and interests in joint ventures for which deferred tax liabilities are not recognized as of March 31, 2021 and 2022 are ¥5,331,437 million and ¥6,323,299 million, respectively.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(24) Earnings Per Share

Earnings per share attributable to owners of the parent for the years ended March 31, 2020, 2021 and 2022 are calculated based on the following information. There were no significant dilutive potential common shares outstanding for the years ended March 31, 2020, 2021 and 2022.

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Profit for the year attributable to owners of the parent (millions of yen)	¥ 455,746	¥ 657,425	¥ 707,067
Weighted average number of common shares outstanding, basic (shares)	1,752,006,211	1,726,638,088	1,719,961,835
Basic earnings per share attributable to owners of the parent (yen)	¥ 260.13	¥ 380.75	¥ 411.09

(25) Financial Risk Management

(a) Risk Management

Honda has manufacturing operations throughout the world and sells products and components to various countries. In the course of these activities, Honda holds trade receivables arising from business activities, receivables from financial services, trade payables and financing liabilities, and is thus exposed to market risk, credit risk and liquidity risk associated with the holding of such financial instruments.

These risks are evaluated by Honda through periodic monitoring.

(b) Market Risk

Honda is exposed to the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in foreign currency exchange rates and interest rates.

Honda uses derivatives that consist mainly of foreign currency forward exchange contracts, foreign currency option contracts, currency swap agreements and interest rate swap agreements to reduce primarily the risk that future cash flows of a financial instrument fluctuates because of changes in foreign currency exchange rates and interest rates.

Derivatives are used within the scope of actual demand, in accordance with risk management policies. In addition, Honda does not hold any derivatives for trading purpose.

1) Foreign currency exchange rate risk

Honda has manufacturing operations throughout the world and exports products and components to various countries. Honda purchases materials and components and sells its products and components in foreign currencies. Therefore, currency fluctuations may affect Honda's profit and the value of the financial instruments it holds.

Foreign currency forward exchange contracts and foreign currency option contracts are used to hedge currency risk of transactions denominated in foreign currencies (principally U.S. dollars).

(Foreign currency exchange rate risk sensitivity analysis)

Sensitivity analysis of Honda's foreign currency exchange rate risk associated with holding financial instruments as of March 31, 2021 and 2022 is as follows.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The following scenario demonstrates the impact of a 1% appreciation of the Japanese yen against the U.S. dollar on profit before income taxes, holding all variables other than the foreign currency exchange rate constant.

	Yen (millions)	
	2021	2022
Impact on profit before income taxes	¥ (1,097)	¥ (1,780)

2) Interest rate risk

Honda is exposed to market risk for changes in interest rates related primarily to its debt obligations and receivables from financial services. In addition to short-term financing such as commercial paper, Honda has long-term debt with both fixed and floating rates. Honda's receivables from financial services primarily use fixed rates. Interest rate swap agreements are mainly used to manage interest rate risk exposure of receivables from financial services and to match finance costs with finance income. Currency swap agreements used among different currencies, also serve to hedge foreign currency exchange risk as well as interest rate risk.

(Interest rate risk sensitivity analysis)

Sensitivity analysis of Honda's interest rate risk associated with holding financial instruments as of March 31, 2021 and 2022 is as follows.

The following scenario demonstrates the impact of a 100 basis point rise in interest rates on profit before income taxes, holding all variables other than interest rates constant.

	Yen (millions)	
	2021	2022
Impact on profit before income taxes	¥ (18,354)	¥ (25,830)

3) Equity price risk

Honda is exposed to equity price risk as a result of its holdings of marketable equity securities. Marketable equity securities are held for purposes other than trading, and are mainly classified into financial assets measured at fair value through other comprehensive income.

(c) Credit Risk

Honda is exposed to the risk that one party to a financial instrument causes a financial loss for the other party by failing to discharge an obligation. Honda reduces the risk of financial assets other than derivatives in accordance with credit administration rules. Honda reduces the risk of derivatives by limiting the counterparties to major international banks and financial institutions that meet the internally established credit guidelines.

The credit risk is mainly in receivables from financial services. Credit risk of the portfolio of consumer finance receivables can be affected by general economic conditions. Adverse changes such as a rise in unemployment can increase the likelihood of defaults. Declines in used vehicle prices can reduce the amount of recoveries on repossessed collaterals. The finance subsidiaries of the Company manage exposures to credit risk in consumer finance receivables by monitoring and adjusting underwriting standards, which affect the level of credit risk that Honda assumes, pricing contracts for expected losses, and focusing collection efforts to minimize losses. Credit risk on dealer finance receivables is affected primarily by the financial strength of the dealers

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

within the portfolio, the value of collateral securing the financings, and economic and market factors that could affect the creditworthiness of dealers. The finance subsidiaries of the Company manage exposures to credit risk in dealer finance receivables by performing comprehensive reviews of dealers prior to establishing financing arrangements and continuously monitoring the payment performance and creditworthiness of these dealers.

Honda has entered into various guarantee agreements, which mainly consist of loan commitments to dealers and guarantees of bank loans of employees for their housing costs. The finance subsidiaries of the Company maintain unused balances on committed lines to dealers based on loan commitment contracts. Although committed lines have been extended, they will not necessarily be withdrawn, as certain contracts contain terms and conditions of withdrawal that require screening of the obligor's credit standing. There is risk that dealers fail to discharge withdrawn committed lines and cause financial loss for Honda. Regarding the bank loans of employees for their housing costs, if an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. As of March 31, 2022, no amount has been accrued for any estimated losses under the obligations, as it is probable that the employees will be able to make all scheduled payments.

1) Credit risk exposure

The analysis of the age of receivables from financial services that are past due as of March 31, 2021 and 2022 is as follows:

	Yen (millions)				
	Less than 30 days past due	30-59 days past due	60-89 days past due	90 days and greater past due	Total
As of March 31, 2021					
Consumer finance receivables:					
Retail	¥174,464	¥27,923	¥ 7,058	¥5,938	¥215,383
Finance lease	71	18	21	374	484
Dealer finance receivables:					
Wholesale	16,807	779	28	79	17,693
Total	<u>¥191,342</u>	<u>¥28,720</u>	<u>¥ 7,107</u>	<u>¥6,391</u>	<u>¥233,560</u>
As of March 31, 2022					
Consumer finance receivables:					
Retail	¥204,661	¥43,051	¥11,452	¥7,512	¥266,676
Finance lease	200	51	7	324	582
Dealer finance receivables:					
Wholesale	9,661	36	4	23	9,724
Total	<u>¥214,522</u>	<u>¥43,138</u>	<u>¥11,463</u>	<u>¥7,859</u>	<u>¥276,982</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The balances of retail receivables included in consumer finance receivables as of March 31, 2021 and 2022 are as follows:

	Yen (millions)			Total
	Lifetime ECL			
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
As of March 31, 2021				
Consumer finance receivables:				
Retail*	¥4,563,496	¥271,762	¥12,648	¥4,847,906
	Yen (millions)			Total
	Lifetime ECL			
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
As of March 31, 2022				
Consumer finance receivables:				
Retail*	¥4,897,471	¥139,306	¥17,651	¥5,054,428

Explanatory note:

* The tables above represent the gross amounts of retail receivables by stages of ECL model since the expected credit losses are measured collectively by our finance subsidiaries and the balances of those receivables are not directly allocated to the risk ratings.

Dealerships are assigned an internal risk rating based primarily on their financial condition. At a minimum, risk ratings for dealerships are updated annually and more frequently for dealerships with weaker risk ratings.

The following table shows the balances of dealer finance receivables and loan commitments classified into Group A or B based on the internal risk ratings. Group A includes the dealer finance receivables and loan commitments of dealerships with high credit quality characteristics. Group B includes the dealer finance receivables and loan commitments of remaining dealerships.

The balances of dealer finance receivables and the undiscounted maximum amounts of potential payment for loan commitments by this risk rating as of March 31, 2021 and 2022 are as follows:

	Yen (millions)			Total
	Lifetime ECL			
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
As of March 31, 2021				
Dealer finance receivables:				
Group A	¥ 247,487	¥ 6,345	¥ 1,903	¥ 255,735
Group B	225,651	4,562	190	230,403
Total	<u>¥ 473,138</u>	<u>¥ 10,907</u>	<u>¥ 2,093</u>	<u>¥ 486,138</u>
Loan commitments:				
Group A	¥ 68,050	¥ —	¥ —	¥ 68,050
Group B	24,701	—	—	24,701
Total	<u>¥ 92,751</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 92,751</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The undiscounted maximum amount of potential payment for guarantees of bank loans of employees for their housing costs as of March 31, 2021 is ¥8,343 million.

<u>As of March 31, 2022</u>	Yen (millions)			
	Lifetime ECL			Total
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
Dealer finance receivables:				
Group A	¥ 188,101	¥ 88	¥ 2,117	¥ 190,306
Group B	91,995	2,133	72	94,200
Total	¥ 280,096	¥ 2,221	¥ 2,189	¥ 284,506
Loan commitments:				
Group A	¥ 95,485	¥ —	¥ —	¥ 95,485
Group B	23,683	—	—	23,683
Total	¥ 119,168	¥ —	¥ —	¥ 119,168

The undiscounted maximum amount of potential payment for guarantees of bank loans of employees for their housing costs as of March 31, 2022 is ¥7,098 million.

2) Collateral held as security

The finance subsidiaries of the Company generally hold sold products as collateral for consumer finance receivables. The finance subsidiaries of the Company hold the dealerships' other assets as collateral in addition to sold products for dealer finance receivables. The extent to which collateral mitigates credit risk is dependent on the value of collateral relative to the outstanding receivables balance at the time of repossession. The estimated fair value of collateral for credit-impaired consumer finance receivables excluding collateral values in excess of carrying amounts as of March 31, 2021 and 2022 are approximately 70% and 90%, respectively, and those for dealer finance receivables are approximately 90% and 100% of the carrying amounts, respectively. The extent to which collateral mitigates credit risk is also dependent on finance subsidiaries' ability to take possession of the collateral.

(d) Liquidity Risk

Honda raises funds by commercial paper, bank loans, medium-term notes, corporate bonds and securitization of finance receivables and equipment on operating leases. Honda is exposed to the liquidity risk that Honda would not be able to repay liabilities on the due date due to the deterioration of the financing environment.

Exposure to liquidity risk is managed by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet. Honda meets its working capital targets primarily through cash generated by business operations, bank loans, corporate bonds and commercial paper. Honda funds financial programs for customers and dealers primarily from medium-term notes, bank loans, securitization of finance receivables and equipment on operating leases, commercial paper and corporate bonds.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The unused portions of the credit facility of Honda's commercial paper and medium-term note programs as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Commercial paper	¥ 760,677	¥1,190,631
Medium-term notes	1,976,173	1,291,612
Total	¥2,736,850	¥2,482,243

Honda is authorized to obtain financing at prevailing interest rates under these programs.

Honda is aware of the possibility that various factors, such as recession-induced market contraction and financial and foreign exchange market volatility may adversely affect liquidity. For this reason, Honda has sufficient committed lines of credit that serve as alternative liquidity for the commercial paper issued regularly to replace debt.

The unused portions of the committed lines of credit extended by financial institutions to Honda as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Commercial paper programs	¥1,122,892	¥1,226,138
Other	65,472	67,976
Total	¥1,188,364	¥1,294,114

Borrowings under those committed lines of credit generally are available at the prime interest rate.

Maturity analysis of financial liabilities

1) Non-derivative financial liabilities

Non-derivative financial liabilities by maturity as of March 31, 2021 and 2022 are as follows:

<u>As of March 31, 2021</u>	Yen (millions)				
	Carrying amount	Within 1 year	Between 1 and 5 years	Later than 5 years	Total contractual cash flows
Trade payables	¥ 1,088,061	¥1,088,061	¥ —	¥ —	¥ 1,088,061
Financing liabilities	7,720,985	3,083,901	4,230,223	523,436	7,837,560
Accrued expenses	415,106	415,106	—	—	415,106
Other financial liabilities	380,698	101,142	86,972	221,294	409,408
Total	¥ 9,604,850	¥4,688,210	¥4,317,195	¥744,730	¥ 9,750,135

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

<u>As of March 31, 2022</u>	Yen (millions)				<u>Total contractual cash flows</u>
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Trade payables	¥ 1,236,233	¥1,236,233	¥ —	¥ —	¥ 1,236,233
Financing liabilities	8,102,556	3,218,988	4,407,350	765,207	8,391,545
Accrued expenses	375,601	375,601	—	—	375,601
Other financial liabilities	367,041	93,054	94,837	206,529	394,420
Total	¥10,081,431	¥4,923,876	¥4,502,187	¥971,736	¥10,397,799

Other financial liabilities include lease liabilities. Lease liabilities by maturity as of March 31, 2021 and 2022 are as follows:

<u>As of March 31, 2021</u>	Yen (millions)				<u>Total contractual cash flows</u>
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Lease liabilities	¥ 317,429	¥ 61,053	¥ 79,836	¥205,248	¥ 346,137

<u>As of March 31, 2022</u>	Yen (millions)				<u>Total contractual cash flows</u>
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Lease liabilities	¥ 318,758	¥ 71,510	¥ 86,305	¥188,321	¥ 346,136

2) *Derivative financial liabilities*

Derivative financial liabilities by maturity as of March 31, 2021 and 2022 are as follows:

<u>As of March 31, 2021</u>	Yen (millions)			<u>Total contractual cash flows</u>
	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Derivative financial liabilities	¥44,334	¥ 30,218	¥ 7,669	¥ 82,221

<u>As of March 31, 2022</u>	Yen (millions)			<u>Total contractual cash flows</u>
	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Derivative financial liabilities	¥53,895	¥106,214	¥25,140	¥185,249

(26) Fair Value

(a) *Definition of Fair Value Hierarchy*

Honda uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3 Unobservable inputs for the assets or liabilities

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety. Honda recognizes the transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(b) Method of Fair Value Measurement

The fair values of assets and liabilities are determined based on relevant market information and through the use of an appropriate valuation method.

The measurement methods and assumptions used in the measurement of assets and liabilities are as follows:

(Cash and cash equivalents, trade receivables and trade payables)

The fair values approximate their carrying amounts due to their short-term maturities.

(Receivables from financial services)

The fair value of receivables from financial services is measured primarily by discounting future cash flows using the current interest rates applicable for these receivables of similar remaining maturities. Fair value measurement for receivables from financial services is classified as Level 3.

(Debt securities)

Debt securities consist mainly of mutual funds, corporate bonds, local bonds and auction rate securities.

The fair value of mutual funds with an active market is measured by using quoted market prices. Fair value measurement for mutual funds with an active market is classified as Level 1.

The fair values of corporate bonds and local bonds are measured based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair value measurements for corporate bonds and local bonds are classified as Level 2.

The subsidiary's auction rate securities are A to AAA rated and are insured by qualified guarantee agencies, and reinsured by the Secretary of Education and the United States government, and guaranteed at approximately 95% by the United States government. To measure fair value of auction rate securities, Honda uses a third-party-developed valuation model which obtains a wide array of market observable inputs, as well as unobservable inputs including probability of passing or failing auction at each auction. Fair value measurement for auction rate securities is classified as Level 3.

(Equity securities)

The fair value of equity securities with an active market is measured by using quoted market prices. Fair value measurement for equity securities with an active market is classified as Level 1.

The fair value of equity securities with no active market is measured mainly by using a discounted cash flow method, a comparable company valuation method and other appropriate valuation methods. Fair value measurement for equity securities with no active market is classified as Level 3. In addition, in the case that cost represents the best estimate of fair value, fair value for the equity securities with no active market is measured at cost.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Cash flow forecasts and discount rate for the discounted cash flow model and price book-value ratio (PBR) of a comparable company for the comparable company valuation method are used as significant unobservable inputs in the fair value measurement of equity securities classified as Level 3. The fair value increases (decreases) as Cash flow forecasts increase (decrease), discount rate decline (rise) and PBR of a comparable company rise (decline). Such fair value measurements are conducted in accordance with the group accounting policy approved by the appropriate person of authority and based upon valuation methods determined by personnel in accounting divisions of Honda.

(Derivatives)

Derivatives consist mainly of foreign currency forward exchange contracts, foreign currency option contracts, currency swap agreements and interest rate swap agreements.

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

The credit risk of the counterparties is considered in the valuation of derivatives.

(Financing liabilities)

The fair value of financing liabilities is measured by discounting future cash flows using interest rates currently available for liabilities of similar terms and remaining maturities. Fair value measurement of financing liabilities is mainly classified as Level 2.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(c) Assets and Liabilities Measured at Fair Value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and 2022 consist of the following:

As of March 31, 2021	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥ 43,782	¥ —	¥ 43,782
Interest rate instruments	—	60,367	—	60,367
Other	—	—	4,829	4,829
Total	—	104,149	4,829	108,978
Debt securities	26,570	36,439	5,314	68,323
Financial assets measured at fair value through other comprehensive income:				
Debt securities	—	10,134	—	10,134
Equity securities	234,155	—	110,050	344,205
Total	¥260,725	¥150,722	¥120,193	¥531,640
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥ 17,343	¥ —	¥ 17,343
Interest rate instruments	—	64,913	—	64,913
Total	—	82,256	—	82,256
Total	¥ —	¥ 82,256	¥ —	¥ 82,256

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2021.

<u>As of March 31, 2022</u>	Yen (millions)			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Other financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥ 15,674	¥ —	¥ 15,674
Interest rate instruments	—	114,016	—	114,016
Other	—	—	4,648	4,648
Total	—	129,690	4,648	134,338
Debt securities	42,837	54,641	4,773	102,251
Financial assets measured at fair value through other comprehensive income:				
Debt securities	—	19,984	—	19,984
Equity securities	335,745	—	133,038	468,783
Total	<u>¥378,582</u>	<u>¥204,315</u>	<u>¥142,459</u>	<u>¥725,356</u>
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥ 66,644	¥ —	¥ 66,644
Interest rate instruments	—	83,669	—	83,669
Other	—	1,629	—	1,629
Total	—	151,942	—	151,942
Total	<u>¥ —</u>	<u>¥151,942</u>	<u>¥ —</u>	<u>¥151,942</u>

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2022.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2021 and 2022 are as follows:

<u>For the year ended March 31, 2021</u>	Yen (millions)		
	<u>Derivatives</u>	<u>Debt securities</u>	<u>Equity securities</u>
Balance as of April 1, 2020	¥ —	¥ 5,224	¥ 99,508
Total gains or losses:			
Profit or loss	4,665	(43)	—
Other comprehensive income	—	—	3,748
Purchases	—	—	7,701
Sales	—	—	(1,243)
Exchange differences on translating foreign operations	164	133	336
Balance as of March 31, 2021	<u>¥ 4,829</u>	<u>¥ 5,314</u>	<u>¥ 110,050</u>
Unrealized gains or losses included in profit or loss on assets held at March 31, 2021	¥ 4,665	¥ (43)	¥ —

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

<u>For the year ended March 31, 2022</u>	Yen (millions)		
	<u>Derivatives</u>	<u>Debt securities</u>	<u>Equity securities</u>
Balance as of April 1, 2021	¥ 4,829	¥ 5,314	¥ 110,050
Total gains or losses:			
Profit or loss	(674)	112	—
Other comprehensive income	—	—	17,973
Purchases	—	—	7,075
Sales	—	(1,124)	(1,487)
Transfer to level 1 due to listing	—	—	(1,158)
Exchange differences on translating foreign operations	493	471	585
Balance as of March 31, 2022	¥ 4,648	¥ 4,773	¥ 133,038
Unrealized gains or losses included in profit or loss on assets held at March 31, 2022	¥ (674)	¥ 112	¥ —

Explanatory notes:

- Gains or losses included in profit or loss for the years ended March 31, 2021 and 2022 are included in other, net in finance income and finance costs in the consolidated statements of income.
- Gains or losses on equity securities included in other comprehensive income for the years ended March 31, 2021 and 2022 are included in net changes in revaluation of financial assets measured at fair value through other comprehensive income under items that will not be reclassified to profit or loss in the consolidated statements of comprehensive income.

(d) Financial Assets and Financial Liabilities measured at amortized cost

The carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost as of March 31, 2021 and 2022 are as follows:

	Yen (millions)			
	2021		2022	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Receivables from financial services	¥5,414,550	¥5,488,065	¥5,434,496	¥5,374,754
Debt securities	173,302	173,302	79,176	79,176
Financing liabilities	7,720,985	7,809,379	8,102,556	7,984,057

The table does not include financial assets and financial liabilities measured at amortized cost whose fair values approximate their carrying amounts.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(27) Offsetting of Financial Assets and Financial Liabilities

The offsetting information regarding financial assets and financial liabilities as of March 31, 2021 and 2022 is as follows:

<u>As of March 31, 2021</u>	Yen (millions)					<u>Net Amounts</u>
	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement		
Other financial assets						
Derivatives	¥108,978	¥ —	¥108,978	¥(65,430)		¥43,548
Other financial liabilities						
Derivatives	82,256	—	82,256	(65,430)		16,826

<u>As of March 31, 2022</u>	Yen (millions)					<u>Net Amounts</u>
	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement		
Other financial assets						
Derivatives	¥134,338	¥ —	¥134,338	¥(98,419)		¥35,919
Other financial liabilities						
Derivatives	151,942	—	151,942	(98,419)		53,523

Generally, the set-off rights on financial instruments that do not meet the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfill its obligations due to bankruptcy and other reasons.

(28) Commitments and Contingent Liabilities

(a) Commitments

Purchase commitments

Commitments for purchases of property, plant and equipment and other commitments as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Commitments for purchases of property, plant and equipment and other commitments	¥55,571	¥60,527

(b) Claims and Lawsuits

Honda is subject to potential liability under various lawsuits and claims. Honda recognizes a provision for loss contingencies when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recognized for these contingent liabilities, if necessary, by considering the nature of lawsuits and claims, the progress of the case and the opinions of legal counsel.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

With respect to product liability, personal injury claims or lawsuits, Honda believes that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by Honda's insurance and provision. Punitive damages are claimed in certain of these lawsuits.

After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position or results of operations.

Loss related to airbag inflators

Honda has been conducting market-based measures in relation to airbag inflators. Honda recognizes a provision for specific warranty costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. There is a possibility that Honda will need to recognize additional provisions when new evidence related to the product recalls arises. However, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report.

(29) Structured Entities

Honda considers whether its control over structured entities exists under IFRS 10 "Consolidated Financial Statements". Honda consolidates structured entities over which it has control, by comprehensively determining whether its control over the entity exists based on any contractual arrangements with such entity as well as the percentage of its voting or similar rights in the entity.

The finance subsidiaries of the Company periodically securitize finance receivables and operating lease assets for liquidity and funding purposes. Securitized assets are transferred to structured entities that are established with the limited purpose of issuing asset-backed securities. The finance subsidiaries of the Company are deemed to have the power to direct the activities of these structured entities that most significantly impact the entities' economic performance as they retain servicing rights, including the management of delinquencies and defaults of the finance receivables and beneficial interests in operating lease assets. Furthermore, the finance subsidiaries of the Company are deemed to have the obligation to absorb losses and the right to receive variable returns from these structured entities that could potentially be significant to these structured entities by retaining certain subordinated interests of these structured entities. Therefore, the Company is deemed to have substantial control over these entities and consolidates them.

Investors in the asset-backed securities issued by these structured entities do not have recourse to the finance subsidiaries' general credit with the exception of representations and warranties customary in the industry provided by the finance subsidiaries.

There were no significant unconsolidated structured entities as of March 31, 2021 and 2022.

(30) Related Parties

(a) Related Party Transactions

Honda mainly purchases materials, supplies and services from affiliates and joint ventures, and sells finished goods, parts used in its products, equipment and services to them in the ordinary course of business. Transactions with affiliates and joint ventures are generally made at values that approximate arm's-length prices.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The balances of receivables and payables with affiliates and joint ventures as of March 31, 2021 and 2022 are as follows:

	Yen (millions)	
	2021	2022
Receivables:		
Affiliates	¥ 29,067	¥ 34,317
Joint ventures	293,132	346,370
Total	<u>¥ 322,199</u>	<u>¥ 380,687</u>
Payables:		
Affiliates	¥ 127,793	¥ 147,705
Joint ventures	30,412	36,380
Total	<u>¥ 158,205</u>	<u>¥ 184,085</u>

The amount of the transactions with affiliates and joint ventures for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Sales revenue:			
Affiliates	¥ 109,615	¥ 87,742	¥ 93,187
Joint ventures	722,896	985,920	1,053,370
Total	<u>¥ 832,511</u>	<u>¥1,073,662</u>	<u>¥1,146,557</u>
Purchase:			
Affiliates	¥1,241,314	¥1,015,921	¥1,176,066
Joint ventures	166,885	150,123	194,321
Total	<u>¥1,408,199</u>	<u>¥1,166,044</u>	<u>¥1,370,387</u>

(b) Compensation to Key Management

Compensation paid to the directors and executive officers of the Company for the years ended March 31, 2020, 2021 and 2022 are as follows:

	Yen (millions)		
	2020	2021	2022
Remuneration	¥ 691	¥ 683	¥ 696
STI (Short Term Incentive)	101	95	188
LTI (Long Term Incentive)	140	129	159
Total	<u>¥ 932</u>	<u>¥ 907</u>	<u>¥ 1,043</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(c) Major Consolidated Subsidiaries

Major consolidated subsidiaries as of March 31, 2022 are as follows:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Function</u>	<u>Percentage Ownership and Voting Interest</u>
Honda R&D Co., Ltd.	Japan	Research & Development	100.0
Honda Finance Co., Ltd.	Japan	Finance	100.0
American Honda Motor Co., Inc.	U.S.A.	Coordination of Subsidiaries Operation, Research & Development, Manufacturing and Sales	100.0
Honda Aero., Inc.	U.S.A.	Research & Development and Manufacturing	100.0
American Honda Finance Corporation	U.S.A.	Finance	100.0
Honda Development and Manufacturing of America, LLC	U.S.A.	Research & Development and Manufacturing	100.0
Honda Aircraft Company, LLC	U.S.A.	Research & Development, Manufacturing and Sales	100.0
Honda Canada Inc.	Canada	Manufacturing and Sales	100.0
Honda Canada Finance Inc.	Canada	Finance	100.0
Honda de Mexico, S.A. de C.V.	Mexico	Manufacturing and Sales	100.0
Honda Motor Europe Limited	U.K.	Coordination of Subsidiaries Operation and Sales	100.0
Honda of the U.K. Manufacturing Ltd.	U.K.	Manufacturing	100.0
Honda Finance Europe plc	U.K.	Finance	100.0
Honda Bank GmbH	Germany	Finance	100.0
Honda Turkiye A.S	Turkey	Manufacturing and Sales	100.0
Honda Motor (China) Investment Co., Ltd.	China	Coordination of Subsidiaries Operation and Sales	100.0
Honda Auto Parts Manufacturing Co., Ltd.	China	Manufacturing	100.0
Honda Motorcycle & Scooter India (Private) Ltd.	India	Manufacturing and Sales	100.0
Honda Cars India Limited	India	Manufacturing and Sales	100.0
P.T. Honda Precision Parts Manufacturing	Indonesia	Manufacturing	100.0
P.T. Honda Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd	Malaysia	Manufacturing and Sales	51.0
Honda Philippines Inc.	Philippines	Manufacturing and Sales	99.6
Honda Taiwan Co., Ltd.	Taiwan	Sales	100.0
Asian Honda Motor Co., Ltd.	Thailand	Coordination of Subsidiaries Operation and Sales	100.0
Honda Leasing (Thailand) Co., Ltd.	Thailand	Finance	100.0
Honda Automobile (Thailand) Co., Ltd.	Thailand	Manufacturing and Sales	89.0
Thai Honda Manufacturing Co., Ltd.	Thailand	Manufacturing and Sales	72.5
Honda Vietnam Co., Ltd.	Vietnam	Manufacturing and Sales	70.0
Honda Motor de Argentina S.A.	Argentina	Manufacturing and Sales	100.0
Honda South America Ltda.	Brazil	Coordination of Subsidiaries Operation	100.0
Banco Honda S.A.	Brazil	Finance	100.0
Honda Automoveis do Brasil Ltda.	Brazil	Manufacturing and Sales	100.0
Moto Honda da Amazonia Ltda.	Brazil	Manufacturing and Sales	100.0

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(31) Approval of Release of Consolidated Financial Statements

The release of the consolidated financial statements was approved by Toshihiro Mibe, Director, President and Representative Executive Officer and Kohei Takeuchi, Director, Executive Vice President and Representative Executive Officer and Chief Financial Officer on June 22, 2022.

INDEX OF EXHIBITS

1.1	Articles of Incorporation of the registrant (English translation) *1
1.2	Share Handling Regulations of the registrant (English translation) *2
1.3	Regulations of the Board of Directors of the registrant (English translation)
1.4	Honda Motor Co., Ltd. Criteria for Independence of Outside Directors (English translation) *3
2.1	Specimen common stock certificates of the registrant (English translation) *4
2.2	Form of Second Amended and Restated Deposit Agreement dated as of March, 2022, among the registrant, JPMorgan Chase Bank, N.A., as Depositary, and holders and beneficial owners of American Depositary Receipts *5
2.3	Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934
8.1	List of Significant Subsidiaries (See “Organizational Structure” in Item 4.C of this Form 20-F)
11.1	Code of Ethics *6
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Independent Registered Public Accounting Firm
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page for the Company’s Annual Report on Form 20-F for the year ended March 31, 2022, has been formatted in Inline XBRL

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- *1 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 23, 2021.
 - *2 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 23, 2021.
 - *3 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 23, 2021.
 - *4 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on September 27, 2001. (P)
 - *5 Incorporated by reference to the registration statement for American Depositary Shares on Form F-6 (File No. 333-263937) filed by JPMorgan Chase Bank, N.A. as depositary, on March 29, 2022.
 - *6 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on July 9, 2004.

The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

(P) Paper exhibits

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for the filing of Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

By: _____ /s/ Toshihiro Mibe

Toshihiro Mibe
Director, President and Representative Executive Officer
Chief Executive Officer

Date: June 22, 2022
Tokyo, Japan

[Translation]

REGULATIONS OF THE BOARD OF DIRECTORS

HONDA MOTOR CO., LTD.

REGULATIONS OF THE BOARD OF DIRECTORS

Article 1. (Purpose)

These regulations set out matters concerning the Board of Directors of the Company in accordance with Article 23 of the Articles of Incorporation of the Company.

Article 2. (Composition)

The Board of Directors shall consist of all the Directors of the Company.

Article 3. (Convocation)

Meetings of the Board of Directors shall be convened at least once every three (3) months and at least seven (7) times a year, and whenever necessary.

Article 4. (Authority to Convene Meetings of the Board of Directors and the Chairperson)

The Director who has been determined in advance by the Board of Directors shall convene meetings of the Board of Directors and shall act as the chairperson thereat. If such Director is prevented from so doing, one of the other Directors shall assume their role in the order which has been determined in advance by the Board of Directors. Notwithstanding the foregoing, in the case where any laws and regulations provide otherwise, one of the other Directors or Executive Officers shall convene the meeting of the Board of Directors.

Article 5. (Notice of Convocation)

1. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director three (3) days prior to the date of the meeting.

2. If all the Directors consent in advance, a meeting of the Board of Directors may be held without following the procedures for convening a meeting.

Article 6. (Method of Resolutions)

1. Resolutions of a meeting of the Board of Directors shall be adopted by a vote of a majority of the Directors present thereat who constitute a majority of the Directors.

2. Any Director who has any special interests in any matter which is put to a vote may not participate in the voting on any resolution that is described in the preceding paragraph.

3. Any Director who cannot participate in the voting on a resolution due to the provision of the preceding paragraph will not be counted in the number of Directors mentioned in Paragraph 1 of this article.

4. If the requirements set out in Article 370 of the Company Law are satisfied, those matters that are the object of the resolution of the Board of Directors shall be deemed to have been resolved by the Board of Directors.

Article 7. (Matters to be Resolved)

The matters to be resolved by the Board of Directors are as follows:

(1) Matters with respect to the Company Group (meaning the corporate group consisting of the Company and its subsidiaries):

- (i) basic management policies of the Company Group and other equivalent matters; and
- (ii) other important matters with respect to the Company Group.

(2) Matters with respect to the Company:

- (i) the convocation of a general meeting of the Shareholders and the objectives thereof and the matters to be submitted thereto;
- (ii) the matters concerning the Directors;
- (iii) the matters concerning the members of the nominating committee, the audit committee, and the compensation committee (“Nominating Committee, Etc.”);
- (iv) the matters concerning the Executive Officers;
- (v) any conflict of interest transactions and transactions by a Director or an Executive Officer competing with the Company’s business;
- (vi) the issue of new shares;
- (vii) the matters to be submitted to relating to financial reports and business reports, and schedules attached thereto;
- (viii) the disposition of surplus;
- (ix) the appointment and dismissal of managers and other important employees;
- (x) the matters concerning the development of internal control systems;
- (xi) the matters necessary for the performance of the duties of the audit committee; and
- (xii) other matters prescribed by laws and regulations or in the Articles of Incorporation.

Article 8. (Matters to be Reported)

1. Directors and Executive Officers shall report to the Board of Directors without delay if any of the matters set forth below occurs:

- (1) a conflict of interest transaction or a transaction by a Director or an Executive Officer competing with the Company’s business is undertaken;
- (2) a Director or an Executive Officer becomes an unlimited-liability partner, director, corporate auditor or manager of another company; or
- (3) Article 331, Paragraph 1 of the Company Law is applicable.

2. The Executive Officers shall report to the Board of Directors on the state of the performance of the business at least once every three (3) months.

3. The Nominating Committee, Etc. shall report to the Board of Directors on the state of the performance of duties of the committees without delay.

4. If a Director or an Executive Officer notifies all of the Directors of any matter that should be reported to the Board of Directors, that matter shall not be required to be reported to the Board of Directors.

5. The provision of the preceding paragraph does not apply to any reporting that is set out in Paragraph 2 of this article.

Article 9. (Minutes)

The substance of the proceedings of the meeting of the Board of Directors, the results thereof, and any matter prescribed by laws and regulations shall be recorded in minutes, to which the Directors present thereat shall affix their names and seals.

Article 10. (Amendment)

Any amendment of these regulations shall be subject to a resolution of the Board of Directors.

Supplementary Provision

Came into effect on October 1, 1982
Partly amended on April 18, 1983
Partly amended on May 28, 1987
Partly amended on April 27, 2001
Partly amended on June 25, 2002
Partly amended on April 21, 2003
Partly amended on June 24, 2003
Partly amended on June 23, 2004
Partly amended on February 25, 2005
Partly amended on June 23, 2005
Partly amended on June 23, 2006
Partly amended on February 1, 2008
Partly amended on June 23, 2009
Partly amended on June 23, 2011
Partly amended on April 1, 2014
Partly amended on June 15, 2017
Partly amended on April 1, 2019
Partly amended on June 23, 2021
Partly amended on April 1, 2022

-End-

**Description of rights of each class of securities
registered under Section 12 of the Securities Exchange Act of 1934**

American Depositary Shares (“ADSs”) representing one share of Honda’s Common Stock (the “Common Stock”) are listed and traded on the New York Stock Exchange and, in connection with this listing (but not for trading), Honda’s Common Stock is registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of shares of Common Stock and (ii) ADS holders. Shares of Common Stock underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depositary, and holders of ADSs will not be treated as holders of the shares of Common Stock.

Disclosures under the following items are not applicable to Honda and have been omitted: debt securities (Item 12.A of Form 20-F), warrants and rights (Item 12.B of Form 20-F) and other securities (Item 12.C of Form 20-F).

Common Stock

Type and Class of Securities (Item 9.A.5 of Form 20-F)

The respective number of shares of Common Stock authorized and outstanding as of the last day of the fiscal year is given on the cover page of the annual report to which this description is attached or incorporated by reference as an exhibit.

Preemptive Rights (Item 9.A.3 of Form 20-F)

See “—Rights of the Shares (Item 10.B.3 of Form 20-F)—Subscription Rights and Stock Acquisition Rights” below.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Not applicable.

Other Rights (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of the Shares (Item 10.B.3 of Form 20-F)

Set forth below is information relating to Honda’s Common Stock, including brief summaries of the relevant provisions of Honda’s Articles of Incorporation and Share Handling Regulations as currently in effect, and of the Company Law of Japan (the “Company Law”) and related legislation.

General

The current central clearing system for shares of Japanese listed companies was established in 2009 pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (including the cabinet order and ministerial ordinances promulgated thereunder; the “Book-Entry Law”). The shares of all Japanese companies listed on any Japanese financial instruments exchange, including Honda’s shares, are subject to the system. Under the Book-Entry Law, all shares are dematerialized and all share certificates for such shares are null and void. At present, the Japan Securities Depository Center, Inc. (“JASDEC”) is the sole institution that

is designated by the relevant authorities as a book-entry transfer institution which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Law. Under the clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, such person must have an account at an account management institution unless such person has an account directly at JASDEC. "Account management institutions" are, in general, financial instruments firms engaged in type 1 financial instruments business (i.e., securities brokers/dealers), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law.

Under the Book-Entry Law, any transfer of shares of Japanese listed companies is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is by an application for book entry recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares recorded in such account.

A registered shareholder is generally entitled to exercise its rights as a shareholder, such as voting rights and to receive dividends (if any). Under the Company Law and the Book-Entry Law, in order to assert shareholders' rights against Honda, a shareholder must have its name and address registered in the register of shareholders, except in limited circumstances. Although, in general, holders of an account with shares recorded are to be registered in the register of shareholders on the basis of an all-shareholders notice from JASDEC to Honda at certain prescribed times, in order to exercise minority shareholders' rights (other than those the record dates for which are fixed) against Honda, a holder of an account with shares needs to (a) make an application through an account management institution to JASDEC, which will then give a notice of the name and address of such holder, the number of shares held by such holder and other requisite information to Honda, and (b) exercise the rights within four weeks from such notice.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to Honda through JASDEC. Japanese financial instruments firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from Honda to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Dividends

Under its Articles of Incorporation, Honda's financial accounts will be closed on March 31 of each year. The record dates for dividends are September 30 and March 31 of each year. In addition, Honda may distribute dividends from surplus by determining any record date.

Under the Company Law, a company is permitted to make distributions of surplus to the shareholders any number of times per fiscal year pursuant to resolutions of a general meeting of shareholders, subject to certain limitations provided by the Company Law and the Ordinances of the Ministry of Justice thereunder. Distributions of surplus are required, in principle, to be authorized by a resolution of a general meeting of shareholders. However, if the articles of incorporation so provide and certain other requirements under the Company Law are met, distributions of surplus may be made pursuant to a board resolution. Pursuant to the provisions of the Company Law and its Articles of Incorporation, the Board of Directors of Honda may determine distributions of its surplus.

Distributions of surplus may be made in cash or in-kind in proportion to the number of shares held by each shareholder. If a distribution of surplus is to be made in-kind, a special resolution of a general meeting of shareholders is required, except in the case that a right to receive cash distribution instead of distribution in-kind is granted to shareholders. If such right is granted, distributions in-kind may be made pursuant to an ordinary resolution of a general meeting of shareholders or, as the case may be, a board resolution.

Under the Company Law, Honda is permitted to prepare non-consolidated extraordinary financial statements consisting of a balance sheet as of any date subsequent to the end of the previous fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. If such extraordinary financial statements are prepared and approved in accordance with the provisions of the Company Law and the Ordinances of the Ministry of Justice thereunder, the results of such extraordinary financial statements may be considered in the calculation of distributable amount.

Under its Articles of Incorporation, Honda is not obligated to pay any dividends which are left unclaimed for a period of three full years after the date on which they first became payable.

Capital and Reserves

The entire amount of the issue price of the shares to be issued in the future shall generally be accounted for as stated capital. However, Honda may account for an amount not exceeding one-half of such issue price as additional paid-in capital by resolution of the Board of Directors in accordance with the Company Law. Honda may at any time reduce the whole or any part of its additional paid-in capital or transfer them to stated capital by resolution of a General Meeting of Shareholders. The whole or any part of surplus may also be transferred to stated capital, additional paid-in capital or legal reserve by resolution of a General Meeting of Shareholders.

Stock Splits

Honda may at any time split its shares into a greater number of shares by resolution of the Board of Directors. When the Board of Directors approves a stock split, it may also amend the Articles of Incorporation of Honda without approval of shareholders to increase the number of its authorized shares to such number as it determines, provided such number is equal to or less than the then-current number multiplied by the ratio of the stock split, so long as Honda does not issue more than one class of shares.

Under the Book-Entry Law, Honda must give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date. On the effective date of the stock split, the numbers of shares recorded in all accounts held by its shareholders at account management institutions or at JASDEC will be increased in accordance with the applicable ratio.

Consolidation of Shares

Honda may at any time consolidate its shares into a smaller number of shares by a special resolution of the General Meeting of Shareholders. Director and Representative Executive Officer of Honda must disclose the reason for the consolidation of the shares at the General Meeting of Shareholders. If the consolidation of shares effected by Honda produces any fractional shares, any dissenting shareholder of such fractional shares may request that Honda purchase all of such fractional shares held by such holder, at a fair price.

Under the Book-Entry Law, Honda must give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the relevant effective date. On the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by its shareholders at account management institutions or at JASDEC will be decreased in accordance with the applicable ratio.

Voting Rights

Pursuant to the Articles of Incorporation, Honda holds its Ordinary General Meeting of Shareholders within three months of the end of each fiscal year (i.e., in June of each year), provided that applicable Japanese law allows, in emergency situations where it is not possible to hold such meeting as set forth in the Articles of Incorporation, for the date of the Ordinary General Meeting of Shareholders to be postponed until a reasonable date following the end of such emergency situation. In addition, Honda may hold an Extraordinary General

Meeting of Shareholders whenever necessary by giving at least two weeks' advance notice. Under the Company Law, notice of any shareholders' meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his resident proxy or mailing address in Japan in accordance with Honda's Share Handling Regulations, at least two weeks prior to the date of the meeting. Pursuant to the Articles of Incorporation, the record date for an Ordinary General Meeting of Shareholders is the last day of each fiscal year (i.e., March 31 of each year). Under applicable Japanese law, however, the record date for a General Meeting of Shareholders must be within three months of the date on which such meeting is held. If the date of such meeting is postponed to a date that is greater than three months from the applicable record date (for example, in response to an emergency situation where it is not possible to hold such meeting as planned), a new record date must be set.

A shareholder of Honda is generally entitled to one vote per voting unit of shares as described in this paragraph and under “—Differences between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)—Japanese Unit Share System.” In general, under the Company Law and the Articles of Incorporation of Honda, a resolution may be adopted at a General Meeting of Shareholders by a majority of the shares having voting rights represented at the meeting. The Company Law and Honda's Articles of Incorporation require a quorum for the election of Directors of not less than one-third of the total number of voting rights of all shareholders and the resolution shall be adopted by majority voting. Honda's shareholders are not entitled to cumulative voting in the election of directors. A corporate shareholder whose voting rights are in turn not less than one-quarter directly or indirectly owned by Honda does not have voting rights. Also, Honda does not have voting rights with respect to its own shares.

Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights. Shareholders who intend to be absent from a general meeting of shareholders may exercise their voting rights in writing. In addition, they may exercise their voting rights by electronic means if the Board of Directors decides to accept such means.

Under the Company Law, in order to approve certain significant matters of a corporation, a more strict requirement for the quorum or the number of voting rights to approve is provided. The Articles of Incorporation of Honda provide that such resolution may be adopted at a General Meeting of Shareholders by at least two thirds of the voting rights of the shareholders present at the meeting representing at least one third of all the shareholders having voting rights. Such significant matters include, but are not limited to:

- acquisition of its own shares by Honda from a specific shareholder other than its subsidiary,
- acquisition of special shares all of which may be acquired by Honda (zembu shutoku joukou tsuki shurui kabushiki),
- consolidation of the shares,
- reduction of stated capital (with certain exceptions),
- issuance or transfer of new shares or existing shares held by Honda as treasury stock to persons other than the shareholders at a “specially favorable” price,
- issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under “specially favorable” conditions,
- discharge of a part of responsibilities of Directors, Executive Officers or accounting auditors,
- distribution of surplus by property other than cash (only in the case that no cash distribution is allowed to shareholders),
- amendments to the Articles of Incorporation,
- transfer of whole or important part of business,

- dissolution of a corporation,
- reorganization of a corporation.

For a description of the process and procedures for the voting of ADRs representing Common Stock, see “American Depositary Shares—Voting deposited securities.”

Subscription Rights and Stock Acquisition Rights

Holders of Honda’s shares have no preemptive rights under Honda’s Articles of Incorporation. Under the Company Law, the board of directors may, however, determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, such rights must be given to all shareholders as of a specified record date by at least two weeks’ prior public notice to shareholders of the record date. In addition, individual notice must be given to each of these shareholders at least two weeks prior to the date of expiration of the subscription rights.

Honda also may decide to grant the stock acquisition rights (*shinkabu-yoyakuken*), with or without bonds, to any person including its shareholders, by resolution of its Board of Directors unless issued under specially favorable conditions. The holder of such rights may exercise its rights within the exercise period by paying subscription moneys all as prescribed in the terms of such rights.

Liquidation Rights

In the event of a liquidation of Honda, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the number of shares they own.

Liability to Further Calls or Assessments

All of Honda’s currently issued shares, including shares represented by the ADSs, are fully paid and nonassessable.

Record Date

As mentioned above, the record dates for Honda’s dividends are September 30 and March 31, if paid. Under the Articles of Incorporation, a holder of shares constituting one or more whole voting units who is registered as a holder on Honda’s register of shareholders at the close of business as of March 31 is entitled to exercise its voting rights at the Ordinary General Meeting of Shareholders with respect to the fiscal year ended on March 31. In addition, Honda may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks’ prior public notice. Under applicable Japanese law, however, the record date for a General Meeting of Shareholders must be within three months of the date on which such meeting is held. If the date of such meeting is postponed to a date that is greater than three months from the applicable record date (for example, in response to an emergency situation where it is not possible to hold such meeting as planned), a new record date must be set.

Under the Book-Entry Law, Honda is required to give notice of each record date to JASDEC at least two weeks prior to such record date. JASDEC is required to promptly give notice to Honda of the names and addresses of all of its shareholders of record, the numbers of shares held by them and other relevant information as of such record date.

The shares generally trade ex-dividend or ex-rights on the Japanese financial instruments exchanges on the first business day prior to a record date (or if the record date is not a business day, the second business day prior thereto).

Acquisition of Own Shares

Under the Company Law, Honda is generally required to obtain authorization for any acquisition of its own shares by means of:

- (i) a resolution at a General Meeting of Shareholders, which may be effective for one year at the most from the date thereof;
- (ii) a resolution of the Board of Directors if the acquisition is in accordance with its Articles of Incorporation; or
- (iii) a resolution of the Board of Directors if the acquisition is to purchase its shares from its subsidiary.

Honda may only dispose of shares so acquired in accordance with the procedures applicable to a new share issuance under the Company Law.

Upon due authorization, Honda may acquire its own shares:

- in the case of (i) and (ii) above, from stock markets or by way of tender offer;
- in the case of (i) above, from a specific person, but only if its shareholders approve such acquisition by special resolution; and
- in the case of (iii) above, from such subsidiary.

In the event Honda is to acquire its own shares from a specific person other than its subsidiary at a price which is higher than the higher of (x) the final market price on the market trading such shares as of the date immediately preceding the date of the required resolution or (y) in the event that such shares are subject to a tender offer, etc., the price set in the contract regarding such tender offer, any shareholder may request that Honda includes such shareholder's shares in the proposed purchase.

Acquisitions described in (i) through (iii) above must satisfy certain other requirements, including the restriction of the source of consideration in which the total amount of the purchase price of such own shares may not exceed the distributable amount of the corporation.

Reports to Shareholders

Honda currently furnishes shareholders with notices of shareholders' meetings, business reports, including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. Such notices of shareholders' meetings as described above may be furnished by electronic means to those shareholders who have approved such way of furnishing notices. After the effectiveness of the revisions to the Company Law, which is scheduled to occur on September 1, 2022, such notices of shareholders' meetings will be furnished by electronic means to shareholders without their approvals pursuant to the Articles of Incorporation, provided however, that if the date of a shareholders' meeting of the Company falls within 6 months from such effectiveness of the revisions to the Company Law, the current measures for the relevant notices continue to apply. Pursuant to its Articles of Incorporation, upon convening a General Meeting of Shareholders, Honda may deem that the information required to be described or indicated in the reference documents for the General Meeting of Shareholders, business reports, financial statements and consolidated financial statements shall have been provided to the shareholders when such information is disclosed, pursuant to laws or regulations, through a method that uses the Internet. Further, pursuant to its Articles of Incorporation, Honda's public notices to shareholders shall be given in Japanese by way of electronic public notice; provided, however, that if any public notice is unable to be given by electronic method due to any accident or for any other unavoidable reason, such public notice shall be given by publication in the Nihon Keizai Shimbun, a Japanese newspaper of general circulation.

Requirements for Amendments (Item 10.B.4 of Form 20-F)

Please refer to “—Rights of the Shares (Item 10.B.3 of Form 20-F)—Voting Rights” above. None of the requirements for amendments are more significant than required by applicable law.

Limitations on the Rights to Own Shares (Item 10.B.6 of Form 20-F)

In addition to the Japanese unit share system that is described under “—Differences between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)—Japanese Unit Share System” below, the Foreign Exchange and Foreign Trade Law of Japan (the “Foreign Exchange and Foreign Trade Law”) and the cabinet orders and ministerial ordinances thereunder (collectively, the “Foreign Exchange Regulations”) govern the acquisition and holding of shares of Honda by “exchange non-residents” and by “foreign investors”.

Exchange non-residents are:

- individuals who do not reside in Japan; and
- corporations whose principal offices are located outside Japan. Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- (i) individuals who are exchange non-residents;
- (ii) corporations or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan (excluding partnerships falling within (iv) below);
- (iii) corporations of which 50% or more of their voting rights are held directly or indirectly by individuals and/or corporations falling within (i) and/or (ii) above;
- (iv) general partnerships under the Civil Code of Japan established to invest in corporations, limited partnerships for investment under the Limited Partnership Act for Investment of Japan, or any other similar partnerships under the laws of foreign countries, where either (a) 50% or more of the contributions to such entities are made by exchange non-residents or certain other foreign investors or (b) a majority of the general partners who are delegated to execute the business of such general partnerships, general partners of such limited partnerships or other similar partners of the other similar partnerships are exchange non-residents or certain other foreign investors; or
- (v) corporations or other entities of which a majority of either (a) directors or other officers (including those who have the same degree or more control over such corporations or such other entities as directors or other officers) or (b) directors or other officers (including those who have the same degree or more control over such corporations or such other entities as directors or other officers) having the power of representation are individuals who are exchange non-residents.

A foreign investor who plans to acquire 1% or more of issued shares or the total voting rights of Honda must, in principle, file a prior notification with the Minister of Finance and any other competent Ministers having jurisdiction. That is because Honda has been designated as a company conducting business activities in industries categorized as the core sectors in relation to the national security of Japan (the “Core Sectors”) as defined under the Foreign Exchange and Foreign Trade Law. However, certain exemptions are provided for foreign investors other than those who have been subject to punitive measure within five years for violating the Foreign Exchange and Foreign Trade Law or investors that are foreign governments or foreign state-owned enterprises (excluding those accredited by the Minister of Finance), if they satisfy certain requirements described below. The foreign investors who satisfy the following conditions, among others, will be exempted from the prior notification

requirement under the Foreign Exchange Regulations: (1) a foreign financial institution that (a) is located in the countries that are listed in the relevant schedule under the Foreign Exchange Regulations, (b) meets the conditions set by the Minister of Finance and any other competent Ministers having jurisdiction, and (2) a foreign investor other than foreign financial institution that, in addition to satisfying (a) and (b) above, (c) will not hold 10% or more of issued shares or the total voting rights of Honda after its acquisition.

The conditions mentioned in (1)(b) in the preceding paragraph include the following, among others: (1) in the case of a foreign financial institution, (i) not becoming a board member of Honda itself or through its closely-related person, (ii) not submitting any agenda proposing transfer or disposition of the business categorized as designated business sectors under the Foreign Exchange Regulations (the “Designated Business Sectors”) to a shareholders’ meeting, and (iii) not acquiring confidential technical information relating to business activities in the Designated Business Sectors or doing any act that causes disclosure of such information, and (2) in the case of a foreign investor other than foreign financial institution, in addition to satisfying (i), (ii) and (iii) above, (iv) not attending the meeting of board of directors or any committee of Honda which makes important decision in connection with business activities in the Core Sectors, and (v) not making any proposal to the board of directors or board members in writing requiring their responses and/or actions by certain deadlines in connection with the business activities in the Core Sectors.

Even if a foreign investor is exempted from the prior notification requirement under the Foreign Exchange Regulations, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction within 45 days from the date of the acquisition (1) in the case of a foreign financial institution, each time when it acquires 10% or more of issued shares or the total voting rights of Honda, and (2) in the case of a foreign investor other than foreign financial institution, when it acquires 1% or more or 3% or more, respectively, of issued shares or the total voting rights of Honda for the first time (for the avoidance of doubt, an acquisition of 10% or more of issued shares or the total voting rights of Honda by a foreign investor other than foreign financial institution is subject to the prior notification requirement as mentioned above, and therefore a *post fact* report is not applicable to such acquisition).

In addition, even if the acquisition of shares of Honda by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements in general, in certain limited circumstances, the Minister of Finance may require prior approval of such acquisition. In addition, in case a resident of Japan transfers shares of Honda for consideration exceeding ¥100 million to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer or the date of receipt of payment, whichever comes later, unless the transfer was made through a bank or financial instruments firms licensed or registered under Japanese law.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Not applicable.

Ownership Threshold (Item 10.B.8 of Form 20-F)

The Financial Instruments and Exchange Law of Japan and regulations under such law require any person other than the relevant corporation who has become a holder (together with its related persons) of more than 5% of the total issued shares of a corporation listed on any Japanese financial instruments exchange or whose shares are traded on the over-the-counter market (including ADSs representing such shares) to file with the Director of a competent Local Finance Bureau, within five business days, in general, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in any shareholding or any change in material matters set out in reports previously filed. As of April 1, 2014, any person who filed a report on or after that date to reflect a change in holding of 5% or less of the total issued shares is not required to file any further report for a change of 1% or more in shareholding (unless the holding exceeds 5%) or any change in material matters previously reported. Copies of any report must also be furnished to all Japanese financial instruments

exchanges on which the corporation's shares are listed or in the case of shares traded on the over-the-counter market, the Japan Securities Dealers Association. For this purpose, shares issuable or transferable to such person upon exercise of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights are taken into account in determining both the number of shares held by that holder and the corporation's total issued share capital.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

Japanese Unit Share System

Consistent with the requirements of the Company Law, the Articles of Incorporation of Honda adopts a unit share system called "tan-gen-kabu", under which 100 shares constitute one voting unit of shares. The Board of Directors of Honda by itself may reduce, but not increase, the number of shares that constitute one voting unit or abolish the unit share system entirely by amendments to the Articles of Incorporation by a board resolution without approval of shareholders. An increase in the number of shares that constitute one voting unit requires an amendment to the articles of incorporation by a special resolution of a general meeting of shareholders. In any case, the number of shares constituting one voting unit may not exceed 1,000 shares or 0.5% of the total issued shares.

Under the Book-Entry Law, shares constituting less than one voting unit are transferable. Under the rules of the Japanese financial instruments exchanges, however, shares constituting less than one voting unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese financial instruments exchanges.

The holder of shares constituting less than one voting unit may at any time require Honda to purchase or sell such shares to constitute one voting unit at the market price in accordance with Honda's Share Handling Regulations (see below). Because the transfer of ADRs does not require changes in the ownership of the underlying shares, holders of ADRs evidencing ADSs that constitute less than one voting unit of shares are not affected by these restrictions in their ability to transfer the ADRs. However, because transfers of less than one voting unit of the underlying shares are normally prohibited under the unit share system, under the Deposit Agreement, the right of ADR holders to surrender their ADRs and withdraw the underlying shares for sale in Japan may only be exercised as to whole voting units.

Right of a Holder of Shares Representing Less Than One Voting Unit to Require Honda to Purchase or Sell Its Shares.

A holder of Honda's shares representing less than one voting unit may at any time require Honda to purchase its shares. These shares will be purchased at (a) the closing price of the shares reported by the Tokyo Stock Exchange on the day when the request for purchase reaches the share handling agent, or (b) if no sale takes place on the Tokyo Stock Exchange on that day, then the price at which the first sale of shares is effected on the Tokyo Stock Exchange thereafter. In each case, Honda will request the payment of an amount determined by Honda as an amount equal to the brokerage commission required for the sale and purchase of the shares. A holder of shares representing less than one voting unit may, in accordance with the provisions of Honda's Share Handling Regulations, also make a request to the effect that such number of shares should be sold to it that will, when added to the shares less than one voting unit already held by that shareholder, constitute one voting unit. However, because holders of ADSs representing less than one unit are not able to withdraw the underlying shares from deposit, these holders will not be able to exercise many shareholder rights as a practical matter.

Other Rights of a Holder of Shares Representing Less Than One Voting Unit.

In addition to the rights described in the preceding paragraph, a holder of shares representing less than one voting unit also has the rights including the followings and these rights may not be restricted by the articles of incorporation:

- rights to receive any consideration for acquisition by a corporation of special shares all of which may be acquired by such corporation (*zembu shutoku joukou tsuki shurui kabushiki*) as provided by Article 171, paragraph 1, item 1 of the Company Law,
- rights to receive any cash or other consideration for acquisition by a corporation of shares which may be acquired by such corporation on occurrence of certain event (*shutoku joukou tsuki kabushiki*) as provided by Article 107, paragraph 1, item 3 of the Company Law,
- rights to be allocated any shares without consideration as provided by Article 185 of the Company Law,
- rights to receive distribution of any residual assets of a corporation, and
- any other rights provided in the relevant Ordinance of the Ministry of Justice, including rights to receive cash or other distribution derived from consolidation of shares, stock split, allocation of stock acquisition rights without consideration, distribution of surplus or reorganization of a corporation.

Other rights of a holder of shares constituting less than one voting unit may be restricted if the articles of incorporation so provide.

Voting rights under the unit share system.

Under the unit share system, the shareholders shall have one voting right for each voting unit of shares that they hold. A shareholder who owns shares representing less than one voting unit will not be able to exercise voting rights and any other rights relating thereto.

Daily Price Limits under Japanese Financial Instruments Exchange Rules

Share prices on Japanese financial instruments exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set in absolute yen according to the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell its shares at such price on a particular trading day, or at all.

Changes in Capital (Item 10.B.10 of Form 20-F)

Please refer to “—Rights of the Shares (Item 10.B.3 of Form 20-F)—Capital and Reserves” and “—Rights of the Shares (Item 10.B.3 of Form 20-F)—Voting Rights” above. None of the requirements for changes in capital are more stringent than required by applicable law.

American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Under the Second and Restated Deposit Agreement (the “Deposit Agreement”), JPMorgan Chase Bank, N.A, a national banking association organized under the laws of the United States, is the Depositary (the “Depositary”) of Honda’s ADSs representing Honda’s Common Stock, including evidence of rights to receive such Common Stock. Each ADS represents one share of Common Stock at the date of the applicable ADR, deposited at the principal office of MUFG Bank, Ltd., Tokyo (the “Custodian”), as agent of the Depositary. The address of the Depositary’s office is 383 Madison Avenue, Floor 11, New York, New York 10179 (the “Depositary’s Office”).

The rights of ADR holders, including their rights to corporate governance practices, are governed by the Deposit Agreement which is an exhibit to the annual report to which this description is attached or incorporated by reference as an exhibit.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because JPMorgan Chase Bank, N.A. will actually hold the shares underlying your ADRs, you must rely on it to exercise the rights of a shareholder. The obligations of JPMorgan Chase Bank, N.A. are set out in an agreement among Honda, JPMorgan Chase Bank, N.A. and you, as an ADR holder. The agreement and the ADRs are generally governed by New York law.

The following is a summary of the agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire agreement and the form of ADR, each of which is included as an exhibit to the annual report to which this description is attached or incorporated by reference as an exhibit.

Fixing of the Record Date (Item 12.D.2.(b) of Form 20-F)

The Depositary may, after consultation with Honda if practicable, fix a record date (which, to the extent applicable, shall be as near as practicable to any corresponding record date set by Honda) for the determination of the holders who shall be responsible for the fee assessed by the Depositary for administration of the ADR program and for any expenses provided for in paragraph (7) of the Form of ADR included in the Deposit Agreement as well as for the determination of the holders who shall be entitled to receive any distribution on or in respect of Deposited Securities, to give instructions for the exercise of any voting rights, to receive any notice or to act in respect of other matters and only such holders shall be so entitled or obligated.

Voting deposited securities (Item 12.D.2.(b) and Item 12.D.2.(d) of Form 20-F)

As soon as practicable after receipt of notice of any meeting at which the holders of shares are entitled to vote, or of solicitation of consents or proxies from holders of shares or other Deposited Securities, the Depositary shall fix the ADR record date in accordance with the Deposit Agreement, provided that if the Depositary receives a written request from Honda in a timely manner promptly after the approval by the Board of Directors of the convocation of such meeting or the solicitation of such consents or proxies, or promptly after any other party authorized to do so has called such meeting or initiated the solicitation of such consents or proxies, the Depositary shall, at Honda's expense, distribute to holders a notice (the "Voting Notice") stating (i) final information particular to such vote and meeting and any solicitation materials, (ii) that each holder on the record date set by the Depositary will, subject to any applicable provisions of Japanese law, be entitled to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by the ADSs evidenced by such holder's ADRs and (iii) the manner in which such instructions may be given or deemed given, including instructions to give a discretionary proxy to a person designated by Honda. There is no guarantee that holders generally or any holder in particular will receive the notice described above or, to the extent any such notice is distributed, that such notice will be distributed or received with sufficient time to enable such holder to return any voting instructions to the Depositary in a timely manner.

Following actual receipt by the ADR department of the Depositary responsible for proxies and voting of holders' instructions, the Depositary shall, in the manner and on or before the time established by the Depositary for such purpose, endeavor to vote or cause to be voted the Deposited Securities represented by the ADSs evidenced by such holders' ADRs in accordance with such instructions insofar as practicable and permitted under

the provisions of or governing Deposited Securities. The Depositary will not itself exercise any voting discretion in respect of any Deposited Securities. Under current Japanese law and Honda's Articles of Incorporation, voting rights can only be exercised with respect to units consisting of 100 Shares. Accordingly, the Depositary will only be able to endeavor to vote or cause to be voted such number of Deposited Securities that shall equal a multiple of 100 shares (or such other number as Honda's Articles of Incorporation may specify from time to time) and, as a result, if the Depositary receives voting instructions for such number of Deposited Securities (the "Instructed Shares") that is not a multiple of the requisite number of shares, then the Depositary shall only endeavor to vote, or cause to be voted, such number of Instructed Shares that represents the highest applicable multiple of the requisite number of shares, taking into account a pro-ration of the voting instructions received from holders, and any remaining Instructed Shares shall not be voted.

To the extent that the Depositary (A) receives the Honda's written request pursuant to the Deposit Agreement in a timely manner as provided therein, (B) reasonably believes that it has been provided with notice of a meeting in sufficient time to ensure that the Voting Notice will be received by all holders and beneficial owners no less than 10 days prior to the date of the meeting and/or the cut-off date for the solicitation of consents, and (C) does not receive instructions on a particular agenda item from a holder in a timely manner, such holder shall be deemed, and the Depositary is instructed to deem such holder, to have instructed the Depositary to give a discretionary proxy for such agenda item(s) to a person designated by Honda to vote the Deposited Securities represented by the ADRs for which actual instructions were not so given by all such holders on such agenda item(s), provided that no such instruction shall be deemed given and no discretionary proxy shall be given unless (1) to the best of Honda's knowledge after reasonable inquiry, there is no substantial opposition existing with respect to such agenda item(s), and such agenda item(s), if approved, would not materially or adversely affect the rights of holders of shares, (2) Honda informs the Depositary in writing (and Honda agrees to provide the Depositary with such instruction promptly in writing) that (i) it wishes such proxy to be given with respect to such agenda item(s), (ii) to the best of Honda's knowledge after reasonable inquiry, there is no substantial opposition existing with respect to such agenda item(s), and such agenda item(s), if approved, would not materially or adversely affect the rights of holders of shares, and (3) the Depositary has obtained an opinion of counsel, in form and substance satisfactory to the Depositary, confirming that (i) the granting of such discretionary proxy does not subject the Depositary to any reporting obligations in Japan, (ii) the granting of such proxy will not result in a violation of the laws, rules, regulations or permits of Japan, (iii) the voting arrangement and deemed instruction as contemplated herein will be given effect under the laws, rules and regulations of Japan, and (iv) the granting of such discretionary proxy will not under any circumstances result in the shares represented by the ADRs being treated as assets of the Depositary under the laws, rules or regulations of Japan.

Notwithstanding anything contained in the Deposit Agreement or any ADR, the Depositary may, to the extent not prohibited by any law, rule or regulation or by the rules, regulations or requirements of the stock exchange on which the ADRs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of or solicitation of consents or proxies from holders of Deposited Securities, distribute to the holders a notice that provides holders with or otherwise publicizes to holders instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials). Holders are strongly encouraged to forward their voting instructions as soon as possible. Voting instructions will not be deemed received until such time as the ADR department responsible for proxies and voting has received such instructions, notwithstanding that such instructions may have been physically received by the Depositary.

Dividends and Other Distributions (Item 12.D.12.(c), Item 12.D.2(e) and Item 12.D.2.(f) of Form 20-F)

Subject to terms of the Deposit Agreement, to the extent practicable, the Depositary will distribute to each holder entitled thereto on the record date set by the Depositary therefor at such holder's address shown on the ADR register, in proportion to the number of Deposited Securities (on which the following distributions on Deposited Securities are received by the Custodian):

- Cash. Any U.S. dollars available to the Depositary resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof authorized by the Deposit Agreement, on an averaged or other practicable basis, subject the terms of the Deposit Agreement;
- Shares. (i) Additional ADRs evidencing whole ADSs representing any shares available to the Depositary resulting from a dividend or free distribution on Deposited Securities consisting of shares (a "Share Distribution") and (ii) U.S. dollars available to it resulting from the net proceeds of sales of shares received in a Share Distribution, which shares would give rise to fractional ADSs if additional ADRs were issued therefor, as in the case of cash.
- Rights. (i) Warrants or other instruments in the discretion of the Depositary representing rights to acquire additional ADRs in respect of any rights to subscribe for additional shares or rights of any nature available to the Depositary as a result of a distribution on Deposited Securities ("Rights"), to the extent that Honda timely furnishes to the Depositary evidence satisfactory to the Depositary that the Depositary may lawfully distribute the same (Honda has no obligation to so furnish such evidence), or (ii) to the extent Honda does not so furnish such evidence and sales of Rights are practicable, any U.S. dollars available to the Depositary from the net proceeds of sales of Rights as in the case of cash, or (iii) to the extent Honda does not so furnish such evidence and such sales cannot practicably be accomplished by reason of the nontransferability of the Rights, limited markets therefor, their short duration or otherwise, nothing (and any Rights may lapse).
- Other distributions: (i) Securities or property available to the Depositary resulting from any distribution on Deposited Securities other than cash, Share Distributions and Rights ("Other Distributions"), by any means that the Depositary may deem equitable and practicable, or (ii) to the extent the Depositary deems distribution of such securities or property not to be equitable and practicable, any U.S. dollars available to the Depositary from the net proceeds of sales of Other Distributions as in the case of cash.

Liability of Holder for Taxes (Item 12.D.2.(c) and Item 12.D.2.(i) of Form 20-F)

If any tax or other governmental charges (including any penalties and/ or interest) shall become payable by or on behalf of the Custodian or the Depositary with respect to an ADR, any Deposited Securities represented by the ADSs evidenced thereby or any distribution thereon, such tax or other governmental charge shall be paid by the holder thereof to the Depositary. The Depositary may refuse to effect any registration, registration of transfer, split-up or combination of any ADR or any withdrawal of such Deposited Securities until such payment is made. The Depositary may also deduct from any distributions on or in respect of Deposited Securities, or may sell by public or private sale for the account of the holder of any ADR any part or all of such Deposited Securities, and may apply such deduction or the proceeds of any such sale in payment of such tax or other governmental charge, the holder thereof remaining liable for any deficiency, and shall reduce the number of ADSs evidenced by such ADR to reflect any such sales of Shares.

Reports; Inspection of Transfer Books (Item 12.D.2.(d) and Item 12.D.2.(h) of Form 20-F)

The Depositary shall make available for inspection by Holders at the Depositary's Office, at the office of the Custodian, at any other designated transfer offices, on the website of the United States Securities and Exchange Commission (the "Commission"), or upon request from the Depositary, the Deposit Agreement, the provisions of

or governing Deposited Securities and any written communications, including any proxy solicitation material, received from Honda which are both (a) received by the Custodian or the nominee of either as the holder of Deposited Securities and (b) made generally available to the holders of Common Stock or Deposited Securities by Honda. The Depositary will distribute copies of such communications to record holders when furnished by Honda.

The Depositary or its agent will keep, at a designated transfer office, a register for the registration, registration of transfer, combination and split-up of ADRs, which at all reasonable times will be open for inspection by holders and Honda for the purpose of communicating with holders in the interest of the business of Honda or a matter relating to the Deposit Agreement.

Changes Affecting Deposited Securities (Item 12.D.2.(f) of Form 20-F)

The Depositary may, in its discretion, and shall if reasonably requested by Honda, amend the ADRs or distribute additional or amended ADRs (with or without calling existing ADRs for exchange) or cash, securities or property on the record date set by the Depositary therefor to reflect any change in par value, split-up, consolidation, cancellation or other reclassification of Deposited Securities, any Share Distribution or Other Distribution not distributed to holders or any cash, securities or property available to the Depositary in respect of Deposited Securities from (and the Depositary is authorized under the Deposit Agreement to surrender any Deposited Securities to any person and, irrespective of whether such Deposited Securities are surrendered or otherwise cancelled by operation of law, rule, regulation or otherwise, to sell by public or private sale any property received in connection with) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all the assets of Honda.

To the extent the Depositary does not so amend the ADRs or make a distribution to holders to reflect any of the foregoing, or the net proceeds thereof, whatever cash, securities or property results from any of the foregoing shall constitute Deposited Securities and each ADS evidenced by the ADRs shall automatically represent its pro rata interest in the Deposited Securities as then constituted.

Promptly upon the occurrence of any of the aforementioned changes affecting Deposited Securities, Honda shall notify the Depositary in writing of such occurrence and as soon as practicable after receipt of such notice from Honda, may instruct the Depositary to give notice thereof, at Honda's expense, to holders in accordance with the provisions hereof. Upon receipt of such instruction, the Depositary shall give notice to the holders in accordance with the terms thereof, as soon as reasonably practicable.

Amendment and Termination of Deposit Agreement (Item 12.D.2.(g) of Form 20-F)

The ADRs and the Deposit Agreement may be amended by Honda and the Depositary, provided that any amendment that imposes or increases any fees or charges on a per ADS basis (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that shall otherwise prejudice any substantial existing right of holders or beneficial owners, shall become effective 30 days after notice of such amendment shall have been given to the holders. Every holder and beneficial owner at the time any amendment to the Deposit Agreement so becomes effective shall be deemed, by continuing to hold such ADR, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the holder of any ADR to surrender such ADR and receive the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Any amendments or supplements that (i) are reasonably necessary (as agreed by Honda and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act of 1933 or (b) the ADSs or shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by holders, shall be deemed not to prejudice any substantial rights of Holders or Beneficial Owners. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would

require amendment or supplement of the Deposit Agreement or the form of ADR to ensure compliance therewith, Honda and the Depositary may amend or supplement the Deposit Agreement and the form of ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to holders or within any other period of time as required for compliance. Notice of any amendment to the Deposit Agreement or form of ADRs shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the holders identifies a means for holders and beneficial owners to retrieve or receive the text of such amendment (i.e., upon retrieval from the Commission's, the Depositary's or Honda's website or upon request from the Depositary).

The Depositary may, and shall at the written direction of Honda, terminate the Deposit Agreement and the ADRs by mailing notice of such termination to the holders at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the Depositary shall have (i) resigned as Depositary under the Deposit Agreement, notice of such termination by the Depositary shall not be provided to holders unless a successor depositary shall not be operating hereunder within 60 days of the date of such resignation, or (ii) been removed as Depositary under the Deposit Agreement, notice of such termination by the Depositary shall not be provided to holders unless a successor depositary shall not be operating hereunder on the 90th day after Honda's notice of removal was first provided to the Depositary.

Notwithstanding anything to the contrary in the Deposit Agreement, the Depositary may terminate the Deposit Agreement without notice to Honda, but subject to giving 30 days' notice to the holders, under the following circumstances: (i) in the event of Honda's bankruptcy or insolvency, (ii) if the shares cease to be listed on an internationally recognized stock exchange, (iii) if Honda effects (or will effect) a redemption of all or substantially all of the Deposited Securities, or a cash or share distribution representing a return of all or substantially all of the value of the Deposited Securities, or (iv) there occurs a merger, consolidation, sale of assets or other transaction as a result of which securities or other property are delivered in exchange for or in lieu of Deposited Securities. After the date so fixed for termination, the Depositary and its agents will perform no further acts under the Deposit Agreement and the ADRs, except to receive and hold (or sell) distributions on Deposited Securities and deliver Deposited Securities being withdrawn. As soon as practicable after the date so fixed for termination, the Depositary shall use its reasonable efforts to sell the Deposited Securities and shall thereafter (as long as it may lawfully do so) hold in an account (which may be a segregated or unsegregated account) the net proceeds of such sales, together with any other cash then held by it under the Deposit Agreement, without liability for interest, in trust for the pro rata benefit of the Holders of ADRs not theretofore surrendered. After making such sale, the Depositary shall be discharged from all obligations in respect of the Deposit Agreement and the ADRs, except to account for such net proceeds and other cash. After the date so fixed for termination, Honda shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary and its agents.

Surrender of ADRs and Withdrawal of Common Stock (Item 12.D.2.(i) of Form 20-F)

Subject to the terms of the Deposit Agreement, upon surrender of (a) a certificated ADR in a form satisfactory to the Depositary at the transfer office or (b) proper instructions and documentation in the case of a Direct Registration ADR, the holder of such ADR is entitled to delivery at, or to the extent in dematerialized form from, the Custodian's office of the Deposited Securities at the time represented by the ADSs evidenced by such ADR. At the request, risk and expense of the holder, the Depositary may deliver such Deposited Securities at such other place as may have been requested by the Holder. Notwithstanding the foregoing, to the extent Japanese law or Honda's Articles of Incorporation limit the delivery of Deposited Securities in the Japanese market to a unit consisting of a specified number of Deposited Securities, cancellations of ADSs will only be permitted in a number that would allow for delivery of one or more multiples of such unit of Deposited Securities. Notwithstanding any other provision of the Deposit Agreement and subject to any limitations resulting from the immediately preceding sentence, the withdrawal of Deposited Securities may be restricted

only for the reasons set forth in General Instruction I.A. (1) of Form F-6 (as such instructions may be amended from time to time) under the Securities Act of 1933.

Conditions to Execution and Delivery, Registration of Transfer, etc. of ADRs (Item 12.D.2.(i) of Form 20-F)

As a condition precedent to the execution and delivery, registration, registration of transfer, split-up or combination of any ADR, the delivery of any distribution in respect thereof or, subject to the terms of the Deposit Agreement, the withdrawal of any Deposited Securities, Honda, the Depositary, or any Custodian may require: (a) payment with respect thereto of (i) any Common Stock transfer or other tax or other governmental charge with respect thereto, (ii) any Common Stock transfer or registration fees for the registration of transfers of Common Stock or other Deposited Securities upon any applicable register and (iii) any charges of the Depositary upon delivery of ADRs; (b) the production of proof satisfactory to it of (i) the identity and genuineness of any signature and (ii) as to any other matter, including without limitation, information as to citizenship, residence, exchange control approval, beneficial or other ownership of, or interest in, any securities, compliance with applicable law, regulations, provisions of or governing Deposited Securities and terms of the Deposit Agreement and the ADR, as it may deem necessary or proper; and (c) compliance with such reasonable regulations, if any, as the Depositary and Honda may establish consistent with the provisions of the Deposit Agreement.

Suspension of Delivery, Transfer, etc. (Item 12.D.2.(i) of Form 20-F)

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or, subject to the terms of the Deposit Agreement, the withdrawal of Deposited Securities may be suspended, generally or in particular instances, when the ADR Register or any register for Deposited Securities is closed or when any such action is deemed advisable by the Depositary.

Transfers, Split-ups, Combinations of ADRs (Item 12.D.2.(i) of Form 20-F)

An ADR is transferable on the books of the Depositary upon surrender of such ADR to the Depositary at such offices as it may designate properly endorsed or accompanied by a properly executed and duly stamped instrument of transfer, and upon such transfer the Depositary shall execute and deliver an ADR to or upon the order of the person entitled thereto, as provided in the Deposit Agreement. An ADR may be split into other ADRs or combined with other ADRs into one ADR. The Depositary may close the register at any time or from time to time, when deemed expedient by it.

Liability and Obligations of Honda, the Depositary and the Custodian (Item 12.D.2.(j) of Form 20-F)

Neither the Depositary nor Honda nor any of their respective directors, officers, employees, agents and affiliates and each of them shall incur any liability to any holder of an ADR, if by reason of any provision of any present or future law or regulation of Japan or any other country or jurisdiction, or of any action of any other governmental authority or any securities exchange or market or automated quotation system, or in the case of the Depositary or the Custodian, by reason of any provision, present or future, of the Articles of Incorporation or the Share Handling Regulations of Honda, or by reason of any act of God or war or other circumstance beyond its control, the Depositary, Honda or each of their respective directors, officers, employees, agents and affiliates and each of them shall be prevented or forbidden from, or subjected to any civil or criminal penalty on account of, doing any act which the Deposit Agreement provides shall be done; nor shall the Depositary, Honda or each of their respective directors, officers, employees, agents and affiliates and each of them incur any liability to any holder hereof by reason of any non-performance or delay, caused as aforesaid, in performance of any act which it is so provided shall or may be done, or by reason of any exercise of, or failure to exercise any discretion provided for in the Deposit Agreement.

Neither the Depositary, nor Honda nor each of their respective directors, officers, employees, agents and affiliates and each of them assumes any obligation nor shall any of them be subject to any liability under the

Deposit Agreement to holders of ADRs, except that each agrees to perform obligations and duties specifically set forth in the Deposit Agreement without gross negligence or willful misconduct and the Depositary shall not be a fiduciary or have any fiduciary duty to holders. Neither the Depositary nor its agent shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the ADRs. Neither Honda nor its agent shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the ADRs, which in its opinion may involve it in expense or liability, unless satisfactory indemnity be furnished as often as may be required.

Neither the Depositary, nor Honda shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Common Stock for deposit, any holder of an ADR, or any other person believed by it to be competent to give such advice or information. Neither the Depositary nor the Custodian will be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner or effect of any such vote, made either with or without request as long as any such action or non-action is in good faith. Honda will indemnify the Depositary, the Custodian and their respective directors, officers, employees, agents and affiliates against any loss, liability or expense which may arise out of acts performed, in accordance with the provisions of the Deposit Agreement and of the ADRs (i) by the Depositary, the Custodian, or any of their respective directors, officers, employees, agents and affiliates, except for any liability arising out of its own negligence or willful misconduct or (ii) by Honda or any of its directors, officers, employees, agents and affiliates. The Depositary will indemnify Honda against any direct loss, liability or expenses which may arise out of acts performed or omitted by the Depositary or its agents (including the Custodian) due to negligence or willful misconduct. The Depositary and the Custodian may own and deal in any class of securities of Honda and its affiliates and in ADRs.

CERTIFICATION

I, Toshihiro Mibe, certify that:

1. I have reviewed this Annual Report on Form 20-F of Honda Motor Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 22, 2022

By: _____ /s/ Toshihiro Mibe
 Name: **Toshihiro Mibe**
 Title: **Director, President and Representative Executive Officer,
 Chief Executive Officer
 Honda Motor Co., Ltd.**

CERTIFICATION

I, Kohei Takeuchi, certify that:

1. I have reviewed this Annual Report on Form 20-F of Honda Motor Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 22, 2022

By: _____ /s/ Kohei Takeuchi
Name: **Kohei Takeuchi**
Title: **Director, Executive Vice President and Representative Executive Officer
Chief Financial Officer
Honda Motor Co., Ltd.**

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Honda Motor Co., Ltd. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Annual Report on Form 20-F for the year ended March 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 22, 2022

By: _____ /s/ Kohei Takeuchi
Name: Kohei Takeuchi
Title: Director, Executive Vice President and Representative Executive Officer
Chief Financial Officer
Honda Motor Co., Ltd.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement (No. 333-263008) on Form F-3 of our reports dated June 22, 2022, with respect to the consolidated financial statements of Honda Motor Co., Ltd. and subsidiaries, and the effectiveness of internal control over financial reporting.

/s/ KPMG AZSA LLC

Tokyo, Japan
June 22, 2022