

July 29, 2014

**HONDA MOTOR CO., LTD. REPORTS  
CONSOLIDATED FINANCIAL RESULTS  
FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014**

Tokyo, July 29, 2014--- Honda Motor Co., Ltd. today announced its consolidated financial results for the fiscal first quarter ended June 30, 2014.

**First Quarter Results**

Honda's consolidated net income attributable to Honda Motor Co., Ltd. for the fiscal first quarter ended June 30, 2014 totaled JPY 146.5 billion (USD 1,445 million), an increase of 19.6% from the same period last year. Basic net income attributable to Honda Motor Co., Ltd. per common share for the quarter amounted to JPY 81.29 (USD 0.80), an increase of JPY 13.32 (USD 0.13) from JPY 67.97 for the corresponding period last year. One Honda American Depository Share represents one common share.

Consolidated net sales and other operating revenue (herein referred to as "revenue") for the quarter amounted to JPY 2,988.2 billion (USD 29,482 million), an increase of 5.4% from the same period last year, due primarily to increased revenue in automobile and motorcycle business operations, as well as favorable foreign currency translation effects.

Consolidated operating income for the quarter amounted to JPY 198.0 billion (USD 1,954 million), an increase of 7.1% from the same period last year, due primarily to continuing cost reduction efforts and an increase in sales volume and model mix, despite increased SG&A expenses as well as unfavorable foreign currency effects.

Consolidated income before income taxes and equity in income of affiliates for the quarter totaled JPY 198.8 billion (USD 1,961 million), an increase of 15.6% from the same period last year.

Equity in income of affiliates amounted to JPY 38.5 billion (USD 381 million) for the quarter, an increase of 21.5% from the corresponding period last year.

## Business Segment

### Motorcycle Business

For the three months ended June 30, 2013 and 2014

	Honda Group Unit Sales				Consolidated Unit Sales			
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014	Change		Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014	Change	
				%				%
<b>Motorcycle business</b>	4,054	<b>4,137</b>	83	2.0	2,371	<b>2,457</b>	86	3.6
Japan	54	<b>48</b>	-6	-11.1	54	<b>48</b>	-6	-11.1
North America	62	<b>62</b>	0	0.0	62	<b>62</b>	0	0.0
Europe	52	<b>60</b>	8	15.4	52	<b>60</b>	8	15.4
Asia	3,479	<b>3,593</b>	114	3.3	1,796	<b>1,913</b>	117	6.5
Other Regions	407	<b>374</b>	-33	-8.1	407	<b>374</b>	-33	-8.1

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

With respect to Honda's sales for the fiscal first quarter by business segment, in motorcycle business operations, revenue from sales to external customers increased 2.7%, to JPY 407.7 billion (USD 4,023 million) from the same period last year due mainly to increased consolidated unit sales, despite unfavorable foreign currency translation effects. Operating income totaled JPY 43.9 billion (USD 434 million), an increase of 3.3% from the same period last year, due primarily to an increase in sales volume and model mix, despite increased SG&A expenses and unfavorable foreign currency effects.

### Automobile Business

For the three months ended June 30, 2013 and 2014

	Honda Group Unit Sales				Consolidated Unit Sales			
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014	Change		Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014	Change	
				%				%
<b>Automobile business</b>	999	<b>1,061</b>	62	6.2	858	<b>895</b>	37	4.3
Japan	140	<b>202</b>	62	44.3	139	<b>201</b>	62	44.6
North America	459	<b>445</b>	-14	-3.1	459	<b>445</b>	-14	-3.1
Europe	40	<b>40</b>	0	0.0	40	<b>40</b>	0	0.0
Asia	285	<b>316</b>	31	10.9	145	<b>151</b>	6	4.1
Other Regions	75	<b>58</b>	-17	-22.7	75	<b>58</b>	-17	-22.7

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

In automobile business operations, revenue from sales to external customers increased 5.6%, to JPY 2,319.5 billion (USD 22,885 million) from the same period last year due mainly to increased consolidated unit sales and favorable foreign currency translation effects. Operating income totaled JPY 99.8 billion (USD 985 million), an increase of 3.6% from the same period last year, due primarily to continuing cost reduction efforts and an increase in sales volume and model mix, despite increased SG&A.

## Financial Services Business

Revenue from customers in the financial services business operations increased 12.9%, to JPY 186.7 billion (USD 1,842 million) from the same period last year due mainly to an increase in revenue from operating leases and favorable foreign currency translation effects. Operating income increased 16.1% to JPY 51.8 billion (USD 511 million) from the same period last year due mainly to increased profit attributable to increased revenue as well as favorable foreign currency effects.

## Power Product and Other Businesses

For the three months ended June 30, 2013 and 2014

	Unit (Thousands)			
	Honda Group Unit Sales/ Consolidated Unit Sales		Change	%
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014		
<b>Power product business</b>	1,589	<b>1,510</b>	-79	-5.0
Japan	63	<b>68</b>	5	7.9
North America	828	<b>773</b>	-55	-6.6
Europe	237	<b>240</b>	3	1.3
Asia	364	<b>336</b>	-28	-7.7
Other Regions	97	<b>93</b>	-4	-4.1

Note: Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. In power product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales for the three months ended June 30, 2013 and for the three months ended June 30, 2014, since no affiliate accounted for under the equity method was involved in the sale of Honda power products.

Revenue from sales to external customers in power product and other businesses decreased 1.3%, to JPY 74.2 billion (USD 732 million) from the same period last year, due mainly to decreased consolidated unit sales in power product business operations, despite favorable foreign currency translation effects. Operating income increased 75.5% to JPY 2.3 billion (USD 24 million) from the same period last year, due mainly to decreased R&D and SG&A expenses.

### Geographical Information

With respect to Honda's sales for the fiscal first quarter by geographic segment, in Japan, revenue from domestic and export sales amounted to JPY 987.9 billion (USD 9,747 million), an increase of 1.2% from the same period last year due mainly to increased revenue in automobile business operations. Operating income JPY 62.1 billion (USD 613 million) basically unchanged from the same period last year, due mainly to increased SG&A expenses, despite continuing cost reduction efforts.

In North America, revenue increased by 2.9%, to JPY 1,545.5 billion (USD 15,249 million) from the same period last year due mainly to favorable foreign currency translation effects. Operating income totaled JPY 67.5 billion (USD 666 million), a decrease of 6.0% from the same period last year due mainly to a decrease in sales volume and model mix, as well as increased SG&A expenses.

In Europe, revenue increased by 10.6%, to JPY 194.5 billion (USD 1,920 million) from the same period last year due mainly to increased revenue in motorcycle business operations as well as favorable foreign currency translation effects. Honda reported an operating loss of JPY 1.4 billion (USD 15 million), an improvement of JPY 8.2 million (USD 81 million) from the same period last year due mainly to decreased SG&A expenses and continuing cost reduction efforts.

In Asia, revenue increased by 3.8%, to JPY 733.4 billion (USD 7,236 million) from the same period last year mainly due to increased revenue in motorcycle and automobile business operations. Operating income increased by 21.4%, to JPY 65.2 billion (USD 644 million) from the same period last year due mainly to an increase in sales volume and model mix, despite increased SG&A expenses.

In Other regions, which includes South America, the Middle/Near East, Africa and Oceania, revenue decreased by 13.5%, to JPY 208.2 billion (USD 2,055 million) from the same period last year mainly due to decreased revenue in automobile business operations as well as unfavorable foreign currency translation effects. Operating income totaled JPY 4.5 billion (USD 45 million), a decrease of 15.2% from the same period last year mainly due to increased SG&A expenses as well as unfavorable foreign currency effects.

Explanatory note:

United States dollar amounts have been translated from yen solely for the convenience of the reader at the rate of JPY 101.36=USD 1, the mean of the telegraphic transfer selling exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo foreign exchange market on June 30, 2014.

**Consolidated Statements of Balance Sheets for the Fiscal First Quarter Ended June 30, 2014**

Total assets decreased by JPY 134.2 billion, to JPY 15,487.8 billion from March 31, 2014, mainly due to a decrease in Trade accounts and notes receivables, as well as foreign currency translation effects, despite a decrease in Property on operating leases. Total liabilities decreased by JPY 188.9 billion, to JPY 9,319.6 billion from March 31, 2014, mainly due to a decrease in Trade accounts payable and foreign currency translation effects. Total equity increased by JPY 54.7 billion, to JPY 6,168.1 billion from March 31, 2014 due mainly to net income, despite foreign currency translation effects.

## **Consolidated Statements of Cash Flow for the Fiscal First Quarter Ended June 30, 2014**

Consolidated cash and cash equivalents on June 30, 2014 decreased by JPY 61.2 billion from March 31, 2014, to JPY 1,107.6 billion. The reasons for the increases or decreases for each cash flow activity, when compared with the same period of the previous fiscal year, are as follows:

### *Cash flow from operating activities*

Net cash provided by operating activities amounted to JPY 354.6 billion for the fiscal first quarter ended June 30, 2014. Cash inflows from operating activities increased by JPY 50.4 billion compared with the same period of the previous fiscal year due mainly to an increase in cash received from customers as a result of increased unit sales of automobiles, despite increased payments for parts and raw materials.

### *Cash flow from investing activities*

Net cash used in investing activities amounted to JPY 387.5 billion. Cash outflows from investing activities decreased by JPY 110.6 billion compared with the same period of the previous fiscal year, due mainly to a decrease in acquisitions of finance subsidiaries-receivables and an increase of collections of finance subsidiaries-receivables, despite an increase in purchases of operating lease assets.

### *Cash flow from financing activities*

Net cash used in financing activities amounted to JPY 18.0 billion. Cash outflows from financing activities increased by JPY 99.1 billion compared with the same period of the previous fiscal year, due mainly to a decrease in proceeds from debt as well as an increase in cash outflow due to an increase in dividends paid.

## Forecasts for the Fiscal Year Ending March 31, 2015

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2015, Honda projects consolidated results to be as shown below:

### **Fiscal year ending March 31, 2015**

	<u>Yen (billions)</u>	<u>Changes from FY 2014</u>
Net sales and other operating revenue	12,800.0	+ 8.1%
Operating income	770.0	+ 2.6%
Income before income taxes and equity in income of affiliates	755.0	+ 3.6%
Net income attributable to Honda Motor Co., Ltd.	600.0	+ 4.5%
	<u>Yen</u>	
Basic net income attributable to Honda Motor Co., Ltd. per common share	332.91	

Note: The forecasts are based on the assumption that the average exchange rates for the Japanese yen to the U.S. dollar and the Euro will be JPY 101 and JPY 136, respectively, for the full year ending March 31, 2015.

The reasons for the increases or decreases in the forecasts of the operating income, and income before income taxes and equity in income of affiliates for the fiscal year ending March 31, 2015 from the previous year are as follows.

	Yen (billions)
Revenue, model mix, etc.	125.7
Cost reduction, the effect of raw material cost fluctuations, etc.	50.0
SG&A expenses	- 87.0
R&D expenses	- 12.0
Currency effect	- 57.0
<u>Operating income compared with fiscal year 2014</u>	<u>19.7</u>
Fair value of derivative instruments	- 43.0
Others	49.3
<u>Income before income taxes and equity in income of affiliates compared with fiscal year 2014</u>	<u>26.0</u>



## **Dividend per Share of Common Stock**

The Board of Directors of Honda Motor Co., Ltd., at its meeting held on July 29, 2014, resolved to make the quarterly dividend JPY 22 per share of common stock, the record date of which is June 30, 2014. The total expected annual dividend per share of common stock for the fiscal year ending March 31, 2015, is JPY 88 per share.

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

## **Other Information**

### **1. Accounting policies specifically applied for quarterly consolidated financial statements**

#### **Income taxes**

Honda computes interim income tax expense (benefit) by multiplying a reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the three months ended June 30, 2014. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

## Consolidated Financial Summary

For the three months ended June 30, 2013 and 2014

### Financial Highlights

	Yen (millions)	
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
Net sales and other operating revenue	2,834,095	<b>2,988,279</b>
Operating income	184,963	<b>198,043</b>
Income before income taxes and equity in income of affiliates	172,035	<b>198,813</b>
Net income attributable to Honda Motor Co., Ltd.	122,499	<b>146,512</b>
	Yen	
Basic net income attributable to Honda Motor Co., Ltd per common share	67.97	<b>81.29</b>
	U.S. Dollar (millions)	
		Three months ended Jun. 30, 2014
Net sales and other operating revenue		<b>29,482</b>
Operating income		<b>1,954</b>
Income before income taxes and equity in income of affiliates		<b>1,961</b>
Net income attributable to Honda Motor Co., Ltd.		<b>1,445</b>
	U.S. Dollar	
Basic net income attributable to Honda Motor Co., Ltd per common share		<b>0.80</b>

[1] Consolidated Balance Sheets

Assets	Yen (millions)	
	Mar. 31, 2014	Jun. 30, 2014
<b>Current assets:</b>		
Cash and cash equivalents	1,168,914	<b>1,107,647</b>
Trade accounts and notes receivable	1,158,671	<b>1,048,694</b>
Finance subsidiaries-receivables, net	1,464,215	<b>1,478,573</b>
Inventories	1,302,895	<b>1,289,093</b>
Deferred income taxes	202,123	<b>182,655</b>
Other current assets	474,448	<b>453,722</b>
<b>Total current assets</b>	<b>5,771,266</b>	<b>5,560,384</b>
<b>Finance subsidiaries-receivables, net</b>	<b>3,317,553</b>	<b>3,292,260</b>
<b>Investments and advances:</b>		
Investments in and advances to affiliates	564,266	<b>595,647</b>
Other, including marketable equity securities	253,661	<b>262,185</b>
<b>Total investments and advances</b>	<b>817,927</b>	<b>857,832</b>
<b>Property on operating leases:</b>		
Vehicles	2,718,131	<b>2,794,472</b>
Less accumulated depreciation	481,410	<b>482,073</b>
<b>Net property on operating leases</b>	<b>2,236,721</b>	<b>2,312,399</b>
<b>Property, plant and equipment, at cost:</b>		
Land	521,806	<b>519,775</b>
Buildings	1,895,140	<b>1,931,841</b>
Machinery and equipment	4,384,255	<b>4,388,157</b>
Construction in progress	339,093	<b>308,058</b>
	7,140,294	<b>7,147,831</b>
Less accumulated depreciation and amortization	4,321,862	<b>4,342,350</b>
<b>Net property, plant and equipment</b>	<b>2,818,432</b>	<b>2,805,481</b>
<b>Other assets</b>	<b>660,132</b>	<b>659,465</b>
<b>Total assets</b>	<b>15,622,031</b>	<b>15,487,821</b>

[1] Consolidated Balance Sheets – continued

	Yen (millions)	
<b>Liabilities and Equity</b>	Mar. 31, 2014	Jun. 30, 2014
<b>Current liabilities:</b>		
Short-term debt	1,319,344	<b>1,463,290</b>
Current portion of long-term debt	1,303,464	<b>1,175,081</b>
Trade payables:		
Notes	28,501	<b>27,735</b>
Accounts	1,071,179	<b>946,753</b>
Accrued expenses	626,503	<b>566,381</b>
Income taxes payable	43,085	<b>62,882</b>
Other current liabilities	319,253	<b>349,723</b>
<b>Total current liabilities</b>	<b>4,711,329</b>	<b>4,591,845</b>
<b>Long-term debt, excluding current portion</b>	<b>3,234,066</b>	<b>3,204,962</b>
<b>Other liabilities</b>	<b>1,563,238</b>	<b>1,522,845</b>
<b>Total liabilities</b>	<b>9,508,633</b>	<b>9,319,652</b>
<b>Equity:</b>		
<b>Honda Motor Co., Ltd. shareholders' equity:</b>		
Common stock, authorized 7,086,000,000 shares; issued 1,811,428,430 shares on Mar. 31, 2014 and Jun. 30, 2014	86,067	<b>86,067</b>
Capital surplus	171,117	<b>171,117</b>
Legal reserves	49,276	<b>50,922</b>
Retained earnings	6,431,682	<b>6,536,898</b>
Accumulated other comprehensive income (loss), net	(793,014)	<b>(840,841)</b>
Treasury stock, at cost 9,137,234 shares on Mar. 31, 2014 and 9,137,831 shares on Jun. 30, 2014	(26,149)	<b>(26,151)</b>
<b>Total Honda Motor Co., Ltd. shareholders' equity</b>	<b>5,918,979</b>	<b>5,978,012</b>
<b>Noncontrolling interests</b>	<b>194,419</b>	<b>190,157</b>
<b>Total equity</b>	<b>6,113,398</b>	<b>6,168,169</b>
<b>Commitments and contingent liabilities</b>		
<b>Total liabilities and equity</b>	<b>15,622,031</b>	<b>15,487,821</b>

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

**Consolidated Statements of Income**

For the three months ended June 30, 2013 and 2014

	Yen (millions)	
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
<b>Net sales and other operating revenue</b>	2,834,095	<b>2,988,279</b>
<b>Operating costs and expenses:</b>		
Cost of sales	2,124,409	<b>2,238,262</b>
Selling, general and administrative	383,061	<b>408,840</b>
Research and development	141,662	<b>143,134</b>
	<u>2,649,132</u>	<u><b>2,790,236</b></u>
<b>Operating income</b>	184,963	<b>198,043</b>
<b>Other income (expenses):</b>		
Interest income	5,992	<b>5,152</b>
Interest expense	(2,974)	<b>(4,413)</b>
Other, net	(15,946)	<b>31</b>
	<u>(12,928)</u>	<u><b>770</b></u>
<b>Income before income taxes and equity in income of affiliates</b>	172,035	<b>198,813</b>
<b>Income tax expense:</b>		
Current	43,866	<b>78,567</b>
Deferred	26,973	<b>3,229</b>
	<u>70,839</u>	<u><b>81,796</b></u>
<b>Income before equity in income of affiliates</b>	101,196	<b>117,017</b>
<b>Equity in income of affiliates</b>	31,767	<b>38,588</b>
<b>Net income</b>	<u>132,963</u>	<u><b>155,605</b></u>
<b>Less: Net income attributable to noncontrolling interests</b>	10,464	<b>9,093</b>
<b>Net income attributable to Honda Motor Co., Ltd.</b>	<u>122,499</u>	<u><b>146,512</b></u>
	Yen	
<b>Basic net income attributable to Honda Motor Co., Ltd. per common share</b>	67.97	<b>81.29</b>

**Consolidated Statements of Comprehensive Income**  
For the three months ended March 31, 2013 and 2014

	Yen (millions)	
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
Net income	132,963	<b>155,605</b>
Other comprehensive income (loss), net of tax:		
Adjustments from foreign currency translation	189,546	<b>(55,326)</b>
Unrealized gains (losses) on available-for-sale securities, net	8,694	<b>8,284</b>
Unrealized gains (losses) on derivative instruments, net	587	-
Pension and other postretirement benefits adjustments	2,685	<b>(4,726)</b>
Other comprehensive income (loss), net of tax	201,512	<b>(51,768)</b>
Comprehensive income (loss)	334,475	<b>103,837</b>
Less: Comprehensive income attributable to noncontrolling interests	18,975	<b>5,152</b>
Comprehensive income (loss) attributable to Honda Motor Co., Ltd.	315,500	<b>98,685</b>

### [3] Consolidated Statements of Cash Flows

	Yen (millions)	
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
<b>Cash flows from operating activities:</b>		
Net income	132,963	155,605
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation excluding property on operating leases	108,313	117,312
Depreciation of property on operating leases	80,397	94,947
Deferred income taxes	26,973	3,229
Equity in income of affiliates	(31,767)	(38,588)
Dividends from affiliates	5,735	7,156
Provision for credit and lease residual losses on finance subsidiaries-receivables	4,623	3,528
Impairment loss on property on operating leases	615	385
Loss (gain) on derivative instruments, net	(21,038)	627
Decrease (increase) in assets:		
Trade accounts and notes receivable	92,404	92,913
Inventories	38,389	(3,515)
Other current assets	5,742	21,177
Other assets	1,022	(8,833)
Increase (decrease) in liabilities:		
Trade accounts and notes payable	(101,821)	(71,829)
Accrued expenses	(52,262)	(48,100)
Income taxes payable	(2,065)	20,876
Other current liabilities	46,310	37,092
Other liabilities	(12,524)	(6,440)
Other, net	(17,819)	(22,871)
<b>Net cash provided by operating activities</b>	<b>304,190</b>	<b>354,671</b>
<b>Cash flows from investing activities:</b>		
Increase in investments and advances	(9,696)	(7,821)
Decrease in investments and advances	14,132	8,310
Payments for purchases of available-for-sale securities	(16,453)	(5,351)
Proceeds from sales of available-for-sale securities	1,597	3,568
Payments for purchases of held-to-maturity securities	(10)	(357)
Proceeds from redemptions of held-to-maturity securities	1,707	16
Capital expenditures	(210,696)	(194,225)
Proceeds from sales of property, plant and equipment	8,079	13,897
Proceeds from insurance recoveries for damaged property, plant and equipment	6,800	-
Acquisitions of finance subsidiaries-receivables	(745,780)	(652,357)
Collections of finance subsidiaries-receivables	559,386	632,364
Purchases of operating lease assets	(271,474)	(361,262)
Proceeds from sales of operating lease assets	164,237	175,340
Other, net	-	328
<b>Net cash used in investing activities</b>	<b>(498,171)</b>	<b>(387,550)</b>



[3] Consolidated Statements of Cash Flows – continued

	Yen (millions)	
	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
<b>Cash flows from financing activities:</b>		
Proceeds from short-term debt	1,928,544	<b>2,025,424</b>
Repayments of short-term debt	(1,856,102)	<b>(1,876,723)</b>
Proceeds from long-term debt	378,042	<b>192,788</b>
Repayments of long-term debt	(320,903)	<b>(303,734)</b>
Dividends paid	(34,243)	<b>(39,650)</b>
Dividends paid to noncontrolling interests	(5,889)	<b>(5,053)</b>
Sales (purchases) of treasury stock, net	(6)	<b>(2)</b>
Other, net	(8,399)	<b>(11,142)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>81,044</b>	<b>(18,092)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>46,009</b>	<b>(10,296)</b>
<b>Net change in cash and cash equivalents</b>	<b>(66,928)</b>	<b>(61,267)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,206,128</b>	<b>1,168,914</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,139,200</b>	<b>1,107,647</b>

**[4] Assumptions for Going Concern**

None

**[5] Significant changes in Honda Motor Co., Ltd. shareholders' equity**

None

## [6] Segment Information

Honda has four reportable segments: Motorcycle business, Automobile business, Financial services business and Power product and other businesses, which are based on Honda's organizational structure and characteristics of products and services. Operating segments are defined as components of Honda's about 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 Honda's consolidated financial statements.

Principal products and services, and functions of each segment are as follows:

Segment	Principal products and services	Functions
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs) and relevant parts	Research & Development, Manufacturing, Sales and related services
Automobile Business	Automobiles and relevant parts	Research & Development, Manufacturing, Sales and related services
Financial Services Business	Financial, insurance services	Retail loan and lease related to Honda products, and Others
Power Product and Other Businesses	Power products and relevant parts, and others	Research & Development, Manufacturing, Sales and related services, and Others

## 1. Segment information based on products and services

### As of and for the three months ended June 30, 2013

Yen (millions)							
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	396,870	2,196,591	165,396	75,238	2,834,095	-	2,834,095
Intersegment	-	4,404	2,592	2,718	9,714	(9,714)	-
Total	<u>396,870</u>	<u>2,200,995</u>	<u>167,988</u>	<u>77,956</u>	<u>2,843,809</u>	<u>(9,714)</u>	<u>2,834,095</u>
Segment income (loss)	<u>42,582</u>	<u>96,377</u>	<u>44,643</u>	<u>1,361</u>	<u>184,963</u>	<u>-</u>	<u>184,963</u>
Segment assets	1,182,953	5,852,034	7,206,853	334,441	14,576,281	(377,965)	14,198,316
Depreciation and amortization	12,145	92,554	80,755	3,256	188,710	-	188,710
Capital expenditures	13,026	165,344	272,287	3,611	454,268	-	454,268

### As of and for the three months ended June 30, 2014

Yen (millions)							
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	407,742	2,319,594	186,701	74,242	2,988,279	-	2,988,279
Intersegment	-	4,158	2,637	2,759	9,554	(9,554)	-
Total	<u>407,742</u>	<u>2,323,752</u>	<u>189,338</u>	<u>77,001</u>	<u>2,997,833</u>	<u>(9,554)</u>	<u>2,988,279</u>
Segment income (loss)	<u>43,985</u>	<u>99,836</u>	<u>51,834</u>	<u>2,388</u>	<u>198,043</u>	<u>-</u>	<u>198,043</u>
Segment assets	1,207,203	6,317,177	8,009,019	365,019	15,898,418	(410,597)	15,487,821
Depreciation and amortization	11,962	102,050	95,659	2,588	212,259	-	212,259
Capital expenditures	9,273	139,971	362,199	1,976	513,419	-	513,419

#### Explanatory notes:

1. Intersegment sales and revenues are generally made at values that approximate arm's-length prices.
2. Unallocated corporate assets, included in reconciling items, amounted to JPY 285,682 million as of June 30, 2013 and JPY 253,224 million as of June 30, 2014 respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of intersegment transactions.
3. Depreciation and amortization of Financial Services Business include JPY 80,397 million for the three months ended June 30, 2013 and JPY 94,947 million for the three months ended June 30, 2014, respectively, of depreciation of property on operating leases.
4. Capital expenditure of Financial Services Business includes JPY 271,474 million for the three months ended June 30, 2013 and JPY 361,262 million for the three months ended June 30, 2014 respectively, of purchase of operating lease assets.

In addition to the disclosure required by U.S. GAAP, Honda provides the following supplemental information in order to provide financial statements users with useful information:

2. Supplemental geographical information based on the location of the Company and its subsidiaries

**As of and for the three months ended June 30, 2013**

	Yen (millions)							Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	
Net sales and other operating revenue:								
External customers	433,538	1,405,502	158,869	598,369	237,817	2,834,095	-	2,834,095
Transfers between geographic areas	542,346	95,806	17,113	108,374	2,902	766,541	(766,541)	-
Total	975,884	1,501,308	175,982	706,743	240,719	3,600,636	(766,541)	2,834,095
Operating income (loss)	62,187	71,858	(9,740)	53,755	5,415	183,475	1,488	184,963
Assets	3,219,164	8,062,987	629,302	1,688,083	739,109	14,338,645	(140,329)	14,198,316
Long-lived assets	1,186,448	2,679,540	126,393	466,100	156,205	4,614,686	-	4,614,686

**As of and for the three months ended June 30, 2014**

	Yen (millions)							Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	
Net sales and other operating revenue:								
External customers	547,782	1,453,788	174,248	604,731	207,730	2,988,279	-	2,988,279
Transfers between geographic areas	440,177	91,806	20,345	128,698	534	681,560	(681,560)	-
Total	987,959	1,545,594	194,593	733,429	208,264	3,669,839	(681,560)	2,988,279
Operating income (loss)	62,149	67,513	(1,487)	65,278	4,593	198,046	(3)	198,043
Assets	3,443,404	8,780,234	679,266	1,999,224	748,039	15,650,167	(162,346)	15,487,821
Long-lived assets	1,272,648	3,099,387	138,779	584,700	165,113	5,260,627	-	5,260,627

Explanatory notes:

- Major countries or regions in each geographic area:
 

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Belgium, Russia
Asia	Thailand, Indonesia, China, India, Vietnam
Other Regions	Brazil, Australia
- Sales and revenues between geographic areas are generally made at values that approximate arm's-length prices.
- Unallocated corporate assets, included in reconciling items, amounted to JPY 285,682 million as of June 30, 2013 and JPY 253,224 million as of June 30, 2014 respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of transactions between geographic areas.

## CONSOLIDATED FINANCIAL SUMMARY 1 FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014

Yen (billions)	First Quarter Results				Fiscal Year Results and Forecasts			
	3 months ended Jun. 30, 2013	3 months ended Jun. 30, 2014	change	%	Year ended Mar. 31, 2014	Year ending Mar. 31, 2015	change	%
Net sales and other operating revenue	2,834.0	2,988.2	154.1	5.4	11,842.4	12,800.0	957.5	8.1
Operating income	184.9	198.0	13.0	7.1	750.2	770.0	19.7	2.6
<as a percentage of net sales>	< 6.5% >	< 6.6% >			< 6.3% >	< 6.0% >		
Income before income taxes and equity in income of affiliates	172.0	198.8	26.7	15.6	728.9	755.0	26.0	3.6
<as a percentage of net sales>	< 6.1% >	< 6.7% >			< 6.2% >	< 5.9% >		
Equity in income of affiliates	31.7	38.5	6.8	21.5	132.4	155.0	22.5	17.0
<as a percentage of net sales>	< 1.1% >	< 1.3% >			< 1.1% >	< 1.2% >		
Net income attributable to Honda Motor Co., Ltd.	122.4	146.5	24.0	19.6	574.1	600.0	25.8	4.5
<as a percentage of net sales>	< 4.3% >	< 4.9% >			< 4.8% >	< 4.7% >		
Change factors in Operating income			13.0				19.7	
Change in revenue, model mix, etc.			22.7				125.7	
Cost reduction, the effect of raw material cost fluctuations, etc.			25.1				50.0	
Change in SG&A expenses			- 23.0				- 87.0	
Change in R&D expenses			- 0.9				- 12.0	
Currency effects			- 10.8				- 57.0	
Change in average rates			( - 12.3)				( - 43.0)	
Translation effects			( 1.4)				( - 14.0)	
Change factors in Other income/expenses			13.6				6.3	
Unrealized gains and losses related to derivative instruments			- 22.2				- 43.0	
Others			35.9				49.3	
Honda's average rates	USD=	JPY 99	JPY 102		JPY 100	JPY 101		
	EUR=	JPY 129	JPY 140		JPY 136	JPY 136		
Capital expenditures	171.4		140.6		726.1	650.0		
Depreciation and amortization	92.1		97.7		375.8	415.0		
Research and development expenses	141.6		143.1		634.1	645.0		

Note: Capital expenditures exclude purchase of operating lease assets and capital lease assets and acquisition of intangible assets, and depreciation and amortization exclude depreciation of property on operating leases and capital leases and amortization of intangible assets.

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

## CONSOLIDATED FINANCIAL SUMMARY 2 FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014

### Honda Group Unit Sales Breakdown by geographical markets based on the location of the external customers

Unit (thousands)

	First Quarter Results				Fiscal Year Results and Forecasts			
	3 months ended Jun. 30, 2013	3 months ended Jun. 30, 2014			Year ended Mar. 31, 2014	Year ending Mar. 31, 2015		
			change	%			change	%
<b>Motorcycle Business</b>	<b>4,054</b>	<b>4,137</b>	<b>83</b>	<b>2.0</b>	<b>17,021</b>	<b>18,080</b>	<b>1,059</b>	<b>6.2</b>
Japan	54	48	- 6	- 11.1	226	230	4	1.8
North America	62	62	0	0.0	276	310	34	12.3
Europe	52	60	8	15.4	166	175	9	5.4
Asia	3,479	3,593	114	3.3	14,536	15,680	1,144	7.9
Other Regions	407	374	- 33	- 8.1	1,817	1,685	- 132	- 7.3
<b>Automobile Business</b>	<b>999</b>	<b>1,061</b>	<b>62</b>	<b>6.2</b>	<b>4,323</b>	<b>4,830</b>	<b>507</b>	<b>11.7</b>
Japan	140	202	62	44.3	818	990	172	21.0
North America	459	445	- 14	- 3.1	1,757	1,810	53	3.0
Europe	40	40	0	0.0	169	170	1	0.6
Asia	285	316	31	10.9	1,286	1,590	304	23.6
Other Regions	75	58	- 17	- 22.7	293	270	- 23	- 7.8
<b>Power Product Business</b>	<b>1,589</b>	<b>1,510</b>	<b>- 79</b>	<b>- 5.0</b>	<b>6,036</b>	<b>6,335</b>	<b>299</b>	<b>5.0</b>
Japan	63	68	5	7.9	314	325	11	3.5
North America	828	773	- 55	- 6.6	2,718	2,850	132	4.9
Europe	237	240	3	1.3	1,032	1,070	38	3.7
Asia	364	336	- 28	- 7.7	1,500	1,595	95	6.3
Other Regions	97	93	- 4	- 4.1	472	495	23	4.9

Notes:

1 Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method.

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 U.S. generally accepted accounting principles and are not included in consolidated net sales to the external customers in our Automobile business. As a result, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our Automobile business.

3 Honda Group Unit Sales of ATV included in Motorcycle business for the three months ended June 30, 2013 and 2014 are 21 thousand units and 22 thousand units, respectively.

### Consolidated Unit Sales Breakdown by geographical markets based on the location of the external customers

Unit (thousands)

	First Quarter Results				Fiscal Year Results and Forecasts			
	3 months ended Jun. 30, 2013	3 months ended Jun. 30, 2014			Year ended Mar. 31, 2014	Year ending Mar. 31, 2015		
			change	%			change	%
<b>Motorcycle Business</b>	<b>2,371</b>	<b>2,457</b>	<b>86</b>	<b>3.6</b>	<b>10,343</b>	<b>10,915</b>	<b>572</b>	<b>5.5</b>
Japan	54	48	- 6	- 11.1	226	230	4	1.8
North America	62	62	0	0.0	276	310	34	12.3
Europe	52	60	8	15.4	166	175	9	5.4
Asia	1,796	1,913	117	6.5	7,858	8,515	657	8.4
Other Regions	407	374	- 33	- 8.1	1,817	1,685	- 132	- 7.3
<b>Automobile Business</b>	<b>858</b>	<b>895</b>	<b>37</b>	<b>4.3</b>	<b>3,560</b>	<b>3,870</b>	<b>310</b>	<b>8.7</b>
Japan	139	201	62	44.6	812	980	168	20.7
North America	459	445	- 14	- 3.1	1,757	1,810	53	3.0
Europe	40	40	0	0.0	169	170	1	0.6
Asia	145	151	6	4.1	529	640	111	21.0
Other Regions	75	58	- 17	- 22.7	293	270	- 23	- 7.8
<b>Power Product Business</b>	<b>1,589</b>	<b>1,510</b>	<b>- 79</b>	<b>- 5.0</b>	<b>6,036</b>	<b>6,335</b>	<b>299</b>	<b>5.0</b>
Japan	63	68	5	7.9	314	325	11	3.5
North America	828	773	- 55	- 6.6	2,718	2,850	132	4.9
Europe	237	240	3	1.3	1,032	1,070	38	3.7
Asia	364	336	- 28	- 7.7	1,500	1,595	95	6.3
Other Regions	97	93	- 4	- 4.1	472	495	23	4.9

Notes:

1 Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated net sales, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

2 Consolidated Unit Sales of ATV included in Motorcycle business for the three months ended June 30, 2013 and 2014 are 21 thousand units and 22 thousand units, respectively.

This announcement contains "forward-looking statements" of Honda. Such statements are based on management's assumptions and beliefs taking into account information currently available to it. Therefore, please be advised that Honda's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in Honda's principal markets and foreign exchange rates between the Japanese yen and the U.S. dollar, the Euro and other major currencies, as well as other factors detailed from time to time.

## CONSOLIDATED FINANCIAL SUMMARY 3 FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014

### Net Sales Breakdown by geographical markets based on the location of the external customers

Yen (millions)	First Quarter Results			
	3 months ended Jun. 30, 2013	3 months ended Jun. 30, 2014	change	%
<b>Total</b>	<b>2,834,095</b>	<b>2,988,279</b>	<b>154,184</b>	<b>5.4</b>
Japan	354,549	464,850	110,301	31.1
North America	1,398,225	1,447,036	48,811	3.5
Europe	156,974	173,657	16,683	10.6
Asia	640,225	653,456	13,231	2.1
Other Regions	284,122	249,280	- 34,842	- 12.3
<b>Motorcycle Business</b>	<b>396,870</b>	<b>407,742</b>	<b>10,872</b>	<b>2.7</b>
Japan	19,656	18,742	- 914	- 4.6
North America	32,374	31,868	- 506	- 1.6
Europe	29,404	36,528	7,124	24.2
Asia	209,978	218,015	8,037	3.8
Other Regions	105,458	102,589	- 2,869	- 2.7
<b>Automobile Business</b>	<b>2,196,591</b>	<b>2,319,594</b>	<b>123,003</b>	<b>5.6</b>
Japan	310,036	420,054	110,018	35.5
North America	1,191,215	1,224,865	33,650	2.8
Europe	109,322	117,891	8,569	7.8
Asia	418,447	423,065	4,618	1.1
Other Regions	167,571	133,719	- 33,852	- 20.2
<b>Financial Service Business</b>	<b>165,396</b>	<b>186,701</b>	<b>21,305</b>	<b>12.9</b>
Japan	8,471	10,725	2,254	26.6
North America	146,645	162,477	15,832	10.8
Europe	2,960	3,226	266	9.0
Asia	1,588	2,549	961	60.5
Other Regions	5,732	7,724	1,992	34.8
<b>Power Product and Other Businesses</b>	<b>75,238</b>	<b>74,242</b>	<b>- 996</b>	<b>- 1.3</b>
Japan	16,386	15,329	- 1,057	- 6.5
North America	27,991	27,826	- 165	- 0.6
Europe	15,288	16,012	724	4.7
Asia	10,212	9,827	- 385	- 3.8
Other Regions	5,361	5,248	- 113	- 2.1

Note: For detailed information of principal products and services, and functions of each segment, please refer to Fiscal First Quarter Financial Results

"[6] Segment Information."



## CONSOLIDATED FINANCIAL SUMMARY 4 FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014

### Unaudited Consolidated Balance Sheets Divided into Non-financial Services Businesses and Finance Subsidiaries

	Yen (millions)	
	Mar. 31, 2014	Jun. 30, 2014
<b>Assets</b>		
<b>&lt; Non-financial Services Businesses &gt;</b>		
Current assets:	4,223,690	4,052,346
Cash and cash equivalents	1,148,611	1,084,436
Trade accounts and notes receivable, net	660,079	591,424
Inventories	1,302,895	1,289,093
Other current assets	1,112,105	1,087,393
Investments and advances	1,156,389	1,177,287
Property, plant and equipment, net	2,806,443	2,791,891
Other assets	403,998	388,479
<b>Total assets</b>	<b>8,590,520</b>	<b>8,410,003</b>
<b>&lt; Finance Subsidiaries &gt;</b>		
Cash and cash equivalents	20,303	23,211
Finance subsidiaries—short-term receivables, net	1,465,159	1,479,570
Finance subsidiaries—long-term receivables, net	3,319,362	3,294,068
Net property on operating leases	2,236,721	2,312,399
Other assets	939,444	899,771
<b>Total assets</b>	<b>7,980,989</b>	<b>8,009,019</b>
Reconciling items	( 949,478)	( 931,201)
<b>Total assets</b>	<b>15,622,031</b>	<b>15,487,821</b>
<b>Liabilities and Equity</b>		
<b>&lt; Non-financial Services Businesses &gt;</b>		
Current liabilities:	2,339,581	2,150,224
Short-term debt	278,106	256,411
Current portion of long-term debt	96,795	98,930
Trade payables	1,108,428	981,409
Accrued expenses	578,209	521,153
Other current liabilities	278,043	292,321
Long-term debt, excluding current portion	190,418	197,351
Other liabilities	851,715	835,036
<b>Total liabilities</b>	<b>3,381,714</b>	<b>3,182,611</b>
<b>&lt; Finance Subsidiaries &gt;</b>		
Short-term debt	1,566,865	1,727,254
Current portion of long-term debt	1,206,876	1,076,272
Accrued expenses	72,049	70,011
Long-term debt, excluding current portion	3,064,476	3,028,173
Other liabilities	829,043	842,032
<b>Total liabilities</b>	<b>6,739,309</b>	<b>6,743,742</b>
Reconciling items	( 612,390)	( 606,701)
<b>Total liabilities</b>	<b>9,508,633</b>	<b>9,319,652</b>
<b>Honda Motor Co., Ltd. shareholders' equity</b>	<b>5,918,979</b>	<b>5,978,012</b>
<b>Noncontrolling interests</b>	<b>194,419</b>	<b>190,157</b>
<b>Total equity</b>	<b>6,113,398</b>	<b>6,168,169</b>
<b>Total liabilities and equity</b>	<b>15,622,031</b>	<b>15,487,821</b>

## CONSOLIDATED FINANCIAL SUMMARY 5 FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014

### Unaudited Consolidated Statements of Cash Flows Divided into Non-financial Services Businesses and Finance Subsidiaries

	Yen (millions)			
	Non-financial Services Businesses	Finance Subsidiaries	Reconciling Items	Consolidated
<b>For the three months ended June 30, 2013</b>				
<b>Cash flows from operating activities:</b>				
Net income	106,624	26,339	—	132,963
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	107,071	81,639	—	188,710
Deferred income taxes	22,852	4,121	—	26,973
Equity in income of affiliates	(31,767)	—	—	(31,767)
Dividends from affiliates	5,735	—	—	5,735
Impairment loss on long-lived assets	—	615	—	615
Loss (gain) on derivative instruments, net	(27,499)	6,461	—	(21,038)
Decrease (increase) in trade accounts and notes receivable	71,347	20,840	217	92,404
Decrease (increase) in inventories	38,389	—	—	38,389
Increase (decrease) in trade accounts and notes payable	(96,672)	1,775	(6,924)	(101,821)
Other, net	(35,542)	5,484	3,085	(26,973)
Net cash provided by (used in) operating activities	160,538	147,274	(3,622)	304,190
<b>Cash flows from investing activities:</b>				
* Decrease (increase) in investments and advances	(43,390)	(1,969)	36,636	(8,723)
Capital expenditures	(208,294)	(2,402)	—	(210,696)
Proceeds from sales of property, plant and equipment	7,306	773	—	8,079
Proceeds from insurance recoveries for damaged property, plant and equipment	6,800	—	—	6,800
Collections (acquisitions) of finance subsidiaries-receivables	—	(188,563)	2,169	(186,394)
Purchase of operating lease assets	—	(271,474)	—	(271,474)
Proceeds from sales of operating lease assets	—	164,237	—	164,237
Net cash provided by (used in) investing activities	(237,578)	(299,398)	38,805	(498,171)
<b>Cash flows from financing activities:</b>				
* Proceeds from (repayment of) short-term debt, net	1,818	95,668	(25,044)	72,442
* Proceeds from long-term debt	18,300	369,881	(10,139)	378,042
* Repayment of long-term debt	(4,975)	(315,928)	—	(320,903)
Dividends paid	(34,243)	—	—	(34,243)
Dividends paid to noncontrolling interests	(5,889)	—	—	(5,889)
Sales (purchases) of treasury stock, net	(6)	—	—	(6)
Other, net	(8,399)	—	—	(8,399)
Net cash provided by (used in) financing activities	(33,394)	149,621	(35,183)	81,044
<b>Effect of exchange rate changes on cash and cash equivalents</b>	44,546	1,463	—	46,009
<b>Net change in cash and cash equivalents</b>	(65,888)	(1,040)	—	(66,928)
<b>Cash and cash equivalents at beginning of period</b>	1,180,029	26,099	—	1,206,128
<b>Cash and cash equivalents at end of period</b>	1,114,141	25,059	—	1,139,200

## CONSOLIDATED FINANCIAL SUMMARY 5 FOR THE FISCAL FIRST QUARTER ENDED JUNE 30, 2014

### Unaudited Consolidated Statements of Cash Flows Divided into Non-financial Services Businesses and Finance Subsidiaries

	Yen (millions)			
	Non-financial Services Businesses	Finance Subsidiaries	Reconciling Items	Consolidated
<b>For the three months ended June 30, 2014</b>				
<b>Cash flows from operating activities:</b>				
Net income	118,094	37,511	—	155,605
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	116,600	95,659	—	212,259
Deferred income taxes	17,472	(14,243)	—	3,229
Equity in income of affiliates	(38,588)	—	—	(38,588)
Dividends from affiliates	7,156	—	—	7,156
Impairment loss on long-lived assets	—	385	—	385
Loss (gain) on derivative instruments, net	2,842	(2,215)	—	627
Decrease (increase) in trade accounts and notes receivable	60,545	32,124	244	92,913
Decrease (increase) in inventories	(3,515)	—	—	(3,515)
Increase (decrease) in trade accounts and notes payable	(71,765)	(182)	118	(71,829)
Other, net	(16,061)	15,486	(2,996)	(3,571)
Net cash provided by (used in) operating activities	192,780	164,525	(2,634)	354,671
<b>Cash flows from investing activities:</b>				
* Decrease (increase) in investments and advances	615	1,434	(3,684)	(1,635)
Capital expenditures	(193,288)	(937)	—	(194,225)
Proceeds from sales of property, plant and equipment	13,120	777	—	13,897
Collections (acquisitions) of finance subsidiaries-receivables	—	(22,429)	2,436	(19,993)
Purchase of operating lease assets	—	(361,262)	—	(361,262)
Proceeds from sales of operating lease assets	—	175,340	—	175,340
Other, net	328	—	—	328
Net cash provided by (used in) investing activities	(179,225)	(207,077)	(1,248)	(387,550)
<b>Cash flows from financing activities:</b>				
* Proceeds from (repayment of) short-term debt, net	(23,102)	167,973	3,830	148,701
* Proceeds from long-term debt	18,631	174,191	(34)	192,788
* Repayment of long-term debt	(8,038)	(295,782)	86	(303,734)
Dividends paid	(39,650)	—	—	(39,650)
Dividends paid to noncontrolling interests	(5,053)	—	—	(5,053)
Sales (purchases) of treasury stock, net	(2)	—	—	(2)
Other, net	(11,142)	—	—	(11,142)
Net cash provided by (used in) financing activities	(68,356)	46,382	3,882	(18,092)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(9,374)	(922)	—	(10,296)
<b>Net change in cash and cash equivalents</b>	(64,175)	2,908	—	(61,267)
<b>Cash and cash equivalents at beginning of period</b>	1,148,611	20,303	—	1,168,914
<b>Cash and cash equivalents at end of period</b>	1,084,436	23,211	—	1,107,647

Notes:

- 1 Non-financial services businesses provide loans to finance subsidiaries. These cash flows are included in the decrease (increase) in investments and advances, proceeds from (repayment of) short-term debt, proceeds from long-term debt, and repayment of long-term debt (marked by \*). The amount of the loans to finance subsidiaries is a JPY 36,636 million increase for the three months ended June 30, 2013, and a JPY 3,684 million decrease for the three months ended June 30, 2014, respectively.
- 2 Decrease (increase) in trade accounts and notes receivable for finance subsidiaries is due to the reclassification of finance subsidiaries-receivables which relate to sales of inventory in the unaudited consolidated statements of cash flows presented above.