

August 4, 2021

**HONDA MOTOR CO., LTD. REPORTS
CONSOLIDATED FINANCIAL RESULTS
FOR THE FISCAL FIRST QUARTER
ENDED JUNE 30, 2021**

Tokyo, August 4, 2021--- Honda Motor Co., Ltd. today announced its consolidated financial results for the fiscal first quarter ended June 30, 2021.

First Quarter Results

While the global economy which had slowed down due to the spread of coronavirus disease 2019 (COVID-19) has continued to be on a recovery track, it has still continued to affect Honda's consolidated financial results for the three months ended June 30, 2021.

Resulting from travel restriction measures in certain countries or regions, the production activities of some of Honda's production bases were also 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 three months ended June 30, 2021.

Honda's consolidated sales revenue for the three months ended June 30, 2021 increased by 68.7%, to JPY 3,583.8 billion from the same period last year, due mainly to increased sales revenue in all business operations. Operating profit was JPY 243.2 billion, an increase of JPY 356.9 billion from the same period last year, due mainly to an increase in profit attributable to increased sales revenue and model mix. Profit before income taxes was JPY 311.3 billion, an increase of JPY 384.7 billion from the same period last year. Profit for the period attributable to owners of the parent was JPY 222.5 billion, an increase of JPY 303.3 billion from the same period last year.

Earnings per share attributable to owners of the parent for the period amounted to JPY 128.87, an increase of JPY 175.71 from the corresponding period last year. One Honda American Depository Share represents one common share.

Consolidated Statements of Financial Position for the Fiscal First Quarter Ended June 30, 2021

Total assets increased by JPY 61.8 billion, to JPY 21,982.8 billion from March 31, 2021 due mainly to increased inventories as well as positive foreign currency translation effects, which was partially offset by decreased cash and cash equivalents. Total liabilities decreased by JPY 169.5 billion, to JPY 12,378.6 billion from March 31, 2021 due mainly to a decrease in trade payables as well as accrued expenses. Total equity increased by JPY 231.3 billion, to JPY 9,604.2 billion from March 31, 2021 due mainly to increased retained earnings attributable to profit for the period.

Consolidated Statements of Cash Flows for the Fiscal First Quarter Ended June 30, 2021

Consolidated cash and cash equivalents on June 30, 2021 decreased by JPY 254.5 billion from March 31, 2021, to JPY 2,503.4 billion. The reasons for the increases or decreases for each cash flow activity, when compared with the same period last year, are as follows:

Net cash provided by operating activities amounted to JPY 7.2 billion of cash inflows. Cash inflows from operating activities increased by JPY 79.0 billion from the same period last 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 JPY 128.7 billion of cash outflows. Cash outflows from investing activities increased by JPY 19.3 billion from the same period last year, due mainly to increased payments for acquisitions of other financial assets, which was partially offset by decreased payments for additions to and internally developed intangible assets.

Net cash used in financing activities amounted to JPY 140.8 billion of cash outflows. Cash outflows from financing activities increased by JPY 252.8 billion from the same period last year, due mainly to decreased proceeds from financing liabilities and increased dividends paid.

Forecasts for the Fiscal Year Ending March 31, 2022

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2022, Honda projects consolidated results to be as shown below:

Fiscal year ending March 31, 2022	<u>Yen (billions)</u>	<u>Changes from FY 2021</u>
Sales revenue	15,450.0	+17.3%
Operating profit	780.0	+18.1%
Profit before income taxes	1,000.0	+9.4%
Profit for the year	715.0	+2.8%
Profit for the year attributable to owners of the parent	670.0	+1.9%

	<u>Yen</u>
Earnings per share attributable to owners of the parent	
Basic and diluted	390.27

Note: The forecasts are based on the assumption that the average exchange rates for the Japanese yen to the U.S. dollar will be JPY 106 for the full year ending March 31, 2022.

The reasons for the increases or decreases in the forecasts of the operating profit, and profit before income taxes for the fiscal year ending March 31, 2022 from the previous year are as follows.

	<u>Yen (billions)</u>
Revenue, model mix, etc.	+ 315.7
Cost reduction, the effect of raw material cost fluctuations, etc.	- 10.0
SG&A expenses	- 190.0
R&D expenses	- 79.0
Currency effect	+ 83.0
<u>Operating profit compared with fiscal year ended March 31, 2021</u>	<u>+ 119.7</u>
Share of profit of investments accounted for using the equity method	- 52.7
Finance income and finance costs	+ 18.8
<u>Profit before income taxes compared with fiscal year ended March 31, 2021</u>	<u>+ 85.9</u>

Dividend per Share of Common Stock

The total expected annual dividend per share of common stock for the fiscal year ending March 31, 2022, is JPY 110 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 the actual results of the Company could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in the principal markets of the Company, its consolidated subsidiaries and its affiliates accounted for by the equity-method, and fluctuation of foreign exchange rates, as well as other factors detailed from time to time. The various factors for increases and decreases in profit have been classified in accordance with a method that Honda considers reasonable.

[1] Condensed Consolidated Statements of Financial Position

March 31, 2021 and June 30, 2021

		Yen (millions)	
		Mar. 31, 2021	Jun. 30, 2021
Assets			
Current assets:			
Cash and cash equivalents		2,758,020	2,503,454
Trade receivables		801,814	703,623
Receivables from financial services		1,794,654	1,672,560
Other financial assets		295,307	274,957
Inventories		1,545,600	1,736,099
Other current assets		383,696	379,036
Total current assets		<u>7,579,091</u>	<u>7,269,729</u>
Non-current assets:			
Investments accounted for using the equity method		891,002	960,595
Receivables from financial services		3,619,896	3,734,419
Other financial assets		628,533	733,355
Equipment on operating leases		4,919,916	5,018,034
Property, plant and equipment		3,021,514	2,987,702
Intangible assets		818,763	819,488
Deferred tax assets		99,552	108,540
Other non-current assets		342,763	350,974
Total non-current assets		<u>14,341,939</u>	<u>14,713,107</u>
Total assets		<u>21,921,030</u>	<u>21,982,836</u>
Liabilities and Equity			
Current liabilities:			
Trade payables		1,088,061	1,021,390
Financing liabilities		3,005,624	3,266,072
Accrued expenses		415,106	337,264
Other financial liabilities		182,145	171,109
Income taxes payable		47,793	52,845
Provisions		362,151	323,286
Other current liabilities		614,577	587,405
Total current liabilities		<u>5,715,457</u>	<u>5,759,371</u>
Non-current liabilities:			
Financing liabilities		4,715,361	4,453,295
Other financial liabilities		280,809	277,594
Retirement benefit liabilities		358,532	366,488
Provisions		278,890	273,102
Deferred tax liabilities		842,001	883,949
Other non-current liabilities		357,141	364,818
Total non-current liabilities		<u>6,832,734</u>	<u>6,619,246</u>
Total liabilities		<u>12,548,191</u>	<u>12,378,617</u>
Equity:			
Common stock		86,067	86,067
Capital surplus		172,049	171,751
Treasury stock		(273,786)	(273,396)
Retained earnings		8,901,266	9,030,414
Other components of equity		196,710	310,562
Equity attributable to owners of the parent		<u>9,082,306</u>	<u>9,325,398</u>
Non-controlling interests		290,533	278,821
Total equity		<u>9,372,839</u>	<u>9,604,219</u>
Total liabilities and equity		<u>21,921,030</u>	<u>21,982,836</u>

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

Condensed Consolidated Statements of Income

For the three months ended June 30, 2020 and 2021

	Yen (millions)	
	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021
Sales revenue	2,123,775	3,583,870
Operating costs and expenses:		
Cost of sales	(1,769,299)	(2,846,420)
Selling, general and administrative	(305,253)	(317,014)
Research and development	(162,914)	(177,226)
Total operating costs and expenses	(2,237,466)	(3,340,660)
Operating profit (loss)	(113,691)	243,210
Share of profit of investments accounted for using the equity method	39,994	55,931
Finance income and finance costs:		
Interest income	4,595	5,200
Interest expense	(1,833)	(2,925)
Other, net	(2,498)	9,944
Total finance income and finance costs	264	12,219
Profit (loss) before income taxes	(73,433)	311,360
Income tax expense	(6,546)	(73,640)
Profit (loss) for the period	(79,979)	237,720
Profit (loss) for the period attributable to:		
Owners of the parent	(80,871)	222,512
Non-controlling interests	892	15,208
Earnings (loss) per share attributable to owners of the parent	Yen	
Basic and diluted	(46.84)	128.87

Condensed Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2020 and 2021

	Yen (millions)	
	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021
Profit (loss) for the period	(79,979)	237,720
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	—	—
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	4,209	62,582
Share of other comprehensive income of investments accounted for using the equity method	529	948
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	56	30
Exchange differences on translating foreign operations	8,819	29,310
Share of other comprehensive income of investments accounted for using the equity method	(5,193)	19,308
Total other comprehensive income, net of tax	8,420	112,178
Comprehensive income for the period	(71,559)	349,898
Comprehensive income for the period attributable to:		
Owners of the parent	(79,767)	336,272
Non-controlling interests	8,208	13,626

[3] Condensed Consolidated Statements of Changes in Equity

For the three months ended June 30, 2020

	Yen (millions)							
	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
Balance as of April 1, 2020	86,067	171,823	(273,940)	8,142,948	(114,639)	8,012,259	273,764	8,286,023
Comprehensive income for the period								
Profit (loss) for the period				(80,871)		(80,871)	892	(79,979)
Other comprehensive income, net of tax					1,104	1,104	7,316	8,420
Total comprehensive income for the period				(80,871)	1,104	(79,767)	8,208	(71,559)
Transactions with owners and other								
Dividends paid				(48,363)		(48,363)	(31,555)	(79,918)
Purchases of treasury stock			(1)			(1)		(1)
Disposal of treasury stock			124			124		124
Share-based payment transactions		(12)				(12)		(12)
Equity transactions and others							2,251	2,251
Total transactions with owners and other		(12)	123	(48,363)		(48,252)	(29,304)	(77,556)
Balance as of June 30, 2020	86,067	171,811	(273,817)	8,013,714	(113,535)	7,884,240	252,668	8,136,908

For the three months ended June 30, 2021

	Yen (millions)							
	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
Balance as of April 1, 2021	86,067	172,049	(273,786)	8,901,266	196,710	9,082,306	290,533	9,372,839
Comprehensive income for the period								
Profit (loss) for the period				222,512		222,512	15,208	237,720
Other comprehensive income, net of tax					113,760	113,760	(1,582)	112,178
Total comprehensive income for the period				222,512	113,760	336,272	13,626	349,898
Reclassification to retained earnings				(92)	92	—		—
Transactions with owners and other								
Dividends paid				(93,272)		(93,272)	(25,338)	(118,610)
Purchases of treasury stock			(2)			(2)		(2)
Disposal of treasury stock			392			392		392
Share-based payment transactions		(298)				(298)		(298)
Total transactions with owners and other		(298)	390	(93,272)		(93,180)	(25,338)	(118,518)
Balance as of June 30, 2021	86,067	171,751	(273,396)	9,030,414	310,562	9,325,398	278,821	9,604,219

[4] Condensed Consolidated Statements of Cash Flows

For the three months ended June 30, 2020 and 2021

	Yen (millions)	
	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021
Cash flows from operating activities:		
Profit (loss) before income taxes	(73,433)	311,360
Depreciation, amortization and impairment losses excluding equipment on operating leases	149,419	151,291
Share of profit of investments accounted for using the equity method	(39,994)	(55,931)
Finance income and finance costs, net	6,752	(2,066)
Interest income and interest costs from financial services, net	(28,354)	(38,508)
Changes in assets and liabilities		
Trade receivables	33,546	101,500
Inventories	(91,946)	(178,826)
Trade payables	(134,776)	(67,565)
Accrued expenses	(87,180)	(88,578)
Provisions and retirement benefit liabilities	9,395	(36,215)
Receivables from financial services	199,194	21,798
Equipment on operating leases	16,833	(92,131)
Other assets and liabilities	(35,335)	(26,033)
Other, net	(2,402)	(439)
Dividends received	5,468	21,961
Interest received	58,567	59,109
Interest paid	(27,577)	(19,586)
Income taxes paid, net of refunds	(29,945)	(53,888)
Net cash provided by (used in) operating activities	(71,768)	7,253
Cash flows from investing activities:		
Payments for additions to property, plant and equipment	(84,090)	(80,310)
Payments for additions to and internally developed intangible assets	(50,151)	(41,026)
Proceeds from sales of property, plant and equipment and intangible assets	3,231	4,749
Payments for acquisitions of subsidiaries, net of cash and cash equivalents acquired	2,230	—
Payments for acquisitions of other financial assets	(38,460)	(125,511)
Proceeds from sales and redemptions of other financial assets	57,920	113,382
Net cash used in investing activities	(109,320)	(128,716)
Cash flows from financing activities:		
Proceeds from short-term financing liabilities	2,847,881	2,197,816
Repayments of short-term financing liabilities	(2,687,827)	(2,157,665)
Proceeds from long-term financing liabilities	405,004	289,144
Repayments of long-term financing liabilities	(376,788)	(348,005)
Dividends paid to owners of the parent	(48,363)	(93,272)
Dividends paid to non-controlling interests	(9,282)	(10,879)
Purchases and sales of treasury stock, net	123	390
Repayments of lease liabilities	(18,291)	(18,428)
Other, net	(555)	—
Net cash provided by (used in) financing activities	111,902	(140,899)
Effect of exchange rate changes on cash and cash equivalents	4,593	7,796
Net change in cash and cash equivalents	(64,593)	(254,566)
Cash and cash equivalents at beginning of year	2,672,353	2,758,020
Cash and cash equivalents at end of period	2,607,760	2,503,454

[5] Assumptions for Going Concern

None

[6] Notes to Consolidated Financial Statements

[A] 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 condensed consolidated interim 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), 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

Segment information based on products and services

As of and for the three months ended June 30, 2020

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	274,222	1,209,923	575,834	63,796	2,123,775	—	2,123,775
Intersegment	—	45,800	3,168	4,441	53,409	(53,409)	—
Total	274,222	1,255,723	579,002	68,237	2,177,184	(53,409)	2,123,775
Segment profit (loss)	11,202	(195,888)	71,568	(573)	(113,691)	—	(113,691)
Segment assets	1,386,342	7,641,611	10,202,227	352,249	19,582,429	529,305	20,111,734
Depreciation and amortization	16,775	126,793	206,150	3,888	353,606	—	353,606
Capital expenditures	8,550	89,371	396,701	2,082	496,704	—	496,704

As of and for the three months ended June 30, 2021

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	518,203	2,206,436	766,572	92,659	3,583,870	—	3,583,870
Intersegment	—	46,018	926	6,588	53,532	(53,532)	—
Total	518,203	2,252,454	767,498	99,247	3,637,402	(53,532)	3,583,870
Segment profit (loss)	80,695	70,689	92,217	(391)	243,210	—	243,210
Segment assets	1,495,553	8,790,998	10,862,394	382,318	21,531,263	451,573	21,982,836
Depreciation and amortization	17,205	128,726	219,269	4,160	369,360	—	369,360
Capital expenditures	7,765	89,142	685,033	2,584	784,524	—	784,524

Explanatory notes:

1. Intersegment sales revenues are generally made at values that approximate arm's-length prices.
2. Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of June 30, 2020 and 2021 amounted to JPY 820,941 million and JPY 608,628 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

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 three months ended June 30, 2020

	Yen (millions)							Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total			
Sales revenue:									
External customers	471,450	1,061,689	90,628	444,317	55,691	2,123,775	—	2,123,775	
Inter-geographic areas	295,730	78,816	14,109	89,674	524	478,853	(478,853)	—	
Total	767,180	1,140,505	104,737	533,991	56,215	2,602,628	(478,853)	2,123,775	
Operating profit (loss)	(61,934)	(77,886)	4,854	23,303	(5,576)	(117,239)	3,548	(113,691)	
Assets	4,712,594	11,123,120	682,541	2,799,058	473,595	19,790,908	320,826	20,111,734	
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	2,991,617	4,672,911	57,515	661,518	106,492	8,490,053	—	8,490,053	

As of and for the three months ended June 30, 2021

	Yen (millions)							Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total			
Sales revenue:									
External customers	563,459	1,985,752	170,243	729,495	134,921	3,583,870	—	3,583,870	
Inter-geographic areas	512,392	121,977	54,005	147,788	1,869	838,031	(838,031)	—	
Total	1,075,851	2,107,729	224,248	877,283	136,790	4,421,901	(838,031)	3,583,870	
Operating profit (loss)	1,729	153,368	9,999	81,435	2,614	249,145	(5,935)	243,210	
Assets	5,239,404	12,268,704	629,568	3,370,027	535,839	22,043,542	(60,706)	21,982,836	
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	3,028,127	5,132,967	59,113	653,655	134,394	9,008,256	—	9,008,256	

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. Sales revenues between geographic areas are generally made at values that approximate arm's-length prices.
3. 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 June 30, 2020 and 2021 amounted to JPY 820,941 million and JPY 608,628 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

[B] Subsequent Event
Acquisition of the Company's Own Shares

The Board of Directors of the Company, at its meeting held on August 4, 2021, resolved that the Company will acquire its own shares pursuant to Article 459, Paragraph 1 of the Company Law and Article 36 of the Company's Articles of Incorporation.

1. Reason for acquisition of own shares

The Company will acquire its own shares for the purpose, among others, of improving efficiency of its capital structure and implementing a flexible capital strategy.

2. Details of the acquisition

(1) Class of shares to be acquired:

Shares of common stock

(2) Total number of shares to be acquired:

Up to 18,000,000 shares (1.0 % of total number of issued shares (excluding treasury stock))

(3) Total amount of shares to be acquired:

Up to 70,000 million yen

(4) Period of acquisition:

Starting on August 5, 2021 and ending on December 31, 2021

(5) Method of acquisition:

Market purchases on the Tokyo Stock Exchange

1. Purchases through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

2. Market purchases based on a discretionary trading contract regarding acquisition of own shares

[C] Other

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 arise, 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.