

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, 2025
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. 2-3, Toranomom 2-chome, Minato-ku, Tokyo 105-8404, Japan
(Address of principal executive offices)
Kenji Ichinoseki
+81-3-5412-1134, prj_h_ir2@hm.honda.co.jp, No. 2-3, Toranomom 2-chome, Minato-ku, Tokyo 105-8404, Japan
(Address of principal executive offices)
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Securities registered pursuant to Section 12(b) 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.

<u>Title of each class</u>	<u>Outstanding as of March 31, 2025***</u>
Common Stock	4,346,509,571****

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 files). 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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 three shares of Common Stock.

** American Depository Receipts evidence American Depository Shares, each American Depository Share representing three shares 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 247,552,149 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.

Geopolitical Risk

Honda conducts business operations in countries worldwide and is exposed to a variety of risks including changes in local laws and regulations, agreements, institutions, and business practices, such as tariffs, import and export regulations, 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, including supply chain disruptions due to heightened political, military, or social tensions, Honda’s business and operating results could be adversely affected.

Particularly among them, Honda recognizes three major geopolitical risks: 1) economic security, 2) conflicts between nations or regional conflicts, and 3) laws and regulations concerning human rights.

Strategies for mitigating and reducing exposure to these geopolitical risks are gaining importance because these geopolitical risks have a significant effect on Honda’s initiatives for its Five Key Themes described in Item 4. “Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially”, particularly in realizing a zero environmental impact society, realizing a zero traffic collision society, the evolution of human capital management, and creation of innovative technologies.

For the scale of business in each region that may be affected by such geopolitical risks in the future, see Item 5. “Operating and Financial Review and Prospects—A. Operating Results—Geographical Information Based on the Location of the Company and Its Subsidiaries.”

1. Economic Security

Many countries are tightening import and export controls and adopting policies to encourage the blocking of critical resources, components, and parts, as well as advanced technologies. Since the inauguration of the new administration in the United States, there have been various policy changes, including the proposal or imposition of additional tariffs, and we are closely monitoring these trends. The situation relating to tariffs is subject to constant change, and it is difficult to predict with certainty when, how and in what manner tariffs may be implemented, and therefore the impact on Honda’s business and operating results. However, we currently expect to incur significant additional costs in the fiscal year ending March 31, 2026 arising from tariffs, including on completed vehicles and parts, despite our planned efforts to mitigate such effects, which we expect will negatively impact Honda’s business and operating results compared to the fiscal year ended March 31, 2025.

Changes in governmental policy concerning environmental or import and export regulations could possibly result in stoppages or delays in Honda’s production activities or lead us to incur countermeasure costs associated with development, purchasing, sales, and other business activities, which could adversely affect Honda’s business and operating results.

2. Conflicts Between Nations or Regional Conflicts

The outlook for the international situation remains uncertain, including the situations in Ukraine, the Middle East and the South China Sea. If new conflicts occur, these could possibly result in humanitarian crisis, material and property damage, and supply chain disruptions, not only in the countries and regions where they occur, but also in other countries, which could adversely affect Honda’s business and operating results.

3. Laws and Regulations Concerning Human Rights

Laws and regulations requiring companies to address human rights are being enacted in many countries, and the need to address human rights risks throughout the supply chain is growing rapidly. Failure to respond to such laws and regulations in a timely and appropriate manner could damage Honda’s brand image and social credibility, and result in stoppages or delays in Honda’s production activities or lead us to incur countermeasure costs associated with development, purchasing, sales, and other business activities, which could adversely affect Honda’s business and operating results.

Purchasing and Procurement Risk

Honda is aiming for sustainability in the procurement of good products at reasonable prices in a timely manner by purchasing raw materials and parts from numerous external suppliers. However, Honda still 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 secure 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 securing the supplies.

If it becomes impossible to secure the supply of materials and parts from suppliers on a continuous basis, the prices of materials and parts rise, or we lose any key supplier, these 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, Honda has already experienced price increase for some raw materials and components, and there are concerns that battery prices will soar due to a shortage of mineral resources and other supplies as demand for nickel, lithium and cobalt, which are used in batteries, grows rapidly due to the accelerating shift to electrification. In particular, we are closely examining the impact on our group with regard to export restrictions on rare earths in China.

Additionally, in a case quality-related issue occurs due to parts supplied by business partner, it may threaten the safety and security of our customers, damage Honda's brand image, and potentially adversely impact Honda's business and operating results.

Strategies for mitigating and reducing exposure to these purchasing and procurement risks are gaining importance because these purchasing and procurement risks have a significant effect on Honda's initiatives for its Five Key Themes described in Item 4. "Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially", particularly in realizing a zero environmental impact society, realizing a zero traffic collision society, and creation of innovative technologies.

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. There is an increasing demand for software solutions, particularly in the areas of automated driving/advanced driver-assistance systems and other digital services, including the utilization of artificial intelligence (hereinafter referred to as "AI") technologies.

While we expect AI to improve production efficiency, it may also lead to unintentional infringement of third-party rights, proliferation of erroneous information, and information leaks. In addition, the means of cyber-attacks that take place have become more advanced and sophisticated, targeting organizations worldwide. Moreover, cyber-attacks could also significantly affect Honda's initiatives for its 5 Key Themes described in Item 4. "Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially", particularly in realizing a zero traffic collision society and creation of innovative technologies. Accordingly, the strategies for mitigating and reducing exposure to this risk are gaining importance.

In addition, in recent years, personal information protection rules have been rapidly developed in countries worldwide. In creating Honda's initiatives for the creation of new value, measures protecting 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.

There is a possibility that, in addition to cyber-security risk, 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.

If 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.

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 initiatives for its Five Key Themes described in Item 4. "Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially", particularly in realizing a zero environmental impact society, realizing a zero traffic collision society, and creation of innovative technologies, the utilization of partnerships such as alliances and joint ventures are essential.

If disagreements among partners regarding business, leakage of profit or technology, delays in decision-making or poor operating results at business partners occur in the context of 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.

Environmental Risk

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

For the policies and regulations concerning climate change and fuel efficiency and exhaust gas in particular, countries worldwide have implemented or are planning for their revisions around the world. Depending on the trends for the revisions and the substance of the revised regulations, 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 products and other businesses operations. This could adversely affect Honda's business and operating results.

Moreover, these risks could also significantly affect Honda's initiatives for its Five Key Themes described in Item 4. "Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially", particularly in realizing a zero environmental impact society and creation of innovative technologies. Accordingly, the strategies for mitigating and reducing exposure to this risk are gaining importance.

For information on risks and opportunities related to climate change, please refer to "Climate Change-related Disclosures (Response to the TCFD Recommendations)" in Item 4. "Information on the Company—B. Business overview—Concepts and Approaches to Sustainability".

Intellectual Property Risk

Honda owns or otherwise has rights in a number of patents and trademarks relating to the products it manufactures. Honda has designated carbon neutrality of power units, energy management systems, resource circulation, autonomous driving/advanced driver-assistance systems, and internet of things/connected as key focus areas in order to support the evolution to enterprise capable of forging new growth trajectories and fostering innovative value creation.

Related patents and trademarks that could significantly affect Honda's initiatives for its 5 Key Themes described in Item 4. "Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially", particularly in realizing a zero traffic collision society and creation of innovative technologies. Accordingly, the strategies for mitigating and reducing exposure to these risks are gaining importance.

The inability to protect its intellectual property generally, the illegal infringement of some or a large group of Honda's intellectual property rights that may cause declines in Honda's competitive advantage, or the suspension of manufacturing and/or sales activities and the payment of large amounts of damages as a result of lawsuits (including arising from unintentional infringement of third party intellectual property rights due to the introduction of AI) 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 results of damage caused to Honda's operation sites and employees by earthquakes, floods, windstorms, infectious diseases, 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 worldwide, 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

Honda conducts business operations in countries throughout the world, with manufacturing operations and sells products in various regions and countries. These business activities may be affected by economic slowdowns, economic fluctuation, or other factors, which could result in decreased sales due to market contractions, increase 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

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.

Relating to Industry Market Risk

Honda conducts its operations in Japan and countries throughout the world. Extended economic slowdown, recession, changes in consumer preferences and needs, rising fuel prices, financial crisis, and rise in product prices due to increased material costs or decreased supply volume are all factors which may cause decline in market demands and intensify competition with other companies that could trigger a decline in demand for Honda's products that may adversely affect Honda's business and operating results, or its plans for the future.

In particular, the automotive industry is undergoing a period of major change, including intensifying competition due to the rise of emerging Chinese EV companies, changes in environmental policies in North America and Europe, and global trade wars arising from the imposition of additional tariffs by various countries. Such trends are difficult to predict with certainty, and if developments do not match our expectations, we may be required to revise our business plans, such as has occurred with our respective sales targets for EVs and FCEVs for 2030 in light of slower-than-expected EV adoption, as we announced in May 2025. If we are unable to respond competitively and appropriately to these changes in markets and demand, Honda's business performance may be adversely affected.

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.

This brand image related risk could also significantly affect Honda's initiatives for its Five Key Themes described in Item 4. "Information on the Company—B. Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially", particularly in brand value enhancement. Accordingly, the strategies for mitigating and reducing exposure to this risk are gaining importance.

We have confirmed that there had been some inappropriate cases relating to the certification test when applying for type designation for four-wheeled vehicles sold in the past, and reported this to Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) on May 31, 2024. We will continue to strengthen compliance and governance as we conduct our corporate activities. However, if similar matters occur in the future, Honda's brand image could be damaged and Honda's business and operating results could be adversely affected. See "Legal Risk" for a description of legal risks that could arise as a result of such matters.

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 trade policy (including tariffs), economic growth, inflation, taxation, currency conversion, 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 No.2-3, Toranomom 2-chome, Minato-ku, Tokyo 105-8404, Japan. Its telephone number is +81-3-3423-1111. We maintain a website at <https://global.honda/en/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, 2023, 2024 and 2025, Honda's capital expenditures were ¥2,233.5 billion, ¥3,141.1 billion and ¥4,036.8 billion, respectively, on an accrual basis. Also, capital expenditures excluding those with respect to equipment on operating leases were ¥690.0 billion, ¥692.7 billion and ¥902.7 billion, respectively, on an accrual basis. For further details of Honda's capital expenditures during the fiscal year ended March 31, 2025, 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 Power products 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, 2023, 2024 and 2025:

	Fiscal years ended March 31,		
	2023	2024	2025
	Yen (billions)		
Motorcycle Business	¥ 2,908.9	¥ 3,220.1	¥ 3,626.6
Automobile Business	10,593.5	13,567.5	14,169.2
Financial Services Business	2,954.0	3,248.8	3,507.7
Power Products and Other Businesses	451.1	392.2	385.1
Total	<u>¥ 16,907.7</u>	<u>¥ 20,428.8</u>	<u>¥ 21,688.7</u>

	Fiscal years ended March 31,		
	2023	2024	2025
	Yen (billions)		
Japan	¥ 2,013.0	¥ 2,242.2	¥ 2,477.6
North America	8,945.9	11,713.6	12,798.3
Europe	690.6	961.1	938.4
Asia	4,335.7	4,313.8	4,108.9
Other Regions	922.2	1,197.9	1,365.2
Total	<u>¥ 16,907.7</u>	<u>¥ 20,428.8</u>	<u>¥ 21,688.7</u>

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 1,800cc 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, 2023, 2024 and 2025:

	Fiscal years ended March 31,								
	2023			2024			2025		
	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	246	246	¥ 109.3	241	241	¥ 113.7	224	224	¥ 106.6
North America	459	459	306.7	498	498	335.5	548	548	347.5
Europe	347	347	250.0	440	440	351.8	475	475	379.4
Asia	16,108	9,512	1,739.7	16,016	9,416	1,793.3	17,478	10,591	2,078.4
Other Regions	1,597	1,597	503.0	1,624	1,624	625.6	1,847	1,847	714.5
Total	18,757	12,161	¥ 2,908.9	18,819	12,219	¥ 3,220.1	20,572	13,685	¥ 3,626.6
Motorcycle revenue as a percentage of total sales revenue			17%			16%			17%

* 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 electric vehicles, and flexible fuel vehicles.

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

Passenger cars:

ACCORD, CITY, CIVIC, FIT, INTEGRA, JAZZ

Light trucks:

BREEZE, CR-V, ELEVATE, FREED, HR-V, ODYSSEY, PILOT, VEZEL, WR-V, ZR-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, 2023, 2024 and 2025:

	Fiscal years ended March 31,								
	2023			2024			2025		
	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	550	484	¥ 1,385.8	595	525	¥ 1,600.6	630	539	¥ 1,807.3
North America	1,195	1,195	5,990.5	1,628	1,628	8,510.2	1,654	1,654	9,384.6
Europe	84	84	332.9	103	103	506.7	93	93	459.7
Asia	1,744	505	2,523.8	1,651	468	2,449.8	1,182	397	1,954.4
Other Regions	114	114	360.3	132	132	500.1	157	157	563.0
Total	<u>3,687</u>	<u>2,382</u>	<u>¥ 10,593.5</u>	<u>4,109</u>	<u>2,856</u>	<u>¥ 13,567.5</u>	<u>3,716</u>	<u>2,840</u>	<u>¥ 14,169.2</u>
Automobile revenue as a percentage of total sales revenue			63%			66%			65%

* 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, 2023, 2024 and 2025:

	Fiscal years ended March 31,		
	2023	2024	2025
	Yen (billions)		
Japan	¥ 428.2	¥ 440.7	¥ 474.7
North America	2,466.5	2,729.1	2,938.2
Europe	13.2	18.1	21.4
Asia	16.5	14.7	13.9
Other Regions	29.4	46.0	59.4
Total	¥ 2,954.0	¥ 3,248.8	¥ 3,507.7
Financial Services revenue as a percentage of total sales revenue	17%	16%	16%

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".

Power Products and Other Businesses

Honda's Power products 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, generators, lawn mowers, water pumps, brush cutters, and tillers.

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

The following table sets out Honda's revenue from Power products and other businesses and the breakdown by geographical markets based on the location of the customer for the fiscal years ended March 31, 2023, 2024 and 2025:

	Fiscal years ended March 31,					
	2023		2024		2025	
	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	376	¥ 89.6	302	¥ 87.0	278	¥ 88.9
North America	2,274	182.1	1,083	138.7	1,020	127.9
Europe	1,168	94.3	794	84.4	651	77.8
Asia	1,408	55.5	1,294	55.9	1,413	62.1
Other Regions	419	29.4	339	26.0	338	28.2
Total	5,645	¥451.1	3,812	¥392.2	3,700	¥385.1
Power Products and Other businesses revenue as a percentage of total sales revenue		3%		2%		2%

* 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 Power products 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 Power products 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 the fiscal year ended March 31, 2025, approximately 85% of Honda’s motorcycle units on a group basis were sold in Asia. Approximately 45% of Honda’s automobile units (including sales under the Acura Brand) on a group basis were sold in North America followed by 32% in Asia and 17% in Japan. Approximately 38% of Honda’s power products units on a group basis were sold in Asia followed by 28% in North America and 18% 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 the fiscal year ended March 31, 2025, approximately 98% 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 47% 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, 2025.

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 became applicable to new models of vehicles beginning in October 2022 and to current 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.

In October 2022, MLIT decided to introduce PN regulation. Among diesel vehicles, it has been applicable to new models beginning in October 2023, and will be applicable to current models beginning in October 2025. Among gasoline direct injection vehicles, it became applicable to the new models beginning in October 2024, and will become applicable to the current models beginning in 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 electric 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 2022, the Biden administration signed the Inflation Reduction Act (IRA) of 2022. This act allows tax incentives to purchase clean vehicles which meet certain requirements. One of the requirements is that the final assembly of new motor vehicles is to be within North America. Most provisions of this act became effective in January 2023. In May 2024, the US Treasury and the Internal Revenue Service (IRS) issued a final rule on the tax credits for new clean vehicles under the IRA. This rule (codified at 26 U.S.C. § 30D) clarifies the eligibility criteria for new electric vehicles to qualify for tax credits. The rule also implements restrictions on vehicles containing critical minerals or battery components sourced from foreign entities of concern (FEOCs), excluding such vehicles from eligibility for the new clean vehicle tax credits.

In November 2022, the CARB finalized Advanced Clean Car II (ACC II) regulations which will apply to 2026 and later model year vehicles. The ACC II regulations contain requirements for the new Low Emission Vehicle IV (LEV IV) regulation and new Zero-Emission Vehicle (ZEV) requirements. The new ZEV requirements will require all new light-duty vehicles sold in California to be zero-emission by 2035.

In April 2023, the U.S. Environmental Protection Agency (EPA) announced proposal of federal multi-pollutant regulation (Tier 4) together with more stringent greenhouse gas requirement which will apply from 2027 model year vehicles. The finalization of Tier 4 was announced on March 20, 2024. The finalized requirement requires a more stringent PM emission standard of 0.5mg/mile for light-duty and medium-duty vehicles compared to CARB LEV IV and fleet NMOG+NOx standard of 15 mg/mile for light-duty vehicles for 2032 model year.

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

The Euro 6 regulation was implemented in September 2014. Emission limits for diesel vehicles were lowered even more than the Euro 5 levels for nitrogen oxides (NOx) and total hydrocarbon (THC) plus NOx. 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 NOx and PN.

The new Evaporative Emissions Test started from September 2019. The testing cycle was updated from NEDC to Worldwide harmonized Light vehicles Test Procedure (WLTP) in conformity with the United Nations Economic Commission for Europe (UNECE) Global Technical Regulation (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.”

In November 2022, the European Commission proposed new emission standard “Euro 7” which, if finalized, will apply to all new vehicles sold after July 2025. “Euro 7” requires updated RDE test method, on-board monitoring (OBM) systems, on-board refueling vapor recovery systems and measurement of particulates from brake wears and tire abrasions.

In March 2024, the European Parliament adopted a provisional agreement reached with the Council, regarding Euro 7. As a result, vehicles will need to comply with Euro 7 standards for longer, ensuring they remain cleaner throughout their lifetime. For the first time, EU standards included limits on brake particle emissions for cars and set minimum performance requirements for battery durability in electric and hybrid cars. However, the requirements for on-board refueling vapor recovery systems (ORVR) were not adopted in Euro 7 regulation.

China

China implemented Step 6b regulations 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 has been applied from April 2023 with more stringent particle number and on-board diagnostic requirements and compliance for RDE.

India’s Ministry of Road Transport and Highways (MoRTH) issued a notification requiring that all spark ignition engine vehicles, including hybrids, must be certified for compliance with prevailing emission norms using Ethanol (E20) fuel on January 5, 2024.

This requirement applies to spark ignition engine vehicles manufactured on and after April 1, 2025.

Thailand

The Thai Cabinet has decided to introduce Euro 5 regulations from 2024 and to implement Euro 6 regulations from January 2025 with a 1 year grace period.

Malaysia

The Malaysian government implemented Euro 4 regulations for new models from July 2020 and for all models from January 2022. The government further decided to introduce Euro 5 regulations for new models from July 2028, and for all models from January 2030.

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 CAFE calculation method.

In April 2020, it became mandatory to measure the fuel consumption of fuel cell electric 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 electric 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.

In March 2023, MLIT revised fuel economy standards for passenger motor vehicles applied in 2010 by increasing the number of levels from 8 to 17. At the same time, MLIT revised the fuel economy standards for passenger motor vehicles for 2030 by adding one higher level.

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.

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 trucks 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.

In April 2023, EPA announced proposed GHG regulations together with multi-pollutant standards (Tier 4) to be effective from 2027 to 2032 model years. The finalization of GHG regulation was announced on March 20, 2024. The projected combined fleet target of CO₂ is 85 g/mile for model year 2032. The final rule that followed was published in the Federal Register in April 2024.

In August 2023, NHTSA proposed CAFE standards for model years from 2027 through 2032. The CAFE standards will reach approximately 57.8 MPG in the 2032 model year (U.S. fleet average).

Following in change in administration, in January 2025, President Trump issued Executive Order 14148 entitled “Initial Rescissions of Harmful Executive Orders and Actions”, rescinding the Executive Order on Protecting Public Health and the Environment and Restoring Science to tackle the Climate Crisis. Separately, in January 2025, the Secretary of the U.S. Department of Transportation (DOT) signed and issued a memorandum directing the reset of CAFE standards. This directed the immediate review and reconsideration of CAFE standards for all vehicle models produced after model year 2022, including in particular rules covering 2024-2026 model year passenger cars and light trucks, passenger cars and light trucks for model year 2027 and beyond and heavy-duty pickup trucks and vans for model year 2030 and beyond.

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 September 2023, the government of Quebec adopted 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 32.5%, in 2030 are 85%, and in 2035 are 100%.

In December 2023, the federal government adopted a national ZEV mandate from model year 2026 as a part of greenhouse gas regulation. The regulation mandates sales of new vehicles to be ZEVs at the rate of 20% in 2026, 60% in 2030, and 100% in 2035 model year.

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 has been applied 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 April 25, 2023, regulation (EU) 2023/851 was issued in the EU Official Journal, setting CO₂ emission targets for newly registered passenger cars and light commercial vehicles, which contains a new provision establishing a 100% reduction of EU fleet-wide targets compared to 2021 from 2035 onwards. Furthermore, the European Commission will issue the methodology for the assessment and the consistent data reporting of the full life-cycle CO₂ emissions of passenger cars and light commercial vehicles by 2025.

China

China adopted a fuel consumption regulation for passenger vehicles in 2004. Step 5 of this regulation was implemented in 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 2026.

Some of the GB standards (Chinese national standards issued by the China Administration of Standardization) related to the “New Carbon Emission Management System” include the new “Fuel consumption limits for passenger cars” issued in November 2024.

India

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

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 regulation amending the EU Battery Directive to the EU Battery Regulation in 2023. This regulation adds requirements related to carbon footprints and information disclosure of remaining life for recycling, among others. The EU Battery Regulation came into force in 2024.

The European Union has published a draft regulation amending the ELV Directive to the ELV Regulation. The proposed regulations would add requirements for recycled content and expanded producer responsibility.

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.

India has issued a regulation called Battery Waste Management Rules on August 24, 2022. This regulation requires the achievement of certain recovery targets for waste batteries and sets targets for minimum use of domestically recycled materials in new batteries. All batteries are required to display an Extended Producer Responsibility (EPR) number. With the revision on February 24, 2025, it has been decided that the EPR number can also be displayed in the form of a QR code.

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.

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

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).”

In 2022, the MLIT adopted UN R161, which regulates “Devices against Unauthorized Use.”

In 2022, the MLIT adopted UN R162, which regulates “Immobilizers.”

In 2022, the MLIT adopted UN R163, which regulates “Vehicles Alarm systems.”

In 2023, the MLIT adopted UN R165, which regulates “Reverse warning devices and signals.”

In 2023, the MLIT adopted UN R166, which regulates “Vulnerable Road Users in Front and Side Close Proximity.”

In 2024, the MLIT adopted UN R171, which regulates “Driver Control Assistance System.”

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 Federal Motor Vehicle Safety Standard (FMVSS) 141, 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 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 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 July 2022, the NHTSA issued a final rule to amend FMVSS 141 “Minimum Sound Regulations for Hybrid and Electric Vehicles,” with an implementation date of August 12, 2022.

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 “FMVSS Considerations for Vehicles with Automated Driving Systems: Volume 2” to provide interpretation verifying the legality of ADS-DV (an SAE International 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 which was issued in April 2020.

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. However, in January 2025, President Trump issued Executive Order 14148 entitled “Initial Rescissions of Harmful executive Orders and Actions” and, accordingly, the Infrastructure Investment and Jobs Act (H.R. 3684) was withdrawn.

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.

In December 2024, the NHTSA issued a final rule that amends time series data requirements of 49 CFR Part 563 EDR (Event Data Recorders). This final rule changed the recording time of EDR time-series measurement data from 5 seconds to 20 seconds for pre-collision data, and change the data sampling frequency from 2 Hz to 10 Hz. The purpose of this revision is to increase the recording time and recording frequency of pre-collision data in order to analyze the behavior of the vehicle before a collision occurs. The application applies to the vehicles manufactured after the first September 1st of the year following the publication of the final rule. The effective date of this final rule is September 1, 2027.

In September 2022, the NHTSA issued a final version of “Cybersecurity Best Practices for the Safety of Modern Vehicles” to update non-binding and voluntary guidance. This 2022 revision reflects comments received on the 2020 version of the Guidance which itself was a revision of the first edition issued in 2016, and clarifies and adds terminology in the scope, updated reference ISO/SAE 21434, and general cybersecurity best practices.

In the United States, state laws stipulate privacy protection laws aimed at protecting the privacy of consumers within the state, and as of April 2025, California, Virginia, Colorado, Utah, Connecticut, New Hampshire, Maryland, Minnesota, Rhode Island, Delaware, Nebraska, Texas, Tennessee, and Oregon have enacted such privacy protection laws.

In May 2024, the NHTSA issued a new FMVSS that would require all new light vehicles to be equipped with automatic emergency braking (AEB) systems. It provided mandatory installation of forward collision alarms and AEB for lead vehicles and pedestrians by newly establishing FMVSS 127 “Automatic emergency braking systems for light vehicles” and 49 CFR Part 596 “Automatic Emergency Braking Test Devices.” The final rule permits manufacturers to allow the AEB system to be temporarily disabled under specific conditions, compared to the proposed rule which did not address temporary disablement. The final rule mandates compliance beginning September 1, 2029, except for vehicles produced by small-volume manufacturers, final-stage manufacturers, and alterers, which must comply by September 1, 2030.

In November 2024, NHTSA issued a technical amendment to the May 2024 final rule on AEB systems for light vehicles in response to petitions for reconsideration. The effective date of this amendment was delayed from the original effective date of January 27, 2025 to March 20, 2025 due to the Presidential Regulatory Freeze issued January 20, 2025 (which delayed effectiveness of then-pending U.S. federal regulations by 60 days, or until March 20, 2025, the “Presidential Regulatory Freeze”), but the compliance deadlines for FMVSS No. 127 remain unchanged.

In January 2025, the Alliance for Automotive Innovation (AAI) initiated litigation in the U.S. Court of Appeals for the D.C. Circuit challenging the final rule on AEB systems, which challenge remains pending.

In January 2025, the NHTSA issued a final rule to revise FMVSS101 “Controls and displays” and FMVSS208 “Occupant crash protection.” In addition to driver’s seat, it provided to install a seatbelt reminder system in the passenger and rear seats and a stringent audio-visual warning system for driver and front passenger seat which keeps the alert active until the seatbelts are fastened. Vehicles manufactured on or after September 1, 2026, will be subject to the front seat requirement, and vehicles manufactured on or after September 1, 2027, will be subject to the rear seat requirement. The effective date was originally set for March 4, 2025, but was changed to March 20, 2025, as a result of the Presidential Regulatory Freeze.

In September 2023, the Senate proposed AM Radio for Every Vehicle Act of 2023, a bill that would require the Secretary of Transportation to issue a rule requiring access to AM broadcast stations in motor vehicles. According to the bill, the Secretary of Transportation rule must be issued within one year after the enactment of this Act (if passed), and the requirement to install radios will take effect in two to three years after the rule is issued. However, the bill did not pass before the end of the 118th Congress.

In February 2025, the AM Radio for Every Vehicle Act of 2025, a bill that would also require the Secretary of Transportation to issue rules requiring all new passenger vehicles to have AM radio capability as standard equipment, was introduced in the House of Representatives. There was no change to the requirement that the Secretary of Transportation’s rule must be issued the rules within one year after the enactment of this Act (if passed), and the requirement for manufacturers to install AM radios will take effect in two to three years after the rule is issued.

In December 2023, the NHTSA issued a final rule revising FMVSS213 “Child restraint systems; Applicable unless a vehicle or child restraint system is certified to § 571.213b” and established FMVSS213b “Child restraint systems; Mandatory applicability beginning December 5, 2026.” FMVSS213 is applicable to products manufactured before December 5, 2024, and FMVSS213b applicable to products manufactured on or after December 5, 2026.

In October 2024, NHTSA issued a final rule in response to a petition for reconsideration of the December amendments to child restraint system rules, which among other changes, formally established FMVSS No. 213a, clarified the applicability of FMVSS No. 213b, and aligned the compliance dates of FMVSS Nos. 213 and 226. As a result, the effective dates of FMVSS 213 and 213a are June 30, 2025, and FMVSS 213b will become mandatory for applicable products manufactured on or after December 5, 2026, with optional early compliance permitted.

In January 2024, the NHTSA issued an initial rulemaking document providing for the gathering of information necessary to develop performance requirements and require that new passenger motor vehicles be equipped with advanced drunk and impairment driving prevention technology. The purpose of this information collection is to develop new FMVSS to reduce crashes and fatalities caused by alcohol-impairment driving.

In January 2025, the NHTSA issued a final rule FMVSS307 “Fuel system integrity of Hydrogen vehicles” and FMVSS308 “Compressed hydrogen storage system integrity.” These safety standards are informed by GTR No.13, but differ in some requirements and test procedures. The effective date is July 16, 2025 and the applicable date is September 1, 2028.

In December 2024, the NHTSA issued a new FMVSS305a “Electric-powered vehicles: Electrolyte spillage and electrical shock protection” to replace FMVSS 305. NHTSA proposed compliance date would be two years after the publication of the final rule in the Federal Register. For FMVSS 305a, in addition to lightweight vehicles, heavy vehicles with GVWR over 4,536 kg (10,000 pounds) have been added to the scope of application. New safety requirements for batteries (Rechargeable Energy Storage System (REESS) requirements) and test procedures have also been introduced.

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 Regulation came into force in January 2020 and has been applied to vehicles from July 2022, which is 30 months after the enforcement. The revised General Safety Regulation includes 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 have been 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 have also been 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.

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. On December 22, 2023, the EU Data Act (EU) 2023/2854 was finalized and published in the EU Official Journal.

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 started public consultation for the revision of “Whole Vehicle Type Approval (WVTA) and market surveillance” (EU) 2018/858 in March 2022, a proposed regulation for which was issued in February 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, in November 2023, “Notification of Intelligent and connected vehicle entry and road traffic pilot business activities” was published, making road tests and test operations of intelligent connected vehicles (ICV) possible.

In June 2022, the Shenzhen Special Economic Zone ICV Management Ordinance has been issued, in August 2023, local standards of Shenzhen were published specifying technical requirements for ICV products.

In February 2025, the Ministry of Industry and Information Technology (MIIT) issued the “Notice of the Ministry of Industry and the General Administration of Market Supervision on the Entry of Intelligent Connected Car Products” (Notification No. 45 of 2025), which strengthened the entry control and recall supervision management of intelligent connected car products.

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:

- + Motor vehicles – Devices for indirect vision – Requirements of performance and installation
- + Amendment to connection set for conductive charging of electric vehicles – Part 1: General requirements
- + Amendment to test methods for power performance of fuel cell electric vehicles
- + Amendment to fuel cell electric vehicles – Onboard hydrogen system specifications
- + Establishment of security requirements for automobile data collection and requirements for cross-border data transfers
- + Establishment of technical requirements related to cyber security, and
- + General technical requirements for software updates of vehicles
- + Amendment to measurement methods of net power for automotive engines and electric drive trains
- + Amendment to hybrid electric vehicles – Power performance – Test method
- + Amendment to battery electric vehicles – Power performance – Test method
- + Protective device against unauthorized use of motor vehicles
- + Intelligent and connected vehicle – Data storage system for automated driving

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

- + Amendment to battery electric passenger cars-specifications.
- + Technical requirements and testing methods for advanced emergency braking system (AEBS) of light-duty vehicles
- + Electric vehicles traction battery safety requirements
- + Electric vehicles safety requirements
- + Technical specifications of remote service and management system for electric vehicles – Part 2: On-board terminal
- + Basic requirements of security processing for intelligent and connected vehicle spatio-temporal data
- + Basic security requirements of spatio-temporal data sensing system of intelligent and connected vehicle
- + On-board accident emergency call system (AECS)

India

In December 2022, the MoRTH issued the 25th amendment of the Central Motor Vehicles Rules (CMVR), which requires traction battery for electric power train vehicles manufactured on and from April 1, 2023 to be approved by the Annex IX-K to Automotive Industry Standards (AIS)-038.

MoRTH issued regulations on August 14, 2024 that require the installation of seat belt reminders on rear seats in M1 category vehicles manufactured on or after April 1, 2025. This regulation requires the seat belt reminders that comply with the Indian standard AIS-145-2018.

Outline of Environmental and Safety Regulation for Motorcycles

1. Emissions

Europe

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

China

China is considering the introduction of Euro 5 level emission regulation from June 2027.

India

India published BS VI regulation (Euro 5 level exhaust emission regulation), which became effective from April 2020. OBD II is introduced in two stages, Stage II-A and II-B. Stage II-A became effective from April 2023 and Stage II-B became effective from April 2025.

Other Asian Countries

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

The Ministry of Transport of Vietnam has announced that Level 4 (Euro 4) will commence in July 2026.

Indonesia and 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 has applied to new motorcycles from January 2023 and to all motorcycles registered from January 2025. The OBD stage 2 requirement has applied 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 regulation amending the EU Battery Directive to the EU Battery Regulation in 2023. This regulation adds requirements related to carbon footprints and information disclosure of remaining life for recycling, among others. The EU Battery Regulation came into force in 2024.

The European Union has published a draft regulation amending the ELV Directive to the ELV Regulation. The proposed regulations would add requirements for recycled content and expanded producer responsibility. Furthermore, the regulation is expected to apply not only to passenger cars but also to large vehicles and motorcycles, and discussions are continuing in Europe.

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.

India has issued a final regulation called Battery Waste Management Rules on August 22, 2022. This final regulation requires the achievement of certain recovery targets for waste batteries and sets targets for value of use of recycled materials in new batteries. All batteries are required to display an EPR number. With the revision on February 24, 2025, it has been decided that the EPR number can also be displayed in the form of a QR code.

Vietnam

Vietnam implemented motorcycle recycling laws on January 1, 2018.

3. Safety

Europe

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

China

Newly established GB standards (mandatory national standards) and GB/T standards (voluntary national standards) include:

- + Technical requirements related to cyber security.
- + Security requirements for automotive data collection.

India

The Ministry of Road Transport and Highways, Government of India, has promulgated technical requirements for batteries that include India's own requirements called AIS-156 (Amd3). The standard was enforced in two phases, item by item, with Phase 1 coming into effect on December 1, 2022, and Phase 2 on March 31, 2023.

Other Asian Countries

The Department of Land Transport of Thailand has applied the safety regulations for electric two-wheeled vehicles (UN R136) from January 2023 and the regulations for the fitting of lighting fixtures (UN R53) from January 2024. The Determination of Identification of Controls, Telltales and Indicators (UN R60) has been adopted and will be enforced from January 2026.

Indonesia and Vietnam have been introducing various regulations regarding lighting and braking based on UN Regulations. Recently, Indonesia is considering the introduction of various regulations based on UN regulations, including horns (UN R28), speedometers (UN R39), lighting installation (UN R53), and brake systems (UN R78).

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

Outline of Environmental and Safety Regulation for Power Products

1. Emissions

The United States

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

In September 2022, CARB published a final regulation to accelerate the transition of equipment using small off-road engines to zero-emission equipment, requiring most small off-road engines sold in California on or after January 1, 2024, to be zero emissions. In accordance with this, the evaporative (EVAP) emission standard value has also been changed.

In April 2023, the U.S. Consumer Product Safety Commission (CPSC) initiated a rule-making process to establish safety standards regulations, including CO₂ emissions (g/h) limits for portable generators.

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 December 2022, the European Commission published an amendment to 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.

India

The Central Pollution Control Board regulates generator emissions through the Environment (Protection) Third Amendment Rules, 2022, which introduced enhanced Phase 3 emission standards commencing in July 2023.

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. Subsequently, EPA reconsidered the PIP (3:1) rules based on industry comments, and on November 19, 2024, EPA finalized revisions to exempt PIP (3:1) and products containing PIP (3:1) for the use in circuit boards and wire harnesses from the prohibition.

On February 21, 2025, a Senate Bill 682 which proposes a phased ban on sale and distribution of products that contain intentionally added Perfluoroalkyl and polyfluoroalkyl substances (PFAS) was submitted to the California legislature. If enacted, the bill would phase out the sale of products intentionally added PFAS in stages, with the broadest prohibition taking effect by January 1, 2040.

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 regulation amending the EU Battery Directive to the EU Battery Regulation in 2023. This regulation adds requirements related to carbon footprints and information disclosure of remaining life for recycling, among others. The EU Battery Regulation came 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.

India

India has issued a final regulation called Battery Waste Management Rules on August 22, 2022. This final regulation requires the achievement of certain recovery targets for waste batteries and sets targets for value of use of recycled materials in new batteries. All batteries are required to display an EPR number. With the revision on February 24, 2025, it has been decided that the EPR number can also be displayed in the form of a QR code.

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

In April 2023, the MLIT expanded the certified output of shipbuilding businesses to 92 kW based on the provisions of the Ship Safety Act.

In March 2025, the Agricultural Technology Innovation Engineering Research Center of National Agriculture and Food Research Organization issued a revision to the scope of agricultural machinery subject to safety inspections and updated related standards. The scope of application has been clarified, and notably excluding rotary axle tillers from the category of agricultural tractors (walk-behind). The new standards has come into effect in April 2025.

The United States

In November 2016, the CPSC 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.

In December 2023, the Portable Generator Manufacturers' Association (PGMA), a trade association that seeks to develop and influence safety and performance standards for the industry, revised ANSI/PGMA G300-2018 and approved a new standard by ANSI, G300-2023. It became effective in January 2025.

In June 2024, the Outdoor Power Equipment Institute (OPEI) published new safety requirements for combustion engine powered rotary lawnmowers and cylinder lawnmowers (ANSI/OPEI 5395-1/-2/-3). These requirements apply to consumer and commercial combustion engine powered rotary lawnmowers and cylinder lawnmowers, depending on operation type. These standards will be effective two years after the June 6, 2024 publication date.

Europe

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

In January 2022, the European Commission issued a regulation on cybersecurity to supplement the Radio Equipment Directive.

In June 2023, the European Commission has adopted Regulation (EU) 2023/1230 on machinery safety. The new Regulation expands the scope of the Machinery Directive, and introduces requirements addressing new areas such as emerging technologies, including AI and machine learning, cybersecurity, and digital documentation. It will be applicable from January 2027. As of June 2025, the list of harmonized standards to be used for making declarations of conformity has not been published.

In November 2024, the European Commission published proposals to revise eco-design requirements for external power supplies, wireless chargers, general-use portable battery chargers, and among others.

In December 2024, the European Commission adopted the Regulation (EU) 2024/2847 (Cyber Resilience Act). The requirements apply to products with digital elements and such products must comply with cybersecurity requirements. As of June 2025, no harmonized standards are available to assess compliance.

In January 2025, the European Commission published an Official Journal Decision to introduce harmonized standards that address the cybersecurity requirements under the Radio Equipment Directive.

China

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

Preparing for the Future

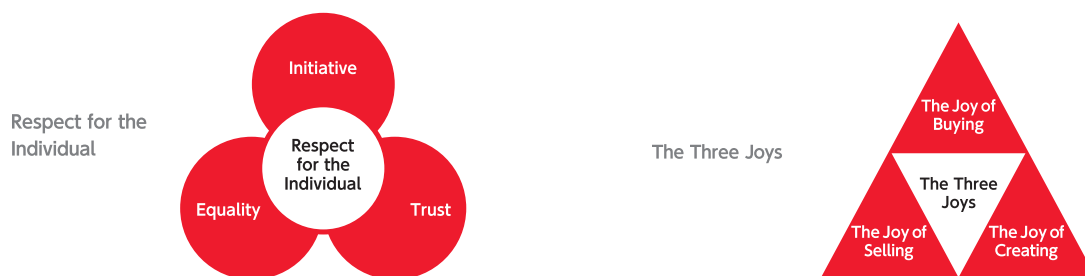
Please note that the forward-looking statements contained herein are judgments made by Honda as of the filing date of this Annual Report and may differ materially from actual results because of uncertainties that may arise in the future, including those discussed under “Item 3. Key Information—D. Risk Factors.”

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 our company by respecting individual differences and trusting each other as equal partners. “The Three Joys” is based on “Respect for the Individual,” and is the philosophy of creating joy for everyone involved in Honda’s activities, with the joy of our 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 its 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.”

As a comprehensive mobility company, Honda aims to become the power that advances people and society by delivering around the world essential value we offer of “enabling people to transcend various constraints such as time and place” and “enabling people to augment their abilities and possibilities,” as stated in the Honda Global Brand Slogan, “The Power of Dreams,” redefined in 2023, as well as realizing society with “zero environmental impact” and “zero traffic collisions” through mobility full of dreams and various other services that are generated by creativity of each and every one of us at Honda. Honda will continue to take on bold challenges with innovative technologies and ideas, powered by the dreams, to realize our vision.



Business Environment and Direction of Our Responses

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. Additionally, the international situation remains uncertain, including the situations in Ukraine, the Middle East and the South China Sea, and, including ongoing uncertainty in the trade policies of various countries, geopolitical risks have also become heightened. In these circumstances, in order to achieve future growth, Honda believes that it needs to build positive relationships with all stakeholders involved in our corporate activities to solve long-term social issues, as well as constantly working to improve the quality of value we offer.

In the Automobile business, we consider EVs (electric vehicles) to be the optimal solution to achieve carbon neutrality from a long-term perspective. Meanwhile, the environment surrounding electrification of automobiles is facing significant changes. Progress in the adoption of electrification varies widely from one region to another, and there are fluctuations in the speed of adoption in the early phases. Honda plans to maintain a flexible and adaptive strategy to ensure effective resource allocation while closely monitoring developments in the EV market.

We believe that the Motorcycle business can sustain its market expansion, particularly in emerging countries characterized by higher young population ratios. On the other hand, in India, which is the largest motorcycle market in the world, the demand for electric vehicles is also expanding rapidly partly due to government policy measures. We believe the expansion trend of EVs will continue over the long term in other countries as well, while each country faces different challenges on the infrastructure side, including stable power supply and the development of charging networks, and there are differences in governments' sales promotion measures and their capability to execute industry development measures. In light of these circumstances, Honda will harness its strengths to roll out measures against rapidly growing emerging electric vehicle manufacturers, as well as ensuring effective resource allocation, while closely monitoring the pace of expansion of internal combustion engine (ICE) vehicles and EV by market.

In Power Products and Other businesses, the shift towards carbon neutrality is accelerating in construction machinery, industrial machinery and other industry sectors, led by both public and private sectors, and the demand for environmentally-conscious products is growing. Honda plays the role of accelerating the shift towards carbon-neutral society by expanding the lineup of electric-powered products for corporate clients including finished products manufacturers in those industry sectors.

Challenges to be Addressed Preferentially

Honda has comprehensively identified social issues from sustainability point of view and has selected challenges to be addressed preferentially aligning with the company's strategic direction. Specifically, the Group has selected five non-financial areas as key themes: "environment" and "safety," which are the key management themes the Group has long committed to; "human" and "technology," which are our engines for growth; and "brand," which could be regarded as the sum of all corporate activities. By linking these themes with our financial strategies, Honda will create social values and economic values.

"Five Key Themes"

1. Realization of a zero environmental impact of society

Honda, aiming for sustainable business practices, has set achieving a "Zero Environmental Impact Society" as one of its company-wide priority issues to address environmental impacts comprehensively. In our efforts to achieve a "Zero Environmental Impact Society," we are working towards the concept of "Triple Action to ZERO," a concept that consolidates three key initiatives: "Carbon Neutrality," "Clean Energy," and "Resource Circulation". We are focusing on the concept of "Triple Action to ZERO" as the core of our efforts.

Carbon neutrality

For small-size mobility products including passenger vehicles, Honda believes that EVs are the optimal solution for achieving carbon neutrality from a long-term perspective. Based on this belief, Honda made the strategic decision to make a major shift toward the popularization of EVs and has been making progress with various initiatives.

In the meantime, the environment surrounding the automobile industry is changing day by day. Uncertainty in the business environment is increasing, due particularly to the slowdown in the expansion of EV the market due to several factors, including changes in environmental regulations, which had been the premise for the widespread adoption of EVs, as well as changes in trade policies of various countries.

In such a business environment, we have decided to withdraw our initial target of a 30% global EV/FCEV (fuel cell electric vehicles) sales ratio by 2030, although Honda plans to continue to steadily work to build a strong EV brand and business foundation from a long-term perspective in order to reach our goal of "increasing the ratio of EV and FCEV sales to 100% globally by 2040". Moreover, Honda plans to position its HEVs as the powertrain that will play a key role during the transition period toward the popularization of EVs and further enhance its HEV (hybrid electric vehicles) lineup.

In the Motorcycle business, Honda is striving to realize carbon neutrality for all of its motorcycle products during the 2040s, as the primary focus of environmental strategies for motorcycle business. To that end, Honda plans to accelerate electrification, while also continuing to advance ICE.

(Enhancement of the product lineup)

Honda has been strategically proceeding with plans to introduce 30 electric models globally by 2030 to achieve the goal to increase its global annual sales of electric motorcycle models to 4 million units by 2030. To this end, Honda positioned 2024 as the first year of electric globalization and made full-fledged entry into the market. By offering a wide variety of electric models that accommodate the increasingly diverse customer needs, Honda will strive to become the leading company also in the electric motorcycle market.

(Establishment and enhancement of charging and usage environment)

For the popularization of electric motorcycles, Honda has not only been enhancing its product lineup but also implementing initiatives to improve the environment for their usage. In addition to Japan, Indonesia and Thailand, Honda began offering a battery sharing service in India through its local subsidiary, Honda Power Pack Energy India Pvt. Ltd. (HEID), for the further popularization of electric motorcycle models powered by swappable batteries. Moreover, Honda plans to strengthen after-sales services and maintenance by leveraging the industry's largest sales network* consisting of 6,000 dealership locations throughout India. In addition, with the plan to continue introducing more electric models powered by a fixed battery, Honda plans to leverage its broad sales network to enhance the battery charging network, which will eliminate customer anxiety of running out of battery power.

* according to Honda research (as of January 2025)

In the Power Products business, we plan to position the power unit and garden sectors as key domains for electrification and strengthen our efforts to enhance product capabilities, thereby leading the industry in this transformation. Additionally, leveraging Honda's strength in diverse mobility, we plan to enhance development and cost competitiveness by sharing core parts necessary for electrification with the motorcycle business, thus reducing costs and maximizing synergies across business areas.

In the Power Unit Sector, in addition to our existing B2B customers developed through our core business of general-purpose engines, Honda plans to actively expand the deployment of *eGX* (an electric version of Honda's *GX* series of general-purpose engines) in areas expected to electrify. To support this, we plan to strengthen collaboration with power unit suppliers, focusing on Japan and Europe. To meet our customers' diverse needs more precisely, we plan to prepare a wide range of variations within the *eGX* series.

In Garden Sector, in the U.S. market, Honda plans to offer a full lineup of electric products for landscaping professionals, aiming to expand the adoption of electric equipment among professional customers. To achieve this, we have moved to the mass production preparation phase for large models such as electric riding lawn mowers and robotic lawn mowers, which were showcased as prototypes at North American trade shows. Furthermore, for small electric products such as push lawn mowers and brush cutters, we plan to leverage external partnerships to accelerate electrification through efficient development and production schemes. We plan to also expand the framework of these collaborations to target additional customer acquisition.

For more details regarding "clean energy" and "resource circulation", please see "Concepts and Approaches to Sustainability."

2. To realize a zero traffic collision society

Honda aims to achieve zero traffic collision fatalities involving Honda motorcycles and automobiles worldwide by 2050*1. As a milestone, Honda aims to halve the number of global traffic collision fatalities involving Honda motorcycles and automobiles worldwide by 2030*2. All motorcycles and automobiles registered, not limited to new vehicles, are included in the scope.

*1 Traffic collision involving Honda motorcycles and automobiles (rider, driver and passengers), as well as pedestrians and bicycles as other involved parties (excluding intentional violation of traffic rules with malicious intent and cases of willful incapacitated status due to use of alcohol, drugs, or other substances)

*2 To halve the number of traffic collision fatalities per 10,000 vehicles involving Honda motorcycles and automobiles worldwide by 2030 compared to 2020

For more details, please refer to “Concepts and Approaches to Sustainability.”

3. The evolution of human capital management

Honda’s management of human capital involves developing its talent portfolio by backcasting from the desired future state, with the goal of becoming a “comprehensive mobility company that advances people and society driven by the dreams of each individual,” as outlined in the company-wide policies. To achieve this, we have identified two key human capital “materialities”* to be addressed from both medium- to long-term and short- to medium-term perspectives. Furthermore, we have identified two main themes for each human capital materiality, for a total of four main themes.

* Materialities: We select “Priority Issues” by comprehensively analyzing social issues from the perspective of sustainability, aligning them with Honda’s strategic direction, and defining the particularly focused issues for each priority issue as “materialities”.

For more details, please refer to “Concepts and Approaches to Sustainability.”

4. Creation of innovative technologies

In pursuit of providing the values of “Transcend” and “Augment”, Honda is committed to strengthening innovation management, grounded in the belief that “creating core technologies is the source of a sustainable business foundation and competitive edge for the future.” Honda is committed to achieving a “society with zero environmental impact” and “zero traffic collision fatalities” in the future, as well as expanding the concept of mobility fields. Having defined key focus areas, resources are strategically allocated, and experts in each field lead technology development to realize these goals. Furthermore, Honda collaborates with various research institutions worldwide to explore and integrate global knowledge. The development of new technologies requires repeated trials and extensive resources before they can be commercialized. Guided by the belief that the “pursuit of new technologies” is the driving force behind the Group’s future, by making bold resource investments, we aim to sustain strong competitiveness and pursue sustainable business development.

Amid ongoing development of new technologies, Honda plans to continue to enhance application of intelligent technologies and improve the competitiveness of its HEV models. In the application of intelligent technologies, Honda is currently developing its proprietary next-generation ADAS (Advanced Driver Assistance Systems) which assists the driver with vehicle operations such as acceleration and steering throughout the entire route, on both expressways and surface roads, based on the destination the driver inputs into the navigation system. In addition, in HEV models, Honda plans to further advance its proprietary two-motor hybrid system, the e:HEV hybrid system, and platforms in all aspects. Moreover, Honda strives to improve fuel economy and further advance a driving experience that reflect Honda’s distinctive approach to maintain both high quality and driver engagement.

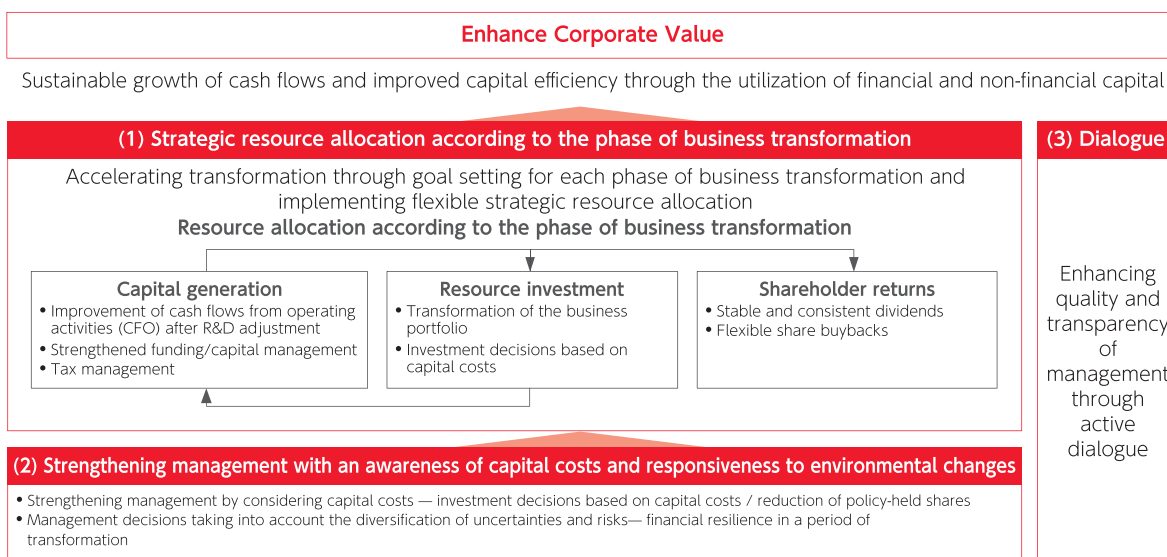
5. Brand value enhancement

The Honda brand has been shaped by a continuous accumulation of corporate activities alongside our customers, from its founding to the present day. We recognize enhancing the Honda brand, which has been woven over 75 years, and increasing its value for the future is recognized as one of the most important challenges Honda. In brand management, we believe it is crucial to create synergies between “consistency in brand communication as a company” and “the diversity and uniqueness of products and services.” As part of this, we have focused on developing and expanding “brand assets” that serve as guidelines for various communications and branding practices to ensure valuable consistency on a global scale. We will seek to further expand these brand assets and evolve the content, aiming to increase global utilization. We believe that this will support the creativity driven by the “dreams” of all associates and strive to establish an attractive brand that resonates with our stakeholders.

“Financial Strategy”

6. Economic value enhancement

To enhance corporate value, we recognize the need to utilize both financial and non-financial capital to achieve sustainable cash flow growth and improve capital efficiency. To realize this aim, we will work on “strategic resource allocation aligned with business transformation phases,” “strengthening management with an awareness of capital costs and responding to environmental changes” and “improving management quality and transparency through proactive dialogue.”



a. Strategic resource allocation aligned with business transformation phases

(Capital generation)

Toward 2030, Honda will seek to improve profitability with 1) continuous expansion of the Motorcycle business, 2) cost reduction effects in the Automobile business associated with the adoption of the next-generation e:HEV system and platforms, and 3) an increase in unit sales of HEV models, and will aim to keep making progress toward achieving the company-wide ROIC*1 target of 10% for the fiscal year ending March 31, 2031.

*1 [Profit for the year attributable to owners of the parent + Interest expenses (excluding the financial services businesses)] / Deployed Capital*2

*2 Equity attributable to owners of the parent + Interest-bearing liabilities (excluding those from the financial services business sector). Deployed capital is calculated using the average of the beginning and end of the period.

(Resource investment)

As for the plan announced in May 2024 to invest the total of ¥10 trillion in capital expenditures, investment and research and development expenditures to pursue its electrification strategy, Honda decided to reduce the amount by ¥3 trillion, to a total of ¥7 trillion, over the period through the fiscal year ending March 31, 2031, based on its decision to postpone the project to establish, among other things, a comprehensive EV value chain in Canada. Regarding the changes in capital allocation over the five-year period starting from the fiscal year ending March 31, 2027, in light of the reduction in the resource investment amount, Honda will strive to generate more than ¥12 trillion of operating cash flows after R&D adjustment* in cash, combining its ability to generate cash stably from its Motorcycle business and an increase in unit sales of HEV models. As for resource allocation through fiscal year ending March 31, 2031, while reducing EV-related investment by ¥3 trillion, Honda expects a minimal increase in investment related to HEV business.

* Cash flows from operating activities (CFO) excluding R&D expenses (CFO of non-financial services businesses + R&D expenditures – amount transferred to capitalized development cost)

(Shareholder returns)

We position returning benefits to shareholders as one of the most important management priorities. Revising its resource allocation by responding to market changes swiftly and flexibly, Honda will seek to establish automobile business that can prepare for the future while also improving profitability.

Until the current fiscal year, Honda has committed to achieving steady and consistent dividend payments using a consolidated payout ratio of 30% as a reference. However, in light of the uncertainty in the business environment, Honda has made a decision to introduce DOE (Ratio of dividend on adjusted equity attributable to owners of the parent)* as the metric for determining dividend level going forward, as an expression of its ongoing commitment to maintain shareholder returns in line with business growth by capitalizing on Honda's inherent strengths in generating cash. In this way, Honda plans to achieve growth through further strengthening of its business structure while maintaining stable and continuous shareholder returns.

* Adjusted “equity attributable to owners of the parent”, which serves as the basis for DOE (Ratio of dividend on adjusted equity attributable to owners of the parent), is based on adjusted figures that exclude “other components of equity”, which are highly volatile due to the effects of currency rates and market conditions.

b. Strengthening management with an awareness of capital costs and responding to environmental changes

To enhance corporate value by flexibly and appropriately responding to environmental changes, we aim to infuse management with a heightened sensitivity of capital costs, maintain multiple options based on timeframes, and manage risks through flexible resource allocation. During the upcoming transformation period, investments for the future will proceed, but investment decisions will be made based on capital costs using Net Present Value (NPV). As a crucial management goal, we aim to maintain a company-wide ROIC that exceeds the cost of capital.

c. Improving management quality and transparency through proactive dialogue

To ensure that our management direction is correctly understood and appreciated by stakeholders, including shareholders and investors, our management team plans to proactively pursue and engage in increased dialogue through events and individual interviews. Through these dialogues, our management and technical leaders directly conveyed our growth strategy. Coupled with an enhanced understanding of what the capital markets expect from Honda, we aim to leverage this insight in our management and business strategies. By doing so, we strive to achieve a price-to-book ratio (PBR) of more than 1 at an early stage and continuously enhance our corporate value.

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.

Concepts and Approaches to Sustainability

Please note that the forward-looking statements contained herein are judgments made by Honda as of the filing date of this Annual Report and may differ materially from actual results because of uncertainties that may arise in the future, including those discussed under “Item 3. Key Information—D. Risk Factors.”

Governance and Risk management

1. Governance

Honda is promoting corporate activities grounded in the Honda Philosophy. The Honda Philosophy consists of three components: the fundamental beliefs, the company principle, and the Management Policies.

Honda’s long-term management policies and medium-term management plan are approved and resolved by the Executive Council (chaired by the Director, President, and Representative Executive Officer, and Chief Executive Officer) and the Board of Directors. The Board of Directors is the final supervisory body, covering actions to address sustainability issues, including climate change issues. The Executive Council deliberates in advance on matters to be resolved by the Board of Directors and discusses important management matters within the scope of authority delegated to it by the Board of Directors.

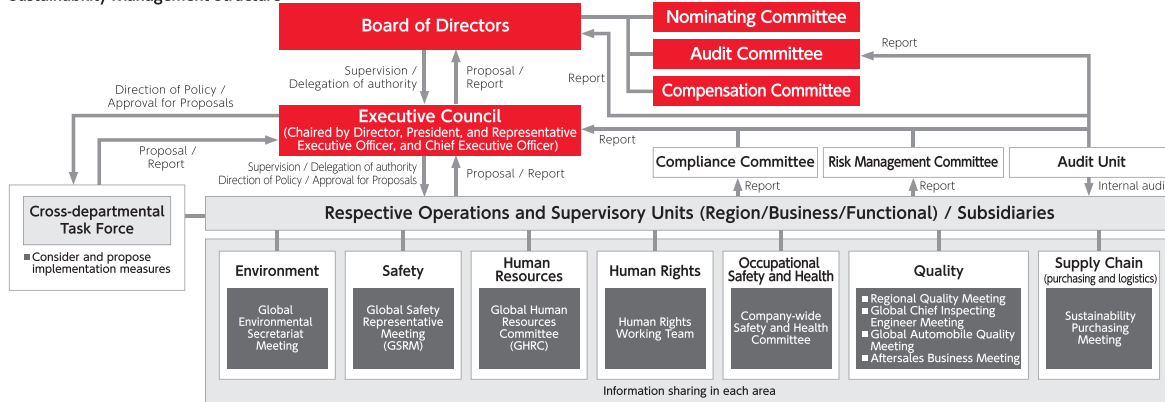
In response to the need to address various risks associated with business activities and to oversee business operations for the sustainable development of society and Honda, Honda has designated knowledge in ESG and Sustainability, including ability in addressing climate change issues, as one of the necessary skills and appointed directors accordingly. Each Operation and Supervisory Unit and subsidiary formulates and promotes action plans and measures based on the company-wide long-term management policies and medium-term management plan, and important matters are reported and approved at the Executive Council as appropriate.

In each area of environment, safety, human resources, human rights, occupational safety and health, quality, and supply chain (purchasing and logistics), conference bodies have been established to promote global management through information sharing and discussions. For important cross-departmental issues such as addressing climate change issues, a cross-departmental task force is formed under the direct supervision of management members to consider and propose action plans and measures as appropriate, and important matters are reported and approved at the Executive Council.

Compliance and risk management related to each area are operated by the Company’s basic policies for the development of internal control systems.

The Board of Directors and the Executive Council regularly monitor the progress of KGIs for which the Board of Directors is responsible for supervision and KPIs for which the Executive Council is responsible for execution, thereby reinforcing management governance. Please refer to Item 6 B. “Compensation.” for details of the executive remuneration system linked to financial and non-financial indicators.

Sustainability Management Structure



Overview of sustainability-related meetings

Area	Meeting structure	Details
Environment	Global Environmental Secretariat Meeting	Share the Group's latest policies on initiatives in light of international trends and management discussions, and discuss global issues to achieve medium- and long-term targets
Safety	Global Safety Representative Meeting (GSRM)	Discuss inter-regional safety issues, including sharing details of the promotion toward the new safety goals and discussing how to strengthen efforts to achieve zero traffic collision fatalities
Human Resources	Global Human Resources Committee (GHRC)	HR managers from around the world gather to discuss HR issues specific to each region, to develop global HR strategy and its deployment across the Company
Human Rights	Human Rights Working Team	Working to strengthen the initiatives and encourage associates to take appropriate action through human rights due diligence measures, including assessments for Honda Group domestic and overseas business sites and suppliers, as well as awareness-raising activities
Occupational Safety and Health	Company-wide Safety and Health Committee	Under the safety principle of "No safety, no production," direct the development and implementation of company-wide policies on safety and health, and strengthen governance in the area of safety and health
Quality	Motorcycle / Power products	Regional Quality Meeting
	Automobile	Global Chief Inspecting Engineer Meeting
		Global Automobile Quality Meeting
Aftersales business	Automobile	Share policies and measures globally between headquarters and regional managers, with the aim to set as global benchmark levels to enable the provision of higher-quality services on-site
	Power products	
Supply Chain (purchasing and logistics)	Sustainability Purchasing Meeting	To strengthen low-carbon initiatives and human rights and compliance efforts throughout the global supply chain, discuss and coordinate policies and means of achieving globally unified measures among working-level staff from each region

2. Risk management

Honda has established the Honda Global Risk Management Policy and has been conducting activities that will lead to sustainable growth and stable corporate management by actively controlling risks.

Under the supervision and monitoring of the Risk Management Officer elected by the Board of Directors, we categorize, manage and address risks defined as potentially inflicting significant damage or loss on Honda's tangible and intangible assets, corporate activities and stakeholders of Honda and possibly affecting our corporate management. Each organization identifies and evaluates risks. Based on the results of its evaluation, the Operations Risk Management Officers identify priority risks for respective Operations.

Based on the recognition of risks within Honda and reflecting external risk trends, we also identify, check and discuss the response status to the company-wide priority risks deemed particularly important for the entire corporate entity. Important matters related to risk management are discussed by the Risk Management Committee established within Honda, and details of their activities are reported to the Executive Council as appropriate.

Strategies, Indicators and Targets

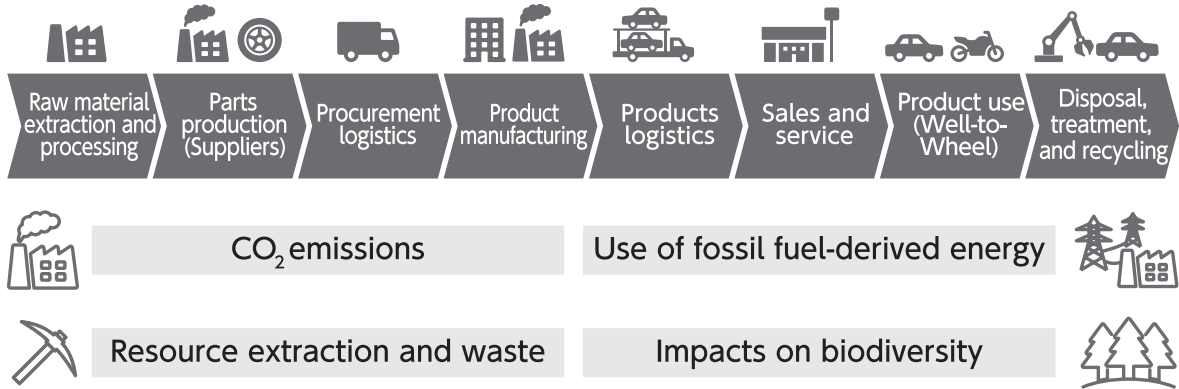
1. Strategy

Honda views "environment" and "safety" as the most critical societal issues that Honda, being a comprehensive mobility company, must address with the utmost sincerity. Under the theme of realizing a society with "zero environmental impact" and "zero fatalities from traffic collisions," we are committed to developing and implementing effective measures with speed.

(Environmental Strategy)

Honda recognizes that all business activities have environmental impacts. To address these challenges, it is important to consider the environmental impacts of each stage of the product lifecycle. Honda identifies the main environmental impacts as: CO₂ emissions, use of fossil fuel-derived energy, extensive resource extraction and waste and impacts on biodiversity.

Main Environmental Impacts in the Product Lifecycle



Honda, aiming for sustainable business practices, has set achieving a “Zero Environmental Impact Society” as one of its company-wide priority issues. To address environmental impacts comprehensively, Honda has established four materialities* to guide its efforts.

* We select “Priority Issues” by comprehensively analyzing social issues from the perspective of sustainability, aligning them with Honda’s strategic direction, and defining the particularly focused issues for each priority issue as “materialities”.

Priority Issue

- Zero Environmental Impact Society

Materialities

- Addressing Climate Change
- Addressing Energy Issues
- Efficient Utilization of Resources
- Biodiversity Conservation

Triple Action to ZERO

In our efforts to achieve a “Zero Environmental Impact Society,” we are working towards our vision by 2050 of net zero CO₂, emissions, 100% utilization of carbon-free energy, and 100% use of sustainable materials. These visions are encapsulated in the concept of “Triple Action to ZERO,” a concept that consolidates three key initiatives: “Carbon Neutrality,” “Clean Energy,” and “Resource Circulation”. We position “Triple Action to ZERO” as the core concept guiding our efforts.

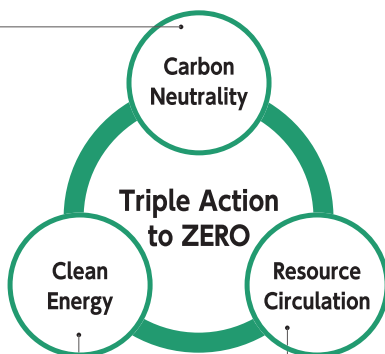
The three initiatives of “Triple Action to ZERO” are closely related and we aim to maximize synergistic benefits by considering their linkages.

The “Triple Action to ZERO” initiatives are also linked to the international demand for preserving biodiversity and fostering harmony with nature. In advancing these initiatives, we will consider “Nature-based Solutions^{**}” as well.

* Nature-based Solutions (NbS) involve advancing societal challenges while conserving and restoring natural ecosystems.

Net zero CO₂ emissions

In “addressing climate change,” we aim to achieve net-zero CO₂ emissions from both our corporate activities and the product lifecycle, with the goal of limiting the global average temperature rise to 1.5°C compared to pre-industrial levels.



100% utilization of carbon-free energy

In “addressing energy issues,” we aim to use clean energy during product use and corporate activities.

100% use of sustainable materials

In addressing the “efficient utilization of resources,” we will strive to develop products and establish systems that use sustainable materials with no environmental impact. In corporate activities, we aim to achieve zero industrial water intake and zero industrial waste at Honda plants by 2050.

*Efforts to Realize a Zero Environmental Impact Society
Key Initiatives and Milestones for Achieving Materiality*

The Company aims for “carbon neutrality by 2050” across the entire product lifecycle, and is focusing on the four materialities and is prioritizing “addressing climate change” and “addressing energy issues.”

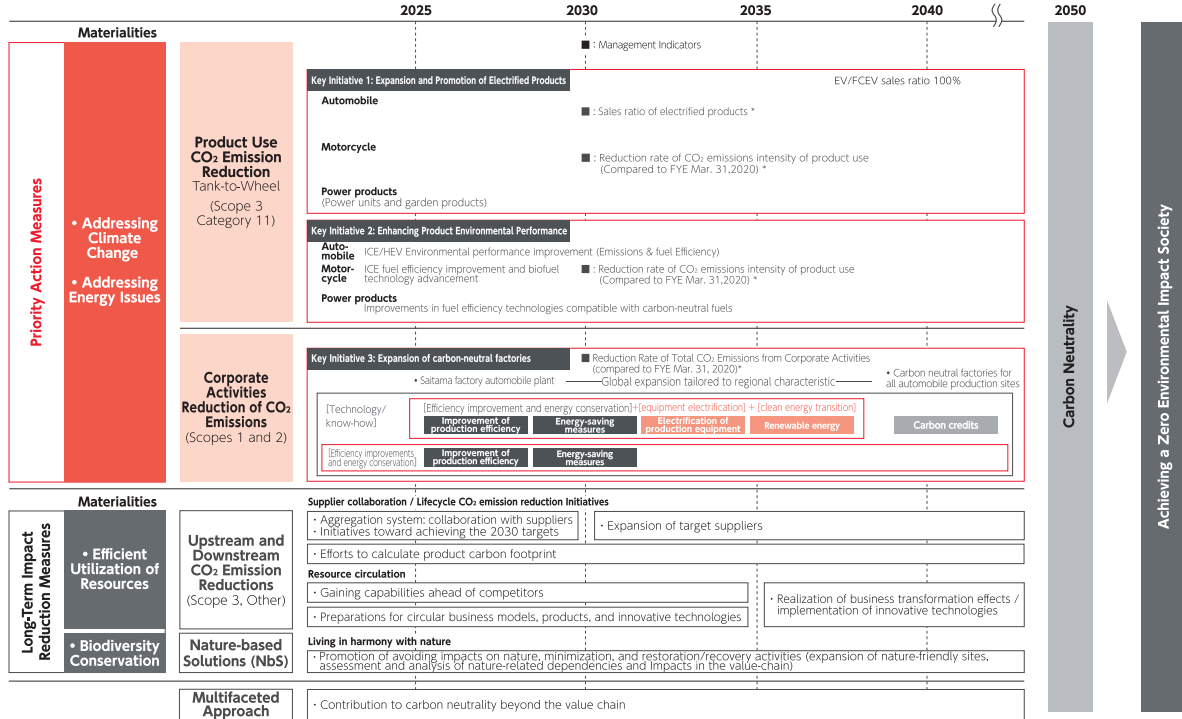
As priority actions, the Company is working on reducing CO₂ emissions from product use and corporate activities, breaking these efforts down into more specific initiatives that the Company plans to implement as concrete actions. Specifically, CO₂ emissions are tracked for various product groups within each business segment, as well as for individual product factories and manufacturing equipment. This approach helps in quantifying CO₂ reduction amounts for each product and factory.

For long-term impact reduction measures related to the materiality of “efficient utilization of resources,” Honda is in the initial phase of preparing initiatives that may require business transformation beyond existing frameworks to achieve carbon neutrality, including efforts aimed at reducing CO₂ emissions in future upstream and downstream processes.

We also recognize the importance of considering natural impacts, such as the materiality of “biodiversity conservation,” while advancing these initiatives. Therefore, Honda is aiming not only to achieve “carbon neutrality by 2050” but also to pursue a long-term perspective toward realizing a “zero environmental impact society.”

Furthermore, to achieve carbon neutrality on a society-wide scale, Honda is taking on the challenge of multifaceted initiatives in addition to the electrification of mobility.

Roadmap Towards Carbon Neutrality by 2050



The previously disclosed management indicators (KGI and KPI) for the fiscal year ending March 31, 2031 are currently under review due to changes in the business environment. Honda is in the process of recalculating these targets and plans to disclose updated target figures in its integrated report, "Honda Report 2025."

(Safety Strategy)

Honda is addressing various factors leading to accidents by evolving and combining “Human Ability (awareness-building activities)”, “Mobility Performance (technological development)”, and “Traffic Ecosystem (collaboration, development of systems/services)”.

Honda recognizes the need to reduce fatal accidents involving motorcycles in emerging countries as a major challenge towards 2030. To address this issue, Honda will actively develop instructor training programs, corporate training at Traffic Education Centers*¹, and schools for individuals in “Human Ability (awareness-building activities).” In “Mobility Performance (technological development),” for motorcycles, Honda will expand the application of advanced braking systems such as “ABS”^{*2} and “CBS,”^{*3} as well as lights with high visibility for both riders and other road users. For automobiles, Honda will actively promote the functional evolution and widespread use of advanced driver-assistance systems (ADAS), such as *Honda SENSING* with a motorcycle detection function in emerging countries and *Honda SENSING 360* in developed countries, tailored to the local realities of each region. In “Traffic Ecosystem (collaboration, development of systems/services),” we are strengthening our collaboration with international organizations such as the United Nations in relation to traffic safety. We will support safety policies such as institutional reform, awareness-building and infrastructure development by providing the knowledge and know-how cultivated through Honda’s long-standing safety activities to countries around the world, with a focus on emerging countries, through such organizations.

A major challenge for the year 2050 is to reduce traffic collision fatalities among pedestrians, bicyclists, and motorcycle riders, those considered as vulnerable road users worldwide. To address this challenge, Honda will accelerate the efforts of the “Traffic Ecosystem (collaboration, development of systems/services).” Specifically, we will promote research and development relating to “Safe and Sound Network Technology” and standardization of technologies for social implementation.

*1 Traffic Education Centers: Honda facilities where internal and external traffic safety instructors are trained and driving safety education is provided to corporations, schools and individual customers.

*2 ABS : Antilock Braking System

*3 CBS : Combined Braking System

2. Indicators and targets

(Environment)

To realize a society with zero environmental impact, Honda will execute initiatives. Please refer to the chart below.

Important themes	Materiality	Management Indicators		Category	Targets fiscal year ending March 31, 2031	
Realization of Zero Environmental Impact Society	-Challenging climate change issues -Challenging energy-related issues -Efficient utilization of resources -Biodiversity conservation	KGI	Reduction rate of CO ₂ emissions from corporate activities (compared to FYE Mar. 31, 2020)	Consolidated	— *1	
			Total CO ₂ emissions from products	Consolidated /Business	— *1	
			Waste reduction rate (compared to BAU*2)	Consolidated	— *1	
			Water intake reduction rate (compared to BAU*2)		— *1	
		KPI	Sales ratio of electrified products	Business	Motorcycles Automobiles Power products	— *1
			Reduction rate of CO ₂ emissions intensity of product use (compared to FYE Mar. 31, 2020)			— *1

*1 The previously disclosed management indicators (KGI and KPI) for the fiscal year ending March 31, 2031 are currently under review due to changes in the business environment. Honda is in the process of recalculating these targets and plans to disclose updated target figures in its integrated report, "Honda Report 2025."

*2 The estimated result for the fiscal year ended March 31, 2031 based on our production plans but without implementing our reduction strategies. (Business As Usual)

(Safety)

Honda aims for zero [traffic collision fatalities involving Honda motorcycles and automobiles] globally by 2050*1. As a milestone, Honda targets reducing world-wide traffic fatalities involving its vehicles halving by 2030 compared to 2020 levels*2. This includes not only new vehicles but all registered Honda motorcycles and automobiles on the market.

To realize the 2030 milestone, moving forward, Honda will particularly focus on enhancing collision safety performance and expanding the evolution and application of advanced driver-assistance systems (ADAS) for automobiles. For motorcycles, Honda will expand the application of advanced braking systems such as “ABS” and “CBS”, as well as lights with high visibility for both riders and other road users. To track the progress of these initiatives, Honda has defined key performance indicators (KPIs) for advanced safety equipment application rates such as of *Honda SENSING 360* for automobiles in developed countries*3, *Honda SENSING* for four-wheel vehicles in emerging countries*4, and advanced braking systems (“ABS”/“CBS”) for motorcycles in emerging countries*5 so as to set target to ensure steady progress.

Metrics and Targets

Management Indicators (KPI)	Targets fiscal year ending March 31, 2031	
	Advanced Safety Equipment Application Rate	Automobiles in developed countries*3 <i>Honda SENSING 360</i>
Automobiles in emerging countries*4 <i>Honda SENSING</i>		100%
Motorcycles in emerging countries*5 Advanced Braking (“ABS”/“CBS”)		100%

*1 Traffic collision involving Honda motorcycles and automobiles (rider, driver and passengers), as well as pedestrians and bicycles as other involved parties (excluding intentional violation of traffic rules with malicious intent and cases of willful incapacitated status due to use of alcohol, drugs, or other substances)

*2 Halve the number of traffic collision fatalities per 10,000 vehicles involving Honda motorcycles and automobiles worldwide in 2030 compared to 2020.

*3 Japan, The United States, China, Europe.

*4 Representative measurement countries India, Indonesia, Malaysia, Thailand and Brazil.

*5 Representative measurement countries India, Indonesia, Vietnam, Thailand and Brazil.

Human Capital Strategy, Indicators and Targets

1. Strategy

(Honda’s Human Capital Strategy)

Honda’s management of human capital involves developing its talent portfolio by backcasting from the desired future state, with the goal of becoming a “comprehensive mobility company that advances people and society driven by the dreams of each individual,” as outlined in the company-wide policies. To achieve this, we have identified two key human capital “materialities”*1 to be addressed from both medium- to long-term and short- to medium-term perspectives.

Furthermore, we have identified two main themes for each human capital materiality, for a total of four main themes. For each theme, we have established management indicators*2 and set goals to be achieved by the fiscal year ending March 31, 2031, along with key initiatives to focus on, and are executing them to achieve our goals. Starting from the fiscal year ended March 31, 2025, we have established an advisory body to the Executive Council to deliberate on key issues related to people and organizations, thereby enhancing the alignment between business strategy and human capital strategy.

Perspective	Human capital materialities	Main themes
medium- to long-term	Activating associates' intrinsic motivations and fostering the integration of diverse individuals	1. Evolution of people management skills and organizational revitalization that activates intrinsic motivation
		2. Cultivate an organizational culture where diverse individuals can fuse and thrive
short- to medium-term	Ensuring both sufficiency of both quantity and quality of human resources in focus areas	3. Global management of human capital contributing to business strategy
		4. Investment in human resource development to continuously create new value in emerging fields

*1 Materialities: We select “Priority Issues” by comprehensively analyzing social issues from the perspective of sustainability, aligning them with Honda’s strategic direction, and defining the particularly focused issues for each priority issue as “materialities”.

*2 Management indicators: KGIs for which the Board of Directors is responsible for supervision and KPIs for which the Executive Council is responsible for execution. Prior to the fiscal year ending March 2025, the scope of the indicators associated with the main themes was limited to Japan (the Company and its subsidiaries in Japan subject to labor contracts with our union), but from the fiscal year ending March 2026 onward, the scope is determined for each indicator based on our strategy, and categorized into Global (including the Company and its subsidiaries in Japan subject to labor contracts with our union and overseas consolidated subsidiaries) and Japan (the Company and its subsidiaries in Japan subject to labor contracts with our union).

2. Indicators and Targets

(Human Capital materialities (Medium- to Long-Term Perspective): Activating associates’ intrinsic motivations and fostering the integration of diverse individuals)

- Main theme 1. Evolution of people management skills and organizational revitalization that activates intrinsic motivation

- Management indicator (KGI) and Achievement/Target

KGI	Scope	Achievement	Target	
		Fiscal year ended March 31, 2025	Fiscal year ending March 31, 2026	Fiscal year ending March 31, 2031
Associate engagement scores	Global	Percentage of positive responses 46%*	Percentage of positive responses 60% or more	Percentage of positive responses 65% or more

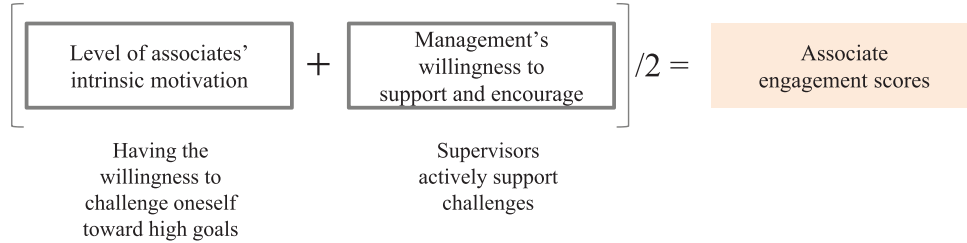
* Currently, the scope of this indicator is global (including the Company and its subsidiaries in Japan subject to labor contracts with our union and overseas consolidated subsidiaries). However, through the fiscal year ended March 2025, the scope was limited to the Company and its subsidiaries in Japan subject to labor contracts with our union, and the achievement for that fiscal year only reflect that scope.

- Concept behind Management Indicator (KGI)

At Honda, to embody the Global Brand Slogan (GBS), we regard a high level of associates’ intrinsic motivation toward challenges and goals and management’s willingness to provide support as a “high engagement score,” and set our indicators accordingly.

• Calculation Formula

The average percentage of positive responses (rated 4 or 5 on a 5-point scale) among all responses to the two questions in the annual associate survey conducted in each region addressing the level of associates’ intrinsic motivation and management’s willingness to support and encourage.



- Main themes 2. Cultivate an organizational culture where diverse individuals can fuse and thrive
- Management indicators (KPI) and Achievement/Target

KPI	Scope	Achievement	Target	
		Fiscal year ended March 31, 2025	Fiscal year ending March 31, 2026	Fiscal year ending March 31, 2031
Inclusion score	Global	3.67 Points (5-point scale)	—	—
Ratio of women in management positions	Japan*1	1.7 times compared to Fiscal year ended March 31, 2021	2.1 times compared to Fiscal year ended March 31, 2021*2	4.0 times compared to Fiscal year ended March 31, 2021

*1 Scope: The Company and its subsidiaries in Japan subject to labor contracts with our union

*2 To steadily advance initiatives for the active participation of women, we have reviewed our annual plans based on current achievements and revised the target for the fiscal year ending March 2026 from 3.0 times to 2.1 times. The target for the fiscal year ending March 2031 remains unchanged, and we will continue to promote efforts toward achieving this goal.

• Concept behind Management Indicator (KPI)
(Inclusion score)

In order to realize inclusion of all associates at Honda, we have established a new inclusion score to measure its penetration in the workplace.

(Ratio of women in management positions)

In Japan, we are promoting the advancement of women and have set the ratio of women in management positions as a key indicator. We comply with the action plan stipulated under Japan’s Act on the Promotion of Women’s Active Engagement in Professional Life (Act No. 64 of 2015).

• Calculation Formula
(Inclusion score)

Average scores of responses to questions addressing acceptance of diversity, sense of belonging and individuality in the organization, and psychological safety in the annual associate survey conducted in each region.

(Ratio of women in management positions)

Multiples of the number of women in management positions in Japan as of the fiscal year ended March 31, 2021.

$$\frac{\text{Number of women in management positions}}{\text{Number of women in management positions (Fiscal Year Ended March 31, 2021.)}} = \text{Ratio of women in management positions}$$

(Human Capital materialities (Short- to Medium-term Perspective): Ensuring sufficiency of both quantity and quality of human resources in focus areas)

- Main themes 3. Global management of human capital contributing to business strategy
- Management indicator (KPI) and Achievement/Target

KPI	Scope	Achievement	Target	
		Fiscal year ended March 31, 2025	Fiscal year ending March 31, 2026	Fiscal year ending March 31, 2031
Human resource sufficiency rate in focus areas	Global	Annual sufficiency rate: 97%	Annual sufficiency rate: 100%	Annual sufficiency rate: 100%

- Concept behind Management Indicator (KPI)

This indicator is used to monitor the sufficiency status of required personnel in focus areas. Currently, in addition to software development personnel—who have long been positioned as a focus—we have also included battery-related personnel* in the scope. Targets are set based on the total number of required personnel for both categories, and initiatives are being implemented accordingly.

* Various personnel involved in the battery lifecycle and the battery value chain

- Calculation Formula

Identify target organizations in focus areas and calculate the human resource sufficiency rate using the number of required personnel based on the business plan as the denominator, and the number of associates engaged in target organizations as the numerator.

$$\frac{\text{Number of associates engaged in target organizations}}{\text{Number of required personnel in the target organizations}} = \text{Human resource sufficiency rate in focus areas}$$

- Main themes 4. Investment in human resource development to continuously create new value in emerging fields

- Management indicator (KPI) and Achievement/Target

KPI	Scope	Achievement	Target	
		Fiscal year ended March 31, 2025	Fiscal year ending March 31, 2026	Fiscal year ending March 31, 2031
Financial investment in human resource development in focus areas	Global	Not disclosed	Attaining the highest global market standards.	Attaining the highest global market standards.

- Concept behind Management Indicator (KPI)

To achieve human resources sufficiency in focus areas and secure top-tier technological advantage in new fields, we are set to implement more investments in human resources development than ever before. Currently, we are building a talent development system for focus areas and deploying education programs tailored to different levels of expertise. We will continue to aggressively expand our investment.

- Calculation Formula

Investment in the above initiatives in focus areas

Climate Change-related Disclosures (Response to the TCFD Recommendations)

In treating responses to climate change and energy-related issues as crucial in the environmental field, in April 2021, Honda announced, its vision to “realize carbon neutrality for all products and corporate activities Honda is involved in by 2050.” Hence, Honda has declared our support to the Task Force on Climate related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), as well as disclosing information based on the information disclosure framework recommended by the TCFD.

1. Governance

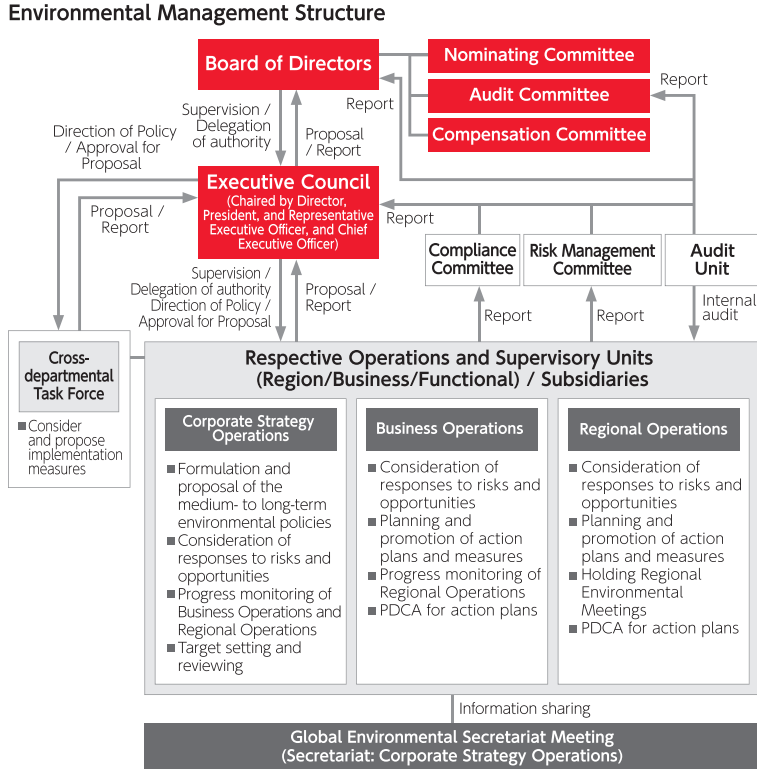
Honda is promoting Group-wide efforts to realize a society with zero environmental impact throughout its life cycle.

Honda’s long-term management policies and medium-term management plan are approved and resolved by the Executive Council (chaired by the Director, President, and Representative Executive Officer, and Chief Executive Officer) and the Board of Directors. The Board of Directors is the final supervisory body, covering actions to address climate change issues. The Executive Council deliberates in advance on matters to be resolved by the Board of Directors and discusses important management matters within the scope of authority delegated to it by the Board of Directors.

In response to the need to address various risks associated with business activities and to oversee business operations for the sustainable development of society and Honda, Honda has designated knowledge in ESG and Sustainability, including ability in addressing climate change issues, as one of the necessary skills and appointed directors accordingly.

Each Operation and Supervisory Unit and subsidiary formulates and promotes action plans and measures based on the company-wide long-term management policies and medium-term management plan, and important matters are reported and approved at the Executive Council as appropriate. Respective Business Operations and Regional Operations formulate action plans and promote measures based on the global medium- to long-term environmental policies, based on information shared at the Global Environmental Secretariat Meeting (Secretariat: Corporate Strategy Operations). Each of Regional Operations holds a Regional Environmental Meeting to promote the PDCA cycle within Regional Operations. Each of Business Operations monitors regional progress and promotes the PDCA cycle within Business Operations. The Corporate Strategy Operations monitors the progress at Business Operations and Regional Operations and considers revisions to the medium- to long-term environmental policies and targets as necessary. Important matters are reported and approved at the Executive Council and reported and resolved at the Board of Directors. For important cross-departmental issues such as addressing climate change issues, a cross-departmental task force is formed to consider and propose action plans and measures as appropriate, and important matters are reported and approved at the Executive Council. Compliance and risk management related to the environment, including climate change, are operated by the Company’s basic policies for the development of internal control systems.

Toward the realization of a society with zero environmental impact, Honda’s Board of Directors and Executive Council regularly monitor the progress of KGIs for which the Board of Directors is responsible for supervision and KPIs for which the Executive Council is responsible for execution, thereby reinforcing management governance. Please refer to Item 6 B. “Compensation.” for details of the executive remuneration system linked to financial and non-financial indicators.



2. Risk management

Honda has established the Risk Management Committee to identify, check and discuss the status of company-wide priority risks which are deemed important for the entire corporate entity.

“Climate change-related risks” such as risks related to environmental regulations and natural disasters caused by climate change are also managed and monitored by the Committee, which leads to promoting more effective risk management activities while considering the characteristics of respective Operations.

The Corporate Strategy Operations evaluates and identifies climate change-related risks by conducting scenario analysis in line with TCFD recommendations, reflecting external and internal risk information which includes company-wide priority risks. The results of the scenario analysis of climate change-related risks are shared with the Risk Management Committee.

Climate change-related risks are mainly addressed by the Corporate Strategy Operations, Business Operations and Regional Operations as well as by each respective Operation, Supervisory Unit, subsidiary and cross-departmental task force.

Important matters related to risk management including the responses to the climate change-related risks are discussed by the Committee, and details of their activities are reported to the Executive Council as appropriate.

For more explanation of the risk assessment and management process, please refer to “Concepts and Approaches to Sustainability—Governance and Risk Management”.

3. Strategy

To achieve more sustainable corporate management, Honda identifies and evaluates short-, medium-, and long-term climate change-related risks and opportunities, reflects them in the corporate strategy, and promotes initiatives to generate new business opportunities through advancing Honda's technologies, products and services. Honda will continue its efforts to enhance the corporate resilience.

(Scenario Analysis Overview)

To evaluate and examine the impacts of climate change on our business, Honda has defined multiple scenarios and conducted the scenario analysis noted in the TCFD recommendations. In the scenario analysis, Honda has set multiple scenarios including a scenario with significant policy transition which is based on the target laid out in the Paris Agreement "to limit the temperature increase to 1.5°C above pre-industrial levels" (1.5°C scenario) and a scenario where environmental regulations are not strengthened, leading to physical risks increase (4°C scenario).

In the scenario analysis, Honda has examined climate-related risks and opportunities for motorcycle, automobile, and power products businesses in accordance with the classification of the TCFD recommendations and quantified the medium- to long-term financial impact under the scenario to the extent possible for evaluation and analysis.

For the scenario analysis based on the TCFD recommendations, we primarily used the following scenarios.

- *1.5°C scenario*

Honda refers to the NZE (Net Zero Emissions by 2050 Scenario) and APS (Announced Pledges Scenario) of the IEA (International Energy Agency) and the IPCC (Intergovernmental Panel on Climate Change) AR6 SSP1-1.9.

As part of the 1.5°C scenario, Honda assumes that measures to achieve carbon neutrality by 2050 will be promoted across the world in the long-term and that the development and use of new technologies will promote the widespread use of carbon-free products and renewable energy.

Additionally, we have assumed that the transition to a circular economy will accelerate. In the automobile industry, despite uncertainties due to policy changes, we assume even more stringent regulations on fuel efficiency and zero-emission vehicles (ZEVs) in the long-term, and, as a result, producing a rise in demand for electric vehicles (EVs) and fuel cell electric vehicles (FCEVs) — although mainly in developed countries.

Furthermore, in the motorcycle, automobile, and power products businesses, we assume that customers' sense of value will shift, with an increasing number developing a preference for carbon-free products and services.

- *4°C Scenario*

Honda has developed our 4°C scenario by using IPCC AR6 SSP3-7.0.

In the 4°C scenario, we assume that irreversible environmental changes will occur, leading to more frequent and more severe natural disasters.

(Risks and Opportunities and Honda's Responses*1)

			Risk	Impact level	Timeframe *2	Opportunity	Response
Transition Risk	1.5°C	Policy and Regulation	<ul style="list-style-type: none"> • Payment of fines for failure in complying with fuel efficiency regulations • Drop in unit sales of internal-combustion engine (ICE) vehicles due to more stringent fuel efficiency regulations, etc. 	More than 100 billion yen	Medium term	<ul style="list-style-type: none"> • Increase in sales due to a sales expansion of electrified products and services • Reduction of business operation costs through introducing the higher energy efficiency production facilities and utilization of renewable energy 	<ul style="list-style-type: none"> • Introduce innovative environmental technologies, such as electrification, to become carbon neutral, diversifying energy sources and implementing total energy management initiatives • Promote the improvement of production efficiency, implementation of energy saving measures, shifting to low-carbon energy and use of renewable energy
		Changes in Market	<ul style="list-style-type: none"> • Increased costs due to carbon tax and Emissions Trading System (ETS), etc. 	Between 10 billion yen and 100 billion yen	Medium term		
			<ul style="list-style-type: none"> • Increase in energy purchase prices due to cleaner energy in the market 	Between 10 billion yen and 100 billion yen	Medium term		
Physical Risk	4°C	Acute/Chronic	<ul style="list-style-type: none"> • Suspension of production resulting from natural disasters, which will damage Honda's production bases and disrupt its supply chain 	Between 10 billion yen and 100 billion yen	Long term	<ul style="list-style-type: none"> • Increase in sales of electrified products that can be used as an emergency power source when the need for power supply increases during a disaster 	<ul style="list-style-type: none"> • Formulation and revise of business continuity planning (BCP), Implementation of countermeasures by conducting trainings • Promote the establishment of a stable production structure via a robust supply chain

*1 This list is not intended be exhaustive and does not cover all risks and opportunities or Honda's measures with respect thereto.

*2 The timeframes are defined based on the timing of the effects that are expected to occur. The short-term refers to within one year (aligned with the annual action plan period), the medium-term covers the period from the next two years through the fiscal year ending March 2031 (aligned with medium-term management plan period), and the long-term covers periods beyond the fiscal year ending March 2031 through 2050 (2050 as the benchmark year for Honda's carbon neutrality goals).

4. Metrics and Targets

By 2050, Honda is seeking to realize carbon neutrality for all products and corporate activities the Company is involved with. Please see “Concepts and Approaches to Sustainability— Strategies, Indicators and Targets—2. Indicators and targets.”

C. Organizational Structure

As of March 31, 2025, the Company had 55 Japanese subsidiaries and 229 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 Operation, Research & Development, Manufacturing and Sales	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 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 Finance Europe plc	U.K.	Finance	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 Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd	Malaysia	Manufacturing and Sales	51.0
Asian Honda Motor Co., Ltd.	Thailand	Coordination of Subsidiaries Operation and Sales	100.0
Honda Automobile (Thailand) Co., Ltd.	Thailand	Manufacturing and Sales	89.0
Thai Honda Co., Ltd.	Thailand	Manufacturing and Sales	72.5
Honda Vietnam Co., Ltd.	Vietnam	Manufacturing and Sales	70.0
Honda South America Ltda.	Brazil	Coordination of Subsidiaries Operation	100.0
Moto Honda da Amazonia Ltda.	Brazil	Manufacturing and Sales	100.0
Banco Honda S.A.	Brazil	Finance	100.0

D. Property, Plants and Equipment

The following table sets out information, as of March 31, 2025, 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	3,847	Automobiles
Hamamatsu, Shizuoka, Japan	1,835	Power products and transmissions
Suzuka, Mie, Japan	5,407	Automobiles
Ozu-machi, Kikuchi-gun, Kumamoto, Japan	2,497	Motorcycles, all-terrain vehicles, power products and engines
Greensboro, North Carolina, U.S.A.	817	Aircraft
Burlington, North Carolina, U.S.A.	112	Aircraft engines
Marysville, Ohio, U.S.A.	5,274	Automobiles
Anna, Ohio, U.S.A.	2,649	Engines
East Liberty, Ohio, U.S.A.	2,476	Automobiles
Lincoln, Alabama, U.S.A.	4,746	Automobiles and engines
Greensburg, Indiana, U.S.A.	2,462	Automobiles
Alliston, Canada	4,812	Automobiles and engines
El Salto, Mexico	476	Motorcycles
Celaya, Mexico	5,005	Automobiles
Gurugram, India	1,967	Motorcycles
Alwar, India	2,929	Motorcycles and automobiles
Narasapura, India	2,268	Motorcycles
Ahemdabad, India	1,090	Motorcycles
Karawang, Indonesia	2,540	Automobiles and engines
Melaka, Malaysia	2,086	Automobiles
Batangas, Philippines	1,645	Motorcycles
Ayutthaya, Thailand	2,175	Automobiles
Prachinburi, Thailand	1,152	Automobiles
Bangkok, Thailand	3,744	Motorcycles and power products
Phuc Yen, Vietnam	4,695	Motorcycles and automobiles
Duy Tien, Vietnam	745	Motorcycles
Buenos Aires, Argentina	754	Motorcycles
Itirapina, Brazil	1,372	Automobiles
Manaus, Brazil	8,199	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, 2025, the Company's property, with a net book value of approximately ¥2.7 billion, was subject to specific mortgages securing indebtedness.

Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2025 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 ¥3,671.4 billion, increased by ¥834.9 billion from the previous year. Also, total capital expenditures, excluding equipment on operating leases, for the year amounted to ¥537.4 billion, increased by ¥149.4 billion from the previous year. Spending by business segment is shown below.

	Fiscal years ended March 31,		
	2024	2025	Increase (Decrease)
	Yen (millions)		
Motorcycle Business	¥ 57,244	¥ 75,156	¥ 17,912
Automobile Business	315,524	457,436	141,912
Financial Services Business	2,449,030	3,122,445	673,415
Financial Services Business (Excluding Equipment on Operating Leases)	561	149	(412)
Power Products and Other Businesses	14,657	16,415	1,758
Total	¥ 2,836,455	¥ 3,671,452	¥ 834,997
Total (Excluding Equipment on Operating Leases)	¥ 387,986	¥ 537,427	¥ 149,441

Intangible assets are not included in the table above.

In Motorcycle business, we made capital expenditures of ¥75,156 million in the fiscal year ended March 31, 2025. 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 ¥457,436 million in the fiscal year ended March 31, 2025. 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 ¥149 million in the fiscal year ended March 31, 2025, while capital expenditures for equipment on operating leases were ¥3,122,296 million.

In Power products business, capital expenditures of ¥16,415 million in the fiscal year ended March 31, 2025, were deployed to upgrade, streamline, and modernize manufacturing facilities, and to improve R&D facilities.

Plans after FYE Mar. 31, 2025

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, 2026 are shown below.

	Fiscal year ending March 31, 2026
	Yen (millions)
Motorcycle Business	¥109,300
Automobile Business	492,000
Financial Services Business	1,300
Power Products and Other Businesses	17,400
Total	¥620,000

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.

Honda announced in April 2024 that we will start a full-scale study to establish a comprehensive EV value chain in Canada in order to strengthen the EV supply system for the future increase in demand for EVs in North America. However, in May 2025, we further announced our decision to postpone this plan by approximately two years due to the current slowdown in EV demand; Honda plans to announce more details including the specific timing of the resumption of the project once finalized.

In the fiscal year ended March 31, 2023, Honda Development and Manufacturing of America LLC, which is one of the Company's consolidated subsidiaries, announced its plan to re-tool three existing plants in Ohio, the United States, which are the Marysville Auto Plant and East Liberty Auto Plant for automobile production, and Anna Engine Plant for automobile powertrain production, to prepare for full-scaled production of EVs in the future. The production equipment in these plants is planned to start operation in 2026. Honda will evolve these plants as its EV Hub in the coming years.

Furthermore, in order to secure stable battery procurement in North America, the Company established an unconsolidated joint venture to manufacture lithium-ion batteries for electric vehicles in the United States during the fiscal year ended March 31, 2023. The joint venture began construction of a new battery plant early in 2023 and completed construction in 2024. All batteries produced by the new joint venture will be supplied exclusively to Honda plants in North America. For details, see "Unrecognized commitment" of note "(30) Related Parties" to the accompanying consolidated financial statements.

For information on Honda's funding policies, see Item 5.B "Liquidity and Capital Resources—Overview of Capital Requirements, Sources and Uses".

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 financial positions and operating results together with our consolidated financial statements included in this Annual Report.

A. Operating Results

Overview

Honda aims to achieve a zero environmental impact of society of not only its products but also the entire product life cycle, including its corporate 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." To achieve these goals, it will be essential to make investments strategically at the appropriate timing. We will leverage the stable business foundation of Motorcycle business and Financial services business as well as ICE/hybrid products in Automobile business. As we invest in the field of intelligence, we will further shift resources to the electric business, while carefully assessing the level of EV adoption in the market.

Our business is subject to a severe economic and social environment, and our profitability depends on various factors. Since the inauguration of the new administration in the United States, there have been various policy changes, including the proposal or impression of additional tariffs, and we are closely monitoring these trends. 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

The economic environment surrounding Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method in the fiscal year ended March 31, 2025, picked up as inflation started to level off, although the future outlook remained uncertain due to uncertain international situations, including the situations in Ukraine, the Middle East and the South China Sea, trade policies of various countries and others. In the United States, the economy expanded due to increased consumer spending despite continued concerns over high interest rates. In Europe, the economy showed signs of recovery in some areas while at a standstill in others. In Asia, the economy expanded in India despite at a slower pace of growth, and moderately recovered in Indonesia. Thailand's economy weakened in the second half of the fiscal year ended March 31, 2025, while economy remained stagnant in China. In Japan, the economy recovered moderately due to an improved employment and income conditions, although there were signs of a standstill in some sectors.

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

Overview of FYE Mar. 31, 2025 Operating Performance

Honda's consolidated sales revenue for the fiscal year ended March 31, 2025, increased from the fiscal year ended March 31, 2024, due mainly to increased sales revenue in Motorcycle business as well as positive foreign currency translation effects. Operating profit decreased from the previous fiscal year, due mainly to decreased profit attributable to sales impacts, increased research and development expenses as well as the change in the estimation model for automobile product warranties, which was partially offset by increased 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 the fiscal year ended March 31, 2025 totaled 13,685 thousand units, increased by 12.0% from the previous fiscal year, mainly due to the increases in consolidated unit sales primarily in India, Vietnam, the Philippines, which were offset by a decrease in consolidated unit sales in Thailand.

Automobile Business

Honda's consolidated unit sales of automobiles in the fiscal year ended March 31, 2025 totaled 2,840 thousand units, decreased by 0.6% from the previous fiscal year, mainly due to a decrease in consolidated unit sales primarily in Asia.

Power Products and Other Businesses

Honda's consolidated unit sales of power products in the fiscal year ended March 31, 2025 totaled 3,700 thousand units, decreased by 2.9% from the previous fiscal year, mainly due to a decrease in consolidated unit sales primarily in Europe, which was offset by an increase in consolidated unit sales in Asia.

FYE Mar. 31, 2025 Compared with FYE Mar. 31, 2024

Sales Revenue

Honda's consolidated sales revenue for the fiscal year ended March 31, 2025, increased by ¥1,259.9 billion, or 6.2%, to ¥21,688.7 billion from the fiscal year ended March 31, 2024, due mainly to increased sales revenue in Motorcycle business 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 ¥623.3 billion, or 3.1%, compared to the increase as reported of ¥1,259.9 billion, which includes positive foreign currency translation effects.

Operating Costs and Expenses

Operating costs and expenses increased by ¥1,428.4 billion, or 7.5%, to ¥20,475.2 billion from the previous fiscal year. Cost of sales increased by ¥1,008.1 billion, or 6.3%, to ¥17,024.7 billion from the previous fiscal year, due mainly to increased costs attributable to increased consolidated sales revenue in Motorcycle business as well as foreign currency effects. Selling, general and administrative expenses increased by ¥244.4 billion, or 11.6%, to ¥2,351.0 billion from the previous fiscal year, due mainly to increased expenses as well as the change in the estimation model for automobile product warranties. In addition, the change in the estimation model for automobile product warranties amounted to ¥127.6 billion. For further detail, see note “(17) Provisions” to the accompanying consolidated financial statements for a description of the change in the estimation model for automobile product warranties. Research and development expenses increased by ¥175.8 billion, or 19.0%, to ¥1,099.4 billion from the previous fiscal year.

Operating Profit

Operating profit decreased by ¥168.4 billion, or 12.2%, to ¥1,213.4 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts, increased research and development expenses as well as the change in the estimation model for automobile product warranties, which was partially offset by increased profit attributable to price and cost impacts. Honda estimates that by excluding negative foreign currency effects of approximately ¥93.6 billion, operating profit would have decreased by approximately ¥74.8 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.

- (1) “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.
- (2) With respect to “price and cost impacts”, management analyzed effects of changes in sales price, cost reductions, effects of raw material cost fluctuations and others, excluding foreign currency effects.
- (3) With respect to “sales impacts”, management analyzed changes in sales volume and mix of product models sold that resulted in increases/decreases in profit, changes in sales revenue of Financial services business that resulted in increases/decreases in profit as well as certain other reasons for increases/decreases in sales revenue and cost of sales, excluding foreign currency effects.
- (4) With respect to “expenses”, management analyzed reasons for an increase/decrease in selling, general and administrative expenses from the previous fiscal year excluding foreign currency translation effects.
- (5) With respect to “Research and Development expenses”, management analyzed reasons for an increase/decrease in research and development expenses from the previous fiscal year excluding foreign currency translation effects.

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 decreased by ¥324.7 billion, or 19.8%, to ¥1,317.6 billion from the previous fiscal year. The main factors behind this decrease, except factors relating to operating profit, are as follows:

Share of profit (loss) of investments accounted for using the equity method had a negative impact of ¥109.8 billion, due mainly to decreased profit at affiliates and joint ventures in Asia.

Finance income and finance costs had a negative impact of ¥46.4 billion, due mainly to effect from gains or losses on foreign exchange, which was partially offset by 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 decreased by ¥45.1 billion, or 9.8%, to ¥414.6 billion from the previous fiscal year. The average effective tax rate increased by 3.5 percentage points to 31.5% 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 decreased by ¥279.5 billion, or 23.6%, to ¥903.0 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 decreased by ¥271.3 billion, or 24.5%, to ¥835.8 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 ¥8.2 billion, or 10.9%, to ¥67.1 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 13,685 thousand units, increased by 12.0% from the previous fiscal year, due mainly to increased consolidated unit sales in Asia.

Sales revenue from external customers increased by ¥406.4 billion, or 12.6%, to ¥3,626.6 billion from the previous fiscal year, due mainly to increased consolidated unit sales. Despite changes in sales price, the impact of the 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 ¥440.7 billion, or 13.7%, compared to the increase as reported of ¥406.4 billion, which includes negative foreign currency translation effects.

Operating costs and expenses increased by ¥299.2 billion, or 11.2%, to ¥2,963.1 billion from the previous fiscal year. Cost of sales increased by ¥267.2 billion, or 12.0%, to ¥2,493.0 billion, due mainly to an increase in costs attributable to increased consolidated unit sales as well as foreign currency effects. Selling, general and administrative expenses increased by ¥8.9 billion, or 2.5%, to ¥365.4 billion, due mainly to increased expenses. Research and development expenses increased by ¥22.9 billion, or 28.1%, to ¥104.6 billion.

Operating profit increased by ¥107.2 billion, or 19.3%, to ¥663.4 billion from the previous fiscal year, due mainly to increased profit attributable to price and cost impacts, which was partially offset by negative foreign currency effects.

Japan

Total demand for motorcycles in Japan* decreased by around 6% from the previous fiscal year to approximately 370 thousand units in the fiscal year ended March 31, 2025.

Honda's consolidated unit sales in Japan decreased by 7.1% from the previous fiscal year to 224 thousand units in the fiscal year ended March 31, 2025, mainly due to the decreases in sales units of the *Dax125* and *CT125 Hunter Cub*, despite an increase in sales units of the *Super Cub 50*.

* 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, decreased by around 4% from the previous year to approximately 700 thousand units in calendar year 2024.

Honda's consolidated unit sales in North America increased by 10.0% from the previous fiscal year to 548 thousand units in the fiscal year ended March 31, 2025, mainly due to an increase in sales units of the *Navi* primarily in Mexico.

* 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*¹ increased by around 5% from the previous year to approximately 1,240 thousand units in calendar year 2024.

Honda's consolidated unit sales in Europe increased by 8.0% from the previous fiscal year to 475 thousand units in the fiscal year ended March 31, 2025, mainly due to an increase in sales units of the *PCX*.

*¹ Based on Honda research. Only includes the following 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium, and Austria. The total includes ICE vehicles, but does not include EVs, EMs and EBs*².

*² EM: Electric Moped with a maximum speed ranging from 25km/h to 50km/h
EB: Electric Bicycle with a maximum speed of 25 km/h or slower
Excluding battery-assisted bicycles

Asia

Total demand for motorcycles in India*¹, the largest market within Asia, increased by around 15% from the previous year to approximately 19,160 thousand units in calendar year 2024. Total demand for motorcycles in the other countries in Asia*² decreased by around 1% from the previous year to approximately 18,210 thousand units in calendar year 2024, mainly due to a decrease in sales units in China, which was offset by an increase in sales units in Indonesia.

Honda's consolidated unit sales in Asia increased by 12.5% from the previous fiscal year to 10,591 thousand units in the fiscal year ended March 31, 2025, mainly due to the increases in sales units of the *Activa* and *SP* series 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. Unit sales increased by around 3% from the previous fiscal year to approximately 4,910 thousand units in the fiscal year ended March 31, 2025, mainly due to the increases in sales units of the *Stylo 160* and *PCX*.

*1 Based on Honda research. The total includes ICE vehicles, but does not include EVs, EMs and EBs.

*2 Based on Honda research. Only includes the following seven countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Pakistan, and China. The total includes ICE vehicles, but does not include EVs, EMs and EBs.

Other Regions

Total demand for motorcycles in Brazil*, the principal market within Other Regions, increased by around 12% from the previous year to approximately 1,710 thousand units in calendar year 2024.

Honda's consolidated unit sales increased by 13.7% from the previous fiscal year to 1,847 thousand units in the fiscal year ended March 31, 2025, mainly due to the increases in sales units of the *Biz* series and the *Pop 110i ES* in Brazil.

* Source: ABRACICLO (Brazilian Association of Manufacturers of Motorcycle, Moped, Bicycles and Similar)

Automobile Business

Honda's consolidated unit sales of automobiles totaled 2,840 thousand units, decreased by 0.6% from the previous fiscal year, due mainly to decreased consolidated unit sales in Asia.

Sales revenue from external customers increased by ¥601.6 billion, or 4.4%, to ¥14,169.2 billion from the previous fiscal year, due mainly to positive foreign currency translation effects. Despite changes in sales price, the impact of the 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 ¥82.0 billion, or 0.6%, compared to the increase as reported of ¥601.6 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥676.3 billion, or 4.9%, to ¥14,467.8 billion from the previous fiscal year.

Operating costs and expenses increased by ¥993.1 billion, or 7.5%, to ¥14,224.0 billion from the previous fiscal year. Cost of sales increased by ¥645.9 billion, or 5.9%, to ¥11,555.9 billion, due mainly to foreign currency effects. Selling, general and administrative expenses increased by ¥200.5 billion, or 13.3%, to ¥1,707.1 billion, due mainly to an increase in expenses as well as the change in the estimation model for automobile product warranties. Research and development expenses increased by ¥146.6 billion, or 18.0%, to ¥960.9 billion.

Operating profit decreased by ¥316.7 billion, or 56.5%, to ¥243.8 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts, increased research and development expenses as well as the change in the estimation model for automobile product warranties, which was partially offset by increased profit attributable to price and cost impacts.

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

	Fiscal year ended March 31,	
	2024	2025
Passenger cars: <i>ACCORD, CITY, CIVIC, FIT, INTEGRA, JAZZ</i>	39%	36%
Light trucks: <i>BREEZE, CR-V, ELEVATE, FREED, HR-V, ODYSSEY, PILOT, VEZEL, WR-V, ZR-V</i>	54%	56%
Mini vehicles: <i>N-BOX</i>	7%	8%

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 and passenger cars category were approximately 10% higher, and our mini vehicles category was approximately 70% lower compared with weighted average contribution margin for the fiscal year ended March 31, 2025. 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 increased by around 1% from the previous fiscal year to approximately 4,570 thousand units in the fiscal year ended March 31, 2025.

Honda's consolidated unit sales in Japan*² increased by 2.7% from the previous fiscal year to 539 thousand units in the fiscal year ended March 31, 2025, mainly due to an increase in sales units of the *WR-V*.

Honda's unit production of automobiles in Japan decreased by 2.0% from the previous fiscal year to 693 thousand units in the fiscal year ended March 31, 2025.

*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 16,040 thousand units in calendar year 2024.

Honda's consolidated unit sales in North America increased by 1.6% from the previous fiscal year to 1,654 thousand units in the fiscal year ended March 31, 2025, mainly due to the increases in sales units of the *PROLOGUE* and *CIVIC*.

Honda's unit production of automobiles in North America increased by 0.6% from the previous fiscal year to 1,608 thousand units in the fiscal year ended March 31, 2025.

* Source: Autodata

Europe

Total demand for automobiles in Europe* increased by around 1% from the previous year to approximately 12,960 thousand units in calendar year 2024.

Honda's consolidated unit sales in Europe decreased by 9.7% from the previous fiscal year to 93 thousand units in the fiscal year ended March 31, 2025, mainly due to a decrease in sales units of the *ZR-V*.

* 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 1% from the previous year to approximately 8,900 thousand units in calendar year 2024, mainly due to the increases in demand in India and the Philippines, which were offset by the decreases in Thailand and Indonesia. Total demand for automobiles in China*² increased by around 4% from the previous year to approximately 31,430 thousand units in calendar year 2024.

Honda's consolidated unit sales in Asia decreased by 15.2% from the previous fiscal year to 397 thousand units in the fiscal year ended March 31, 2025, mainly due to the decreases in sales units of the *BR-V* and *WR-V* 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 substantially decreased by 33.7% from the previous fiscal year to 786 thousand units in the fiscal year ended March 31, 2025, mainly due to a decrease in sales units of the *CIVIC*.

Honda's unit production by consolidated subsidiaries in Asia*³ decreased by 14.8% from the previous fiscal year to 476 thousand units in the fiscal year ended March 31, 2025.

Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. substantially decreased by 33.9% from the previous fiscal year to 768 thousand units in the fiscal year ended March 31, 2025.

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

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

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

Other Regions

Total demand for automobiles in Brazil*, the principal market within Other Regions, increased by around 14% from the previous year to approximately 2,480 thousand units in calendar year 2024.

Honda's consolidated unit sales increased by 18.9% from the previous fiscal year to 157 thousand units in the fiscal year ended March 31, 2025, mainly due to an increase in sales units of the *CITY* in Brazil.

Unit production at Honda's plant in Brazil substantially increased by 27.0% from the previous fiscal year to 99 thousand units in the fiscal year ended March 31, 2025.

* 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, 2025, increased by ¥1,298.7 billion, or 9.7%, to ¥14,676.8 billion from March 31, 2024. Honda estimates that by applying Japanese yen exchange rates as of March 31, 2024, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2025 would have increased by approximately ¥1,561.3 billion, or 11.7%, from March 31, 2024.

Sales revenue from external customers increased by ¥258.9 billion, or 8.0%, to ¥3,507.7 billion from the previous fiscal year, due mainly to increased revenue from retail loans 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 ¥115.9 billion, or 3.6%, compared to the increase as reported of ¥258.9 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥260.4 billion, or 8.0%, to ¥3,512.2 billion from the previous fiscal year.

Operating costs and expenses increased by ¥218.7 billion, or 7.3%, to ¥3,196.5 billion from the previous fiscal year. Cost of sales increased by ¥179.7 billion, or 6.4%, to ¥2,985.1 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased revenue from retail loans as well as foreign currency effects. Selling, general and administrative expenses increased by ¥39.0 billion, or 22.7%, to ¥211.4 billion from the previous fiscal year, due mainly to increased expenses.

Operating profit increased by ¥41.6 billion, or 15.2%, to ¥315.6 billion from the previous fiscal year, due mainly to increased sales revenue.

Power Products and Other Businesses

Honda's consolidated unit sales of power products totaled 3,700 thousand units, decreased by 2.9% from the previous fiscal year, due mainly to decreased consolidated unit sales in Europe, which was partially offset by increased consolidated unit sales in Asia.

Sales revenue from external customers decreased by ¥7.1 billion, or 1.8%, to ¥385.1 billion from the previous fiscal year, due mainly to decreased consolidated unit sales. 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 ¥15.2 billion, or 3.9%, compared to the decrease as reported of ¥7.1 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales decreased by ¥7.7 billion, or 1.8%, to ¥414.6 billion from the previous fiscal year.

Operating costs and expenses decreased by ¥7.1 billion, or 1.7%, to ¥424.0 billion from the previous fiscal year. Cost of sales decreased by ¥9.2 billion, or 2.8%, to ¥323.2 billion, due mainly to a decrease in costs

attributable to decreased consolidated unit sales in Power products business. Selling, general and administrative expenses decreased by ¥4.0 billion, or 5.7%, to ¥66.9 billion, due mainly to decreased expenses. Research and development expenses increased by ¥6.1 billion, or 22.4%, to ¥33.8 billion from the previous fiscal year.

Operating loss was ¥9.4 billion, an increase of ¥0.5 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts as well as negative foreign currency effects, which was partially offset by increased profit attributable to price and cost impacts. In addition, operating loss of aircraft and aircraft engines included in Power products and other businesses was ¥38.8 billion, an increase of ¥5.9 billion from the previous fiscal year.

Japan

Honda's consolidated unit sales in Japan decreased by 7.9% from the previous fiscal year to 278 thousand units in the fiscal year ended March 31, 2025, mainly due to a decrease in sales units of generators.

North America

Honda's consolidated unit sales in North America decreased by 5.8% from the previous fiscal year to 1,020 thousand units in the fiscal year ended March 31, 2025, mainly due to a decrease in sales units of lawn mowers.

Europe

Honda's consolidated unit sales in Europe decreased by 18.0% from the previous fiscal year to 651 thousand units in the fiscal year ended March 31, 2025, mainly due to a decrease in sales units of OEM engines*.

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

Asia

Honda's consolidated unit sales in Asia increased by 9.2% from the previous fiscal year to 1,413 thousand units in the fiscal year ended March 31, 2025, mainly due to an increase in sales units of OEM engines.

Other Regions

Honda's consolidated unit sales in Other Regions decreased by 0.3% from the previous fiscal year to 338 thousand units in the fiscal year ended March 31, 2025, mainly due to a decrease in sales units of OEM engines.

Geographical Information Based on the Location of the Company and Its Subsidiaries

As of and for the year ended March 31, 2024

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue	¥5,392,760	¥ 12,073,777	¥966,320	¥5,009,961	¥ 1,081,946	¥24,524,764	¥(4,095,962)	¥20,428,802
Operating profit (loss)	¥ 151,070	¥ 694,940	¥ 60,340	¥ 397,804	¥ 153,957	¥ 1,458,111	¥ (76,134)	¥ 1,381,977

As of and for the year ended March 31, 2025

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue	¥5,584,504	¥13,108,269	¥946,224	¥4,896,316	¥1,226,224	¥25,761,537	¥(4,072,770)	¥21,688,767
Operating profit (loss) . . .	¥ 191,135	¥ 435,215	¥ 5,328	¥ 408,273	¥ 177,885	¥ 1,217,836	¥ (4,350)	¥ 1,213,486

Explanatory notes:

- 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
- 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 (loss) of investments accounted for using the equity method and finance income and finance costs.
- Reconciling items are elimination of inter-geographic transactions.

Japan

In Japan, sales revenue from domestic and export sales increased by ¥191.7 billion, or 3.6%, to ¥5,584.5 billion from the previous fiscal year, due mainly to increased sales revenue in Automobile business. Operating profit increased by ¥40.0 billion, or 26.5%, to ¥191.1 billion from the previous fiscal year, due mainly to increased profit attributable to sales impacts as well as positive foreign currency effects, which was partially offset by increased research and development expenses.

North America

In North America, where the United States is the principal market, sales revenue increased by ¥1,034.4 billion, or 8.6%, to ¥13,108.2 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 decreased by ¥259.7 billion, or 37.4%, to ¥435.2 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts as well as the change in the estimation model for automobile product warranties which was partially offset by increased profit attributable to price and cost impacts.

Europe

In Europe, sales revenue decreased by ¥20.0 billion, or 2.1%, to ¥946.2 billion from the previous fiscal year, due mainly to decreased sales revenue in the Automobile business which was partially offset by increased sales revenue in the Motorcycle business. Operating profit decreased by ¥55.0 billion, or 91.2%, to ¥5.3 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts as well as increased expenses.

Asia

In Asia, sales revenue decreased by ¥113.6 billion, or 2.3%, to ¥4,896.3 billion from the previous fiscal year, due mainly to decreased sales revenue in Automobile business which was partially offset by increased sales revenue in the Motorcycle business. Operating profit increased by ¥10.4 billion, or 2.6%, to ¥408.2 billion from the previous fiscal year, due mainly to increased profit attributable to price and cost impacts which was partially offset by decreased profit attributable to sales impacts.

Other Regions

In Other Regions, sales revenue increased by ¥144.2 billion, or 13.3%, to ¥1,226.2 billion from the previous fiscal year, due mainly to increased sales revenue in the Motorcycle business and Automobile business. Operating profit increased by ¥23.9 billion, or 15.5%, to ¥177.8 billion from the previous fiscal year, due mainly to an increase in profit attributable to price and cost impacts, which was partially offset by negative foreign currency effects.

FYE Mar. 31, 2024 Compared with FYE Mar. 31, 2023

Sales Revenue

Honda's consolidated sales revenue for the fiscal year ended March 31, 2024, increased by ¥3,521.0 billion, or 20.8%, to ¥20,428.8 billion from the fiscal year ended March 31, 2023, due mainly to increased sales revenue in Automobile business 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 ¥2,584.2 billion, or 15.3%, compared to the increase as reported of ¥3,521.0 billion, which includes positive foreign currency translation effects.

Operating Costs and Expenses

Operating costs and expenses increased by ¥2,919.8 billion, or 18.1%, to ¥19,046.8 billion from the previous fiscal year. Cost of sales increased by ¥2,440.5 billion, or 18.0%, to ¥16,016.6 billion from the previous fiscal year, due mainly to increased costs attributable to increased consolidated sales revenue in Automobile business as well as foreign currency effects. Selling, general and administrative expenses increased by ¥436.6 billion, or 26.1%, to ¥2,106.5 billion from the previous fiscal year, due mainly to increased expenses. Research and development expenses increased by ¥42.7 billion, or 4.8%, to ¥923.6 billion from the previous fiscal year.

Operating Profit

Operating profit increased by ¥601.2 billion, or 77.0%, to ¥1,381.9 billion from the previous fiscal year, due mainly to an increase in profit attributable to price and cost impacts as well as sales impacts, which was partially offset by increased expenses. Honda estimates that by excluding positive foreign currency effects of approximately ¥151.1 billion, operating profit would have increased by approximately ¥450.0 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.

(1) "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.

(2) With respect to "price and cost impacts", management analyzed effects of changes in sales price, cost reductions, effects of raw material cost fluctuations and others, excluding foreign currency effects.

(3) With respect to "sales impacts", management analyzed changes in sales volume and mix of product models sold that resulted in increases/decreases in profit, changes in sales revenue of Financial services business that resulted in increases/decreases in profit as well as certain other reasons for increases/decreases in sales revenue and cost of sales, excluding foreign currency effects.

(4) With respect to “expenses”, management analyzed reasons for an increase/decrease in selling, general and administrative expenses from the previous fiscal year excluding foreign currency translation effects.

(5) With respect to “Research and Development expenses”, management analyzed reasons for an increase/decrease in research and development expenses from the previous fiscal year excluding foreign currency translation effects.

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 ¥762.8 billion, or 86.7%, to ¥1,642.3 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 ¥6.6 billion, due mainly to decreased profit at affiliates and joint ventures in Asia, which was partially offset by increased profit at affiliates and joint ventures in Japan.

Finance income and finance costs had a positive impact of ¥168.2 billion, due mainly to increased interest income as well as effect from gains or losses on derivatives. 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 ¥297.5 billion, or 183.4%, to ¥459.7 billion from the previous fiscal year. The average effective tax rate increased by 9.6 percentage points to 28.0% from the previous fiscal year, due mainly to the impact of tax benefits resulting from the recognition of deferred tax assets previously unrecognized on tax losses, tax credits and deductible temporary differences in 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 ¥465.2 billion, or 64.9%, to ¥1,182.5 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 ¥455.7 billion, or 70.0%, to ¥1,107.1 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 ¥9.5 billion, or 14.5%, to ¥75.4 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 12,219 thousand units, increased by 0.5% from the previous fiscal year, due mainly to increased consolidated unit sales in Europe.

Sales revenue from external customers increased by ¥311.1 billion, or 10.7%, to ¥3,220.1 billion from the previous fiscal year, due mainly to increased consolidated unit sales as well as positive foreign currency translation effects. Despite changes in sales price, the impact of the 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 ¥204.6 billion, or 7.0%, compared to the increase as reported of ¥311.1 billion, which includes positive foreign currency translation effects.

Operating costs and expenses increased by ¥243.6 billion, or 10.1%, to ¥2,663.9 billion from the previous fiscal year. Cost of sales increased by ¥125.8 billion, or 6.0%, to ¥2,225.7 billion, due mainly to an increase in costs attributable to increased consolidated unit sales as well as foreign currency effects. Selling, general and administrative expenses increased by ¥108.0 billion, or 43.5%, to ¥356.4 billion, due mainly to increased expenses including product warranty expenses. Research and development expenses increased by ¥9.7 billion, or 13.6%, to ¥81.6 billion.

Operating profit increased by ¥67.5 billion, or 13.8%, to ¥556.2 billion from the previous fiscal year, due mainly to increased profit attributable to price and cost impacts, which was partially offset by increased expenses including product warranty expenses.

Japan

Total demand for motorcycles in Japan* decreased by around 3% from the previous fiscal year to approximately 390 thousand units in the fiscal year ended March 31, 2024.

Honda's consolidated unit sales in Japan decreased by 2.0% from the previous fiscal year to 241 thousand units in the fiscal year ended March 31, 2024, mainly due to the decreases in sales units of the *PCX* and *Giorno*, despite the effects of launching the new *CL 250*.

* 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 by around 1% from the previous year to approximately 730 thousand units in calendar year 2023.

Honda's consolidated unit sales in North America increased by 8.5% from the previous fiscal year to 498 thousand units in the fiscal year ended March 31, 2024, mainly due to an increase in sales units of the *Navi* primarily in Mexico.

* 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*¹ increased by around 10% from the previous year to approximately 1,180 thousand units in calendar year 2023.

Honda's consolidated unit sales in Europe substantially increased by 26.8% from the previous fiscal year to 440 thousand units in the fiscal year ended March 31, 2024, mainly due to the increases in sales units of the *XL750 TRANSALP* and *CB750 HORNET*.

*¹ Based on Honda research. Only includes the following 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium, and Austria. The total includes ICE vehicles, but does not include EVs, EMs and EBs*².

- *2 EM: Electric Moped with a maximum speed ranging from 25km/h to 50km/h
EB: Electric Bicycle with a maximum speed of 25 km/h or slower
Excluding battery-assisted bicycles

Asia

Total demand for motorcycles in India*¹, the largest market within Asia, increased by around 8% from the previous year to approximately 16,610 thousand units in calendar year 2023. Total demand for motorcycles in other countries in Asia*² decreased by around 4% from the previous year to approximately 18,470 thousand units in calendar year 2023, mainly due to a decrease in sales units in Pakistan, which was offset by an increase in sales units in Indonesia.

Honda's consolidated unit sales in Asia decreased by 1.0% from the previous fiscal year to 9,416 thousand units in the fiscal year ended March 31, 2024, mainly due to the decreases in sales units of the *Air Blade* and *Wave* 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. Unit sales increased by around 7% from the previous fiscal year to approximately 4,770 thousand units in the fiscal year ended March 31, 2024, mainly due to the increases in sales units of the *BeAT* series and *PCX*.

*¹ Based on Honda research. The total includes ICE vehicles, but does not include EVs, EMs and EBs.

*² Based on Honda research. Only includes the following seven countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Pakistan, and China. The total includes ICE vehicles, but does not include EVs, EMs and EBs.

Other Regions

Total demand for motorcycles in Brazil*, the principal market within Other Regions, increased by around 13% from the previous year to approximately 1,530 thousand units in calendar year 2023.

Honda's consolidated unit sales increased by 1.7% from the previous fiscal year to 1,624 thousand units in the fiscal year ended March 31, 2024, mainly due to the increases in sales units of the *Biz* and *PCX* series in Brazil.

* Source: ABRACICLO (Brazilian Association of Manufacturers of Motorcycle, Moped, Bicycles and Similar)

Automobile Business

Honda's consolidated unit sales of automobiles totaled 2,856 thousand units, increased by 19.9% from the previous fiscal year, due mainly to increased consolidated unit sales in North America.

Sales revenue from external customers increased by ¥2,974.0 billion, or 28.1%, to ¥13,567.5 billion from the previous fiscal year, due mainly to increased consolidated unit sales. Despite changes in sales price, the impact of the 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 ¥2,330.5 billion, or 22.0%, compared to the increase as reported of ¥2,974.0 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥3,009.7 billion, or 27.9%, to ¥13,791.5 billion from the previous fiscal year.

Operating costs and expenses increased by ¥2,432.5 billion, or 22.5%, to ¥13,230.8 billion from the previous fiscal year. Cost of sales increased by ¥2,131.7 billion, or 24.3%, to ¥10,909.9 billion, due mainly to an

increase in costs attributable to increased consolidated unit sales. Selling, general and administrative expenses increased by ¥268.3 billion, or 21.7%, to ¥1,506.5 billion, due mainly to increased expenses. Research and development expenses increased by ¥32.4 billion, or 4.1%, to ¥814.2 billion.

Operating profit was ¥560.6 billion, an increase of ¥577.2 billion from the previous fiscal year, due mainly to an increase in profit attributable to price and cost impacts as well as sales impacts, which was partially offset by increased expenses.

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

	Fiscal year ended March 31,	
	2023	2024
Passenger cars: <i>ACCORD, CITY, CIVIC, FIT, INTEGRA, JAZZ</i>	42%	39%
Light trucks: <i>BREEZE, CR-V, FREED, HR-V, ODYSSEY, PILOT, VEZEL, ZR-V</i>	50%	54%
Mini vehicles: <i>N-BOX</i>	8%	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 20% higher, our passenger cars category was at an equivalent level and our mini vehicles category was approximately 65% lower compared with weighted average contribution margin for the fiscal year ended March 31, 2024. 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 increased by around 3% from the previous fiscal year to approximately 4,520 thousand units in the fiscal year ended March 31, 2024.

Honda's consolidated unit sales in Japan*² increased by 8.5% from the previous fiscal year to 525 thousand units in the fiscal year ended March 31, 2024, mainly due to the effects of launching the new *ZR-V* and an increase in sales units of the *VEZEL*.

Honda's unit production of automobiles in Japan increased by 9.9% from the previous fiscal year to 707 thousand units in the fiscal year ended March 31, 2024.

*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 12% from the previous year to approximately 15,600 thousand units in calendar year 2023.

Honda's consolidated unit sales in North America substantially increased by 36.2% from the previous fiscal year to 1,628 thousand units in the fiscal year ended March 31, 2024, mainly due to the increases in sales units of the *CR-V* and *CIVIC*.

Honda's unit production of automobiles in North America substantially increased by 28.1% from the previous fiscal year to 1,600 thousand units in the fiscal year ended March 31, 2024.

* Source: Autodata

Europe

Total demand for automobiles in Europe* increased by around 14% from the previous year to approximately 12,840 thousand units in calendar year 2023.

Honda's consolidated unit sales in Europe substantially increased by 22.6% from the previous fiscal year to 103 thousand units in the fiscal year ended March 31, 2024, mainly due to the effects of launching the new *ZR-V* and an increase in sales units of the *HR-V*.

* 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 6% from the previous year to approximately 8,850 thousand units in calendar year 2023, mainly due to the increases in demand in India and Malaysia. Total demand for automobiles in China*² increased by around 12% from the previous year to approximately 30,090 thousand units in calendar year 2023.

Honda's consolidated unit sales in Asia decreased by 7.3% from the previous fiscal year to 468 thousand units in the fiscal year ended March 31, 2024, mainly due to the decreases in sales units of the *BRIO* and *BR-V* 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 decreased by 4.4% from the previous fiscal year to 1,185 thousand units in the fiscal year ended March 31, 2024, mainly due to the decreases in sales units of the *ACCORD* and *VEZEL*.

Honda's unit production by consolidated subsidiaries in Asia*³ increased by 0.5% from the previous fiscal year to 559 thousand units in the fiscal year ended March 31, 2024.

Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. decreased by 11.0% from the previous fiscal year to 1,163 thousand units in the fiscal year ended March 31, 2024.

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

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

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

Other Regions

Total demand for automobiles in Brazil*, the principal market within Other Regions, increased by around 11% from the previous year to approximately 2,180 thousand units in calendar year 2023.

Honda's consolidated unit sales increased by 15.8% from the previous fiscal year to 132 thousand units in the fiscal year ended March 31, 2024, mainly due to an increase in sales units of the *HR-V* in Brazil.

Unit production at Honda's plant in Brazil increased by 17.4% from the previous fiscal year to 77 thousand units in the fiscal year ended March 31, 2024.

* 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, 2024, increased by ¥2,756.9 billion, or 26.0%, to ¥13,378.0 billion from March 31, 2023. Honda estimates that by applying Japanese yen exchange rates as of March 31, 2023, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2024 would have increased by approximately ¥1,343.9 billion, or 12.7%, from March 31, 2023.

Sales revenue from external customers increased by ¥294.7 billion, or 10.0%, to ¥3,248.8 billion from the previous fiscal year, due mainly to increased revenue from retail loans 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 ¥123.9 billion, or 4.2%, compared to the increase as reported of ¥294.7 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥295.6 billion, or 10.0%, to ¥3,251.7 billion from the previous fiscal year.

Operating costs and expenses increased by ¥307.5 billion, or 11.5%, to ¥2,977.8 billion from the previous fiscal year. Cost of sales increased by ¥261.1 billion, or 10.3%, to ¥2,805.3 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased revenue from retail loans as well as foreign currency effects. Selling, general and administrative expenses increased by ¥46.3 billion, or 36.8%, to ¥172.4 billion from the previous fiscal year, due mainly to increased expenses.

Operating profit decreased by ¥11.8 billion, or 4.2%, to ¥273.9 billion from the previous fiscal year, due mainly to increased expenses, which was partially offset by positive foreign currency effects.

Power Products and Other Businesses

Honda's consolidated unit sales of power products totaled 3,812 thousand units, decreased by 32.5% from the previous fiscal year, due mainly to decreased consolidated unit sales in North America.

Sales revenue from external customers decreased by ¥58.8 billion, or 13.0%, to ¥392.2 billion from the previous fiscal year, due mainly to decreased consolidated unit sales in Power products 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 decreased by approximately ¥74.8 billion, or 16.6%, compared to the decrease as reported of ¥58.8 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales decreased by ¥54.1 billion, or 11.4%, to ¥422.3 billion from the previous fiscal year.

Operating costs and expenses decreased by ¥22.3 billion, or 4.9%, to ¥431.2 billion from the previous fiscal year. Cost of sales decreased by ¥36.7 billion, or 9.9%, to ¥332.5 billion, due mainly to a decrease in costs attributable to decreased consolidated unit sales in Power products business. Selling, general and administrative expenses increased by ¥13.8 billion, or 24.2%, to ¥71.0 billion, due mainly to increased expenses. Research and development expenses increased by ¥0.5 billion, or 1.9%, to ¥27.6 billion from the previous fiscal year.

Operating loss was ¥8.8 billion, a decrease of ¥31.7 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts in Power products business. In addition, operating loss of aircraft and aircraft engines included in Power products and other businesses was ¥32.9 billion, an increase of ¥7.1 billion from the previous fiscal year.

Japan

Honda's consolidated unit sales in Japan decreased by 19.7% from the previous fiscal year to 302 thousand units in the fiscal year ended March 31, 2024, mainly due to a decrease in sales units of OEM engines*.

* 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 substantially decreased by 52.4% from the previous fiscal year to 1,083 thousand units in the fiscal year ended March 31, 2024, mainly due to a decrease in sales units of OEM engines.

Europe

Honda's consolidated unit sales in Europe substantially decreased by 32.0% from the previous fiscal year to 794 thousand units in the fiscal year ended March 31, 2024, mainly due to a decrease in sales units of OEM engines.

Asia

Honda's consolidated unit sales in Asia decreased by 8.1% from the previous fiscal year to 1,294 thousand units in the fiscal year ended March 31, 2024, mainly due to a decrease in sales units of OEM engines.

Other Regions

Honda's consolidated unit sales in Other Regions decreased by 19.1% from the previous fiscal year to 339 thousand units in the fiscal year ended March 31, 2024, mainly due to the decreases in sales units of lawn mowers and OEM engines.

Geographical Information Based on the Location of the Company and Its Subsidiaries

As of and for the year ended March 31, 2023

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue	¥4,548,002	¥9,416,252	¥703,718	¥4,857,837	¥819,615	¥20,345,424	¥(3,437,699)	¥16,907,725
Operating profit (loss)	¥ 25,821	¥ 258,805	¥ (2,556)	¥ 408,728	¥ 58,935	¥ 749,733	¥ 31,036	¥ 780,769

As of and for the year ended March 31, 2024

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue	¥5,392,760	¥12,073,777	¥966,320	¥5,009,961	¥1,081,946	¥24,524,764	¥(4,095,962)	¥20,428,802
Operating profit (loss) . . .	¥ 151,070	¥ 694,940	¥ 60,340	¥ 397,804	¥ 153,957	¥ 1,458,111	¥ (76,134)	¥ 1,381,977

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, Indonesia
Other Regions	Brazil, Australia

- 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 (loss) of investments accounted for using the equity method and finance income and finance costs.
- Reconciling items are elimination of inter-geographic transactions.

Japan

In Japan, sales revenue from domestic and export sales increased by ¥844.7 billion, or 18.6%, to ¥5,392.7 billion from the previous fiscal year, due mainly to increased sales revenue in Automobile business. Operating profit increased by ¥125.2 billion, or 485.1%, to ¥151.0 billion from the previous fiscal year, due mainly to increased profit attributable to sales impacts as well as positive foreign currency effects, which was partially offset by increased expenses including product warranty expenses.

North America

In North America, where the United States is the principal market, sales revenue increased by ¥2,657.5 billion, or 28.2%, to ¥12,073.7 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 ¥436.1 billion, or 168.5%, to ¥694.9 billion from the previous fiscal year, due mainly to an increase in profit attributable to sales impacts as well as price and cost impacts, which was partially offset by increased expenses.

Europe

In Europe, sales revenue increased by ¥262.6 billion, or 37.3%, to ¥966.3 billion from the previous fiscal year, due mainly to increased sales revenue in the Motorcycle business and Automobile business. Operating profit was ¥60.3 billion, an increase of ¥62.8 billion from the previous fiscal year, due mainly to increased profit attributable to price and cost impacts.

Asia

In Asia, sales revenue increased by ¥152.1 billion, or 3.1%, to ¥5,009.9 billion from the previous fiscal year, due mainly to positive foreign currency translation effects which was partially offset by decreased sales revenue in Motorcycle business and Power products business. Operating profit decreased by ¥10.9 billion, or 2.7%, to ¥397.8 billion from the previous fiscal year, due mainly to decreased profit attributable to sales impacts and increased expenses, which was partially offset by increased profit attributable to price and cost impacts.

Other Regions

In Other Regions, sales revenue increased by ¥262.3 billion, or 32.0%, to ¥1,081.9 billion from the previous fiscal year, due mainly to increased sales revenue in the Motorcycle business and Automobile business. Operating profit increased by ¥95.0 billion, or 161.2%, to ¥153.9 billion from the previous fiscal year, due mainly to an increase in profit attributable to price and cost impacts as well as sales impacts, which was partially offset by increased expenses.

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. As a comprehensive mobility company, Honda aims to become the power that advances people and society by delivering around the world essential value we offer of “enabling people to transcend various constraints such as time and place” and “enabling people to augment their abilities and possibilities,” as stated in the Honda Global Brand Slogan, “The Power of Dreams,” redefined in 2023, as well as realizing society with “zero environmental impact” and “zero traffic collisions” through mobility full of dreams and various other services that are generated by creativity of each and every one of us at Honda. Honda plans to strategically allocate resources according to the business transformation phase to achieve the environment and safety values. As for the plan announced in May 2024 to invest the total of ¥10 trillion in capital expenditures, investment and research and development expenditures to pursue its electrification strategy, Honda decided to reduce the amount by ¥3 trillion, to a total of ¥7 trillion, over the period through the fiscal year ending March 31, 2031, based on its decision to postpone the project to establish a comprehensive EV value chain in Canada and so on. For a description of Honda's current plans for resource allocation relating to its business strategies, see Item 4.B. “Business Overview—Preparing for the Future—Challenges to be Addressed Preferentially—6. Economic value enhancement—a. Strategic resource allocation according to the business transformation phase.”

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 are used exclusively toward environmental initiatives in accordance with the Sustainable Finance Framework. The outstanding balance of the Green Bonds liabilities was US\$ 1.75 billion as of March 31, 2025. 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 ¥645.9 billion as of March 31, 2025. 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 ¥11,085.5 billion as of March 31, 2025.

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

FYE Mar. 31, 2025 Compared with FYE Mar. 31, 2024

Consolidated cash and cash equivalents on March 31, 2025 decreased by ¥425.7 billion from March 31, 2024, to ¥4,528.7 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 ¥292.1 billion of cash inflows. Cash inflows from operating activities decreased by ¥455.1 billion compared with the previous fiscal year, due mainly to an increase in payments for parts and raw materials as well as in payments for purchase of equipment on operating leases, which was partially offset by increased cash received from customers.

Net cash used in investing activities amounted to ¥941.9 billion of cash outflows. Cash outflows from investing activities increased by ¥74.6 billion compared with the previous fiscal year, due mainly to an increase in payments for additions to property, plant and equipment as well as in payments for acquisitions of other financial assets, which was partially offset by increased proceeds from sales and redemptions of other financial assets.

Net cash provided by financing activities amounted to ¥280.4 billion of cash inflows. Cash inflows from financing activities decreased by ¥638.1 billion compared with the previous fiscal year, due mainly to an increase in purchases of treasury stock as well as in dividends paid.

FYE Mar. 31, 2024 Compared with FYE Mar. 31, 2023

Consolidated cash and cash equivalents on March 31, 2024 increased by ¥1,151.5 billion from March 31, 2023, to ¥4,954.5 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 ¥747.2 billion of cash inflows. Cash inflows from operating activities decreased by ¥1,381.7 billion compared with the previous fiscal year, due mainly to an increase in payments for parts and raw materials as well as in receivables from financial services, which was partially offset by increased cash received from customers.

Net cash used in investing activities amounted to ¥867.2 billion of cash outflows. Cash outflows from investing activities increased by ¥189.2 billion compared with the previous fiscal year, due mainly to increased payments for acquisitions of investments accounted for using the equity method.

Net cash provided by financing activities amounted to ¥918.6 billion of cash inflows. Cash inflows from financing activities increased by ¥2,387.0 billion compared with the previous fiscal year, due mainly to increased proceeds from financing liabilities.

Liquidity

The ¥4,528.7 billion in cash and cash equivalents as of March 31, 2025 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, 2025 corresponds to approximately 2.5 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, as of March 31, 2025, finance subsidiaries that carry total short-term borrowings of ¥1,797.1 billion have committed lines of credit equivalent to ¥1,433.9 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, 2025 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 Global Ratings, 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, 2025.

	Credit ratings for	
	Short-term unsecured debt securities	Long-term unsecured debt securities
Moody's Investors Service	P-2	A3
Standard & Poor's Global Ratings	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, 2025 was ¥127.3 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, 2025, we guaranteed ¥4.2 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 ¥4.2 billion. As of March 31, 2025, 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, 2025:

	Yen (millions)				
	Total	Payments due by period			
		Within 1 year	1-3 years	3-5 years	Thereafter
Financing liabilities	¥12,396,009	¥4,819,178	¥4,712,566	¥1,618,625	¥1,245,640
Other financial liabilities	662,395	184,839	172,181	82,323	223,052
Purchase and other commitments*1	120,744	112,482	8,147	115	—
Contributions to defined benefit pension plans*2	45,504	45,504	—	—	—
Total	¥13,224,652	¥5,162,003	¥4,892,894	¥1,701,063	¥1,468,692

*1 Honda had commitments for purchases of property, plant and equipment as of March 31, 2025.

*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. All of these entities work in close association with our other entities and businesses in their respective regions.

The Company has created the Electrification Business Development Operations based on the Business Development Operations, which was established in April 2022 to strengthen electrification business, to further strengthen and accelerate Honda's electrification business. This operation consolidates the business strategy and EV product development functions of Automobile business and electrification-related strategy and development functions of Motorcycle business and Power products business, and Honda will strive to further accelerate its electrification business and create new value by leveraging its broad and expanding range of mobility products and services.

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.

Please note that the forward-looking statements contained herein are judgments made by Honda as of the filing date of this Annual Report and may differ materially from actual results because of uncertainties that may arise in the future, including those discussed under "Item 3. Key Information—D. Risk Factors."

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 *CB650R E-Clutch* and *CBR650R E-Clutch*, equipped with the *Honda E-Clutch* in Japan in June 2024 and in the United States in September 2024, which eliminates the need for the rider to manually operate the clutch lever by automatically controlling the clutch control. *Honda E-Clutch* is an electronic control technology that automatically controls the clutch to optimise clutch control without requiring the rider to operate the clutch lever in situations where the driving force changes, such as starting, shifting and stopping, to achieve a smooth ride with no sense of discomfort. In order to meet a wide range of rider requirements, the clutch can be controlled manually, just like a normal manual transmission motorcycle, when the rider operates the clutch lever, even while the clutch is being controlled electronically.

Also, the *X-ADV* is the first Honda motorcycle to use pre-coloured bio-engineering plastic for part of its exterior, thereby contributing to resource conservation and reducing CO₂*¹ emissions in the manufacturing process. In addition, excess resin from discarded bumpers of Honda automobile collected from dealers and from the manufacturing process of cars and household appliances is used as recycled material.

Moreover, we launched the *PCX* which was unveiled at EICMA 2024 in Milan, Italy, in November 2024, globally in Japan and other developed countries, as well as in Indonesia and Thailand. The *PCX* features an avant-garde, sleek design and new headlight shape with a bi-functional signature. In addition, the new Deluxe version for international customers features *Honda RoadSync*, a unique Honda service that connects to a smartphone for calls, navigation and other functions, a 5-inch TFT instrument cluster and an upgraded rear with sub-tank suspension to meet a wide range of customer needs.

In addition, Honda unveiled the world's first*² V3 motorcycle engine with an electrical compressor. It features the world's first electrical compressor for motorcycles, which is able to control compression of the intake air irrespective of engine rpm, meaning that high-response torque can be delivered even from lower rpm. In addition, the electrical compressor allows a high degree of freedom of layout of all components in the limited space available on a motorcycle and efficient centralization of mass. It also does not require any form of intercooler. Honda plans to apply the new V3 engine to larger displacement models in the future, and will continue its development toward mass production.

As part of our initiatives to realize achieve zero environmental impact of society, Honda aims to achieve carbon neutrality in all of its motorcycle products during the 2040s. To achieve this goal, Honda is working toward the electrification of motorcycles as an integral pillar of its future environmental strategy. Honda has positioned 2024 as the first year for its global expansion of electric motorcycles and will begin full-scale entry into the electric motorcycle market.

We announced two electric personal commuter models in Indonesia in October 2024, the *CUV e:*, which uses two *Honda Mobile Power Pack e:* swappable batteries as its power source, and the *ICON e:*, which has a fixed battery. The *CUV e:* has Honda's in-house developed motor contributes to the improvement of the cruising range by optimizing the magnetic circuit and structure to achieve higher efficiency. Furthermore, a model equipped with *Honda RoadSync Duo*, Honda's unique service that allows users to make calls and use navigation features by connecting the bike to a smartphone via Bluetooth, is also available. The *ICON e:* has a compact in-wheel motor is used for the rear wheel, and the power control unit efficiently controls the motor output to achieve a cruising range of more than 50 km*³ per charge, while also realizing clean and quiet riding. Honda plans to manufacture both the *CUV e:* and *ICON e:* in Indonesia, at locations appropriate to the needs of each region, and will expand from Indonesia to other regions globally. The enhancement of the electric commuter lineup will not only include models equipped with the *Honda Mobile Power Pack e:*, but also models with fixed batteries, increasing the variety of options to meet customer needs and making electric motorcycles more accessible.

Also, we announced two electric personal commuters in India in November 2024, *ACTIVA e:*, which is equipped with two *Honda Mobile Power Pack e:* swappable batteries as its power source, and *QCI*, which has a fixed battery. *ACTIVA e:* has Honda's original wheel-side motor delivers a rated output of 4.2 kW and a maximum output of 6.0 kW. Optimization of the magnetic circuit and structure has also resulted in higher

efficiency and a cruising range of 102 km^{*3}, which is sufficient for everyday use. *ACTIVA e:* is also available with *Honda RoadSync Duo*, Honda's unique service that allows users to make phone calls and use navigation functions by connecting a smartphone via Bluetooth. *QCI* has the rear-wheel is driven by a compact in-wheel motor, with a rated output of 1.2 kW and a maximum output of 1.8 kW. The power control unit efficiently controls motor output to achieve a cruising range of 80 km^{*3} per charge. Both *ACTIVA e:* and *QCI* will be manufactured in India, strengthening the electric commuter lineup to meet the growing needs for electric mobility in the Indian market. In addition, Honda Power Pack Energy India Private Limited will operate *Honda e:Swap*, a battery sharing service, in three major Indian cities (Bengaluru, the National Capital Territory of Delhi, and Mumbai), providing customers mobility experience with more peace of mind.

Moreover, we unveiled two electric motorcycle concept models, the *EV Fun Concept* and the *EV Urban Concept*, at EICMA 2024 in Milan, Italy in November 2024. *The EV Fun Concept's* system and charging were developed by applying Honda's know-how and technologies cultivated in its automobiles and power products. The battery is compatible with the CCS2^{*4} quick charger, the same standard as automobiles, and has been developed to optimize the balance between light weight and quick charging performance, as well as to provide a cruising range of over 100km or more, sufficient for city use. *The EV Fun Concept* is scheduled to be commercialized in 2025. *The EV Urban Concept* embodies a vision of near-future mobility that cooperates and resonates with people and society through its essential and sophisticated styling, intuitive human-machine interface (HMI), and new experiences created by the fusion of software and hardware. Honda's goal is to open up the freedom of mobility to as many customers as possible, and to expand the possibilities of mobility for each and every customer.

Honda will continue to strengthen its technologies by competing in new electric motorcycle races. For example, Honda announced that Honda Racing Corporation factory team^{*5}, "Team HRC", will race the *RTL ELECTRIC* trial bike in the MFJ All Japan Trial Championship series.

R&D expenditures in this segment incurred during the fiscal years ended March 31, 2023, 2024 and 2025 were ¥70.3 billion, ¥79.9 billion and ¥103.5 billion, respectively.

*1 the elimination of the painting process contributes to the reduction of CO₂ emissions

*2 according to Honda research (as of November 2024)

*3 according to Honda tests

*4 CCS2: Combined Charging System Type2, a specification for EV quick charging connectors

*5 operated by manufacturer

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 achievements, we began sales in Japan of the all-new *Freed* which is the third-generation in June 2024. In order to maintain the easy-to-handle body size unique to *Freed*, an increase in the overall vehicle length was limited to only 45 mm^{*1} due to the installation of the *e:HEV* two-motor hybrid system. In addition, the shape of the first-row seats has been modified to further enhance usability by improving the walk-through and accessibility to the second-row seats. The all-new *Freed* was awarded the "Japan Car of the Year" at the 2024-2025 Japan Car of the Year Awards (organized by the Japan Car of the Year Executive Committee).

We held the Honda *e:HEV* Business and Technology in December 2024, where the Next-generation *e:HEV* Technologies of its original 2-motor hybrid system was presented. The next-generation *e:HEV* will feature *Honda S+ Shift*, a new function designed to pursue the "joy of driving" that further accentuates the sense of oneness between the driver and the vehicle, while fully leveraging the characteristics of the *e:HEV* system, and

we plan to install *Honda S+ Shift* in all of its FCEV models, starting with the all-new *Honda Prelude* scheduled to go on sale in 2025. In addition, for the next-generation *e:HEV*, component parts, including engine and drive unit, and control technology will be renewed respectively for both the small-size system (with a 1.5-liter engine) and the mid-size system (with a 2.0-liter engine) to further improve environmental performance and a high-quality and exhilarating driving experience of *e:HEV* models.

As part of our initiatives to realize zero environmental impact of society, we target to make EVs and FCEVs represent 100% of its global vehicle sales by 2040 and plan to introduce EV products tailored to the market characteristics of each region.

We began sales in Japan of a new commercial-use mini-EV, the *N-VAN e:*, in October 2024. The *N-VAN e:* realized both a sufficient practical range and a large cargo space required for commercial use through the adoption of a large-capacity battery, downsizing of the eAxle, and by minimizing the space occupied by components through a centralized layout of high-voltage components. In addition to realizing a range of 245 km^{*2} (152 miles) on a single charge in WLTC mode, which is sufficient for a delivery service, one of the main commercial uses of EVs, customer convenience was pursued with charging time of approximately 4.5 hours for normal charging (6.0 kW output) ^{*3} and approximately 30 minutes for fast charging (50 kW output)^{*4}. Moreover, the battery cooling and heating system inhibits battery performance degradation caused by the high or low temperatures, contributing to shorter charging time and longer range, especially during winter.

In North America, we presented the world premiere of two prototype models at CES 2025 which was held in Las Vegas, Nevada, the United States in January 2025, *Honda 0 Saloon* and *Honda 0 SUV*, representing two *Honda 0 Series* that will be introduced to global markets starting in 2026. Honda also introduced its original vehicle operating system (OS), the *ASIMO OS*, for *Honda 0 Series*.

The *Honda 0 Saloon*, the flagship model of the *Honda 0 Series*, will be based on the newly-developed dedicated EV architecture and will feature a number of next-generation technologies that will embody the “Thin, Light, and Wise” development approach of the *Honda 0 Series*. At CES 2025, Honda is focusing on introducing certain technologies and features that contribute to the “Wise” value of the *Honda 0 Saloon*. This includes the highly reliable AD (automated driving) technologies backed by the Level 3 AD technology, which Honda put into practical use for the first time in the world, as well as “ultra-personal optimization” that will offer a mobility experience customized for each individual user, which will become possible with the *ASIMO OS*. The production model of the *Honda 0 Saloon* is scheduled to be introduced first in the North American market in the future, then in global markets, including Japan and Europe.

In addition, the prototype of a mid-size EV SUV, which will be the first *Honda 0 Series*, achieved with an outstandingly clear and unrestricted field of view and great flexibility the interior space was further increased, and a spacious cabin by applying the “Thin, Light, and Wise” approach to an SUV. This model will offer the value of an “ever-advancing” space through the “ultra-personal optimization” and digital UX made possible by the *ASIMO OS*. Moreover, the *Honda 0 SUV* will apply high-precision attitude estimation and stabilization control based on 3D gyro sensors, technology Honda has amassed through the development of its original robotics technologies, to enable dynamics at the will of the driver on various types of road surfaces. The production model of the *Honda 0 SUV* is scheduled to be introduced first in North American market in the future, then in global markets, including Japan and Europe.

As a software platform, *ASIMO OS* will apply integrated control of electronic control units (ECUs) for vehicle systems such as automated driving/advanced driver assistance systems (AD/ADAS) and in-vehicle infotainment (IVI) system.

By constantly updating the in-vehicle software based on the *ASIMO OS* through over the air (OTA) updates even after the purchase of the vehicle, functions and services will be continuously advanced in accordance with the preferences and needs of each individual user. The functions and services subject to constant updates include

those which enhance the value of space and the digital UX, that ensures fun and comfortable mobility experience, and integrated control of dynamics unique to Honda, that determines the joy of driving, enabling the driver to feel at one with the vehicle. For example, in AD technology, *Honda 0 Series* will be equipped with a system that enables the expansion of the range of driving conditions where driver assistance and Level 3 AD will be available. This expansion will start with eyes-off technology available in traffic congestion on highways, then will continue through the OTA updates of the functions. With Level 3 AD, the vehicle will be in charge of driving, which will enable “a human driver to perform a second task while en route to their destination”, whether watching a movie or remotely joining a meeting. Honda will further advance its technologies and become the first automaker to expand the application of eyes-off functions to all driving situations, opening up new possibilities for mobility. We are planning to install *ASIMO OS* to *Honda 0 Series*, including production models of the *Honda 0 SUV* and *Honda 0 Saloon*.

Honda will continue to work to advance our efforts toward achieving carbon neutrality.

R&D expenditures in this segment incurred during the fiscal years ended March 31, 2023, 2024 and 2025 were ¥754.1 billion, ¥869.9 billion and ¥1,074.2 billion, respectively.

*1 For the 3-row variant

*2 Range per charge is measured under the specified test conditions.

WLTC (Worldwide harmonized Light vehicle Test Cycles) mode: Internationally standardized driving mode consisting of city, suburban and highway driving modes, with time allocated according to average use time.

*3 Regular charging: Approximate time it takes to fully charge the battery from the time the low charge warning light comes on.

*4 Fast charging: Approximate time it takes to charge the battery to 80% from the time the low charge warning light comes on.

Power Products and Other Businesses

In the Power products 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, we presented the world premiere of refreshed models of seven of its large-size outboard motors, *BF250*, *BF225*, *BF200*, *BF150*, *BF140*, *BF135* and *BF115*, at the Miami International Boat Show 2025, in Miami, the United States in February 2025. In terms of functionality, these refreshed models are equipped with enhanced support features for boat operation, including the addition of the all-new flash mount electronic remote-control system (DBW) and the 7-inch large-size multifunction display. The ergonomic design of the remote grip and the large display enable more intuitive operation. In addition to the “cruise control function” and the “trim support function,” which automatically controls the outboard based on the engine rpm and boat speed to maintain a pre-set trim angle (boat attitude), these refreshed models also feature the “automatic tilt function,” which fully tilts the outboard motor up/down automatically*¹. This enables the customer to enjoy a boating experience as smooth and comfortable as that realized. Moreover, the all-new *BF250*, *BF225* and *BF200* adopt an oxygen sensor to realize more precise control of the air-fuel ratio, which further improves fuel economy and environmental performance compared to the respective existing models, which were already at a top in class level*². Furthermore, the workability during maintenance is enhanced by adding a mechanism that prevents oil from leaking into the engine cover when changing the oil filter. These new models are scheduled to go on sale sequentially in Japan, North America, Europe, and Asia regions starting from mid-2025.

Other than outboard motors, we launched the improved *Miimo HRM2500 Live* and *Grass Miimo HRM4000 Live* models of the *Miimo series* of robot lawnmowers/grasscutters in July 2024. While maintaining the mowing performance and driving performance that have been well received by previous models, the new models have increased the number of area wire identification signals from one to four, enabling them to identify multiple adjacent work areas. This eliminates the mowing residue that used to occur when two or more *Miimo series* were used at the same time, and meets the need for more extensive lawn and grass mowing without hassle.

Moreover, we announced battery-powered walk-behind lawn mowers—*HRN*, *HRX* and *HRC* at “Equip Exposition 2024” where was held in Louisville in the United States in October 2024. *HRN*, *HRX* and *HRC* has Air-cooled, brushless electric motors. The motors feature a forced air system that drives fresh air over key components inside the motors allowing them to stay cooler and perform well in demanding outdoor operating conditions. The motors provide high torque that maintains RPMs. In addition, the motors are designed to combine high-power delivery with mid-level power consumption while providing a superior cut and bag fill. *HRN*, *HRX* and *HRC* are scheduled to go on sale in 2025.

Also, as for general-purpose engines, production of the *GX430*, a high-end model of the single-cylinder *GX series*, commenced in October 2024. With a displacement of 425 cm³, the *GX430* realized class-leading output performance while maintaining the durability and reliability of the *GX series* and a size compatible with the conventional *GX390* for installation. Designed for general use in construction machinery, agricultural machinery, generators, etc., it achieves a 10% increase in power output compared with the current *GX390* through a higher compression ratio and revised intake and exhaust port geometry. Furthermore, the increase in fuel consumption due to the higher displacement has been reduced to the same level as the current *GX390* through the intake and exhaust systems, cooling fan and other cooling system innovations. In terms of compliance with emission regulations, the *GX430* has already been approved for the second stage of China’s emission regulations and is scheduled to comply with the Japanese Land Internal Combustion Engine Association’s Tier III regulations for domestic use in the future. In addition, a higher output version is available for use exclusively with long-tail boats, which have been well received in South East Asia and South America, particularly in Thailand and the Philippines.

As part of our initiatives to achieve zero environmental impact, Honda and GoCimo, a Swedish start-up that operates rental and sharing service of electric motorcycles with swappable batteries, together have commenced a battery sharing service verification test in Malmö, Sweden in February 2025 for a period of one year. The test consists of *Honda Power Pack Exchanger e*: (battery swap station), located at three locations in Malmö, to be used to exchange *Honda Mobile Power Pack e*: (batteries) for the *EMI e*: (electric scooter commuter) sold by Honda in Europe. Beginning with this initiative, Honda aims to promote the electrification of motorcycles and the widespread use of swappable batteries in Europe by expanding battery sharing services using Honda products, mainly for business users, in major European cities, thus supporting the electrification of mobility and contributing to the realization of a low-carbon society.

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

In October 2024, the latest *HondaJet Elite II* became the world’s first production model twin turbine Very Light Jet equipped with autothrottle, following certification of the system by the Federal Aviation Administration (FAA), which now authorizes Honda to enable autothrottle functionality on production aircraft. Autothrottle is a system that automatically adjusts engine output and aircraft speed according to conditions set by the pilot. The system’s control supports the pilot’s throttle operation across various phase of flight, from take-off to landing, greatly reducing the pilot’s workload and increasing passenger comfort. Following the FAA approval, the autothrottle will first be newly introduced on aircraft destined for the United States. In the future, the introduction of the autothrottle will also be considered for other countries and regions, including Japan.

In addition, in February 2025, Honda officially began production of the first *HondaJet Echelon* test unit with the start of assembly of the aircraft’s wing structure in Greensboro, North Carolina, the United States. Honda’s production department began introducing specialized assembly lines, with tooling installation completed at the end of 2024, in anticipation of the future production of test aircraft for *HondaJet Echelon* type approval and the start of mass production in the future. Furthermore, in January 2025, the first flight was conducted using the flight simulator in the Advanced Systems Integration Test Facility (ASITF), and verification of key aircraft systems, including the flight control system, has commenced. In the future, Honda will accelerate its efforts to conduct the first flight of the test aircraft for type approval and to obtain type certification.

R&D expenditures in this segment during the fiscal years ended March 31, 2023, 2024 and 2025 were ¥27.5 billion, ¥26.4 billion and ¥32.8 billion, respectively.

*1 Operation to lift the outboard motor from the water surface or tilt it to the angle at which the boat can be operated.

*2 Honda internal research as of February 2025.

Research for next-generation technologies

In research for next-generation technologies, Honda unveiled the demonstration production line for all-solid-state batteries in November 2024, which is being developed independently by Honda toward mass production. The line was constructed on the property of Honda R&D Co., Ltd. (Sakura), located in Sakura City, Tochigi Prefecture, Japan. The demonstration line has a total floor area of approximately 27,400 m² (295,000 ft²), and is equipped with facilities and equipment that enable verification of each production process, including weighing and mixing of electrode materials, coating and roll pressing of electrode assembly and the formation of cells, and assembly of the module. Based on the conventional production process for liquid lithium-ion batteries, the Honda all-solid-state battery production process adopts a roll-pressing technique which will contribute to an increase in the density of the solid electrolyte layers, a process unique only to the production of all-solid-state batteries, and makes continuous pressing possible. With the adoption of the roll-pressing technique, Honda will strive to increase the degree of interfacial contact between the electrolyte and the electrodes and also increase overall productivity. Moreover, by consolidating and speeding up a series of assembly processes, including the bonding of positive and negative electrodes, Honda will strive to significantly reduce the production time per cell. Furthermore, Honda is also working to reduce indirect costs of battery production, including power consumption, by implementing various measures, including the establishment of production control technology that minimizes the low dew point environment necessary to ensure work safety and battery performance. While conducting technical verification to establish a mass production process on this demonstration line, Honda will determine the basic specifications of the battery cells, with an aim to begin applying its all-solid-state batteries to electrified models that will be introduced to market in the second half of the 2020s.

Honda made its first global release of specifications for *Honda Next Generation Fuel Cell Module* and *Honda Fuel Cell Power Generator* at H2 & FC EXPO – the 23rd Int'l Hydrogen & Fuel Cell Expo – which was held in February 2025 at Tokyo Big Sight, Japan. Mass production of the *Honda Next Generation Fuel Cell Module* is scheduled to begin in 2027 (fiscal year ending March 31, 2028), with mass production of the *Honda Fuel Cell Power Generator* scheduled to begin in 2026. The *Honda Next Generation Fuel Cell Module* is being independently developed by Honda as a successor to the current model Honda jointly developed with General Motors (GM). In addition to achieving a rated output of 150 kW, the *Honda Next Generation Fuel Cell Module* will feature half of the production cost and more than double the durability compared to the current model. Moreover, the module was downsized by increasing the volumetric power density* by more than three times, which increased the flexibility of installation layouts. By further expanding domains for application of the system and sales regions of this next-generation fuel cell module, Honda is striving to make a greater contribution to the realization of a sustainable, energy-oriented society. Furthermore, the *Honda Fuel Cell Power Generator*, scheduled for mass production in 2026, is a stationary power storage system capable of supplying hydrogen-derived, clean electricity to large facilities such as factories and offices. It utilizes the fuel cell also being used for the *Honda CR-V e:FCEV* fuel cell electric vehicle. The compact size of the *Honda Fuel Cell Power Generator* realized through the optimization of the design of its cooling system and internal layout enables flexible fit to the installation environments of each customer. Moreover, to promptly provide highly reliable backup power, the *Honda Fuel Cell Power Generator* is being developed to feature high responsiveness that enables it to begin supplying power within 10 seconds of startup. In addition to supplying power that accommodates the diverse power needs of customers through this product, Honda will contribute to the decarbonization initiatives of customers by offering comprehensive support ranging from product installation to after-sales service.

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

* The amount of electrical energy that can be output per unit volume.

Patents and Licenses

As of March 31, 2025, Honda owned more than 11,800 patents in Japan and more than 25,400 patents abroad. Honda also had applications pending for more than 4,700 patents in Japan and for more than 10,600 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

Not applicable.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Under a “company with three committees” corporate governance system (the “Three Committees system”) pursuant to the Company Law, 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.

The status of members of the Board of Directors as of the date of filing of this Form 20-F is as follows:

Members of the Board of Directors

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)	Joined Honda Motor Co., Ltd. in April 1987 Operating Officer, appointed in April 2014 Executive in Charge of Powertrain Business for Automobile Operations, appointed in April 2014 Head of Powertrain Production Supervisory Unit of Automobile Production for Automobile Operations, appointed in April 2014 Executive in Charge of Powertrain Business and Drivetrain Business for Automobile Operations, appointed in April 2015 Head of Drivetrain Business Unit in Automobile Production for Automobile Operations, appointed in April 2015 Senior Managing Officer and Director of Honda R&D Co., Ltd., appointed in April 2016 Managing Officer of the Company, appointed in April 2018 Executive Vice President and Director of Honda R&D Co., Ltd., appointed in April 2018	*2	122,800

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
	President and Representative Director of Honda R&D Co., Ltd., appointed in April 2019		
	In Charge of Intellectual Property and Standardization of the Company, appointed in April 2019		
	Senior Managing Officer, appointed in April 2020		
	In Charge of Mono-zukuri (Research & Development, Production, Purchasing, Quality, Parts, Service, Intellectual Property, Standardization and IT), appointed in April 2020		
	Risk Management Officer, appointed in April 2020		
	Senior Managing Director, appointed in June 2020		
	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)		
	Chairperson of the Board of Directors, appointed in April 2024 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Noriya Kaihara (August 4, 1961)	<p>Joined Honda Motor Co., Ltd. in April 1984</p> <p>General Manager of Automobile Quality Assurance Division, appointed in April 2012</p> <p>Operating Officer, appointed in April 2013</p> <p>Chief Quality Officer, appointed in April 2013</p> <p>Operating Officer and Director, appointed in June 2013</p> <p>Chief Officer for Customer Service Operations, appointed in April 2014</p> <p>Head of Service Supervisory Unit for Automobile Operations, appointed in April 2014</p> <p>Chief Officer for Customer First Operations, appointed in April 2016</p> <p>Operating Officer (resigned from position as Director), appointed in June 2017</p> <p>Managing Officer, appointed in April 2018</p> <p>Chief Officer for Purchasing Operations, appointed in April 2018</p> <p>Head of Business Supervisory Unit for Automobile Operations, appointed in April 2020</p> <p>Chief Officer for Customer First Operations, appointed in April 2021</p> <p>Risk Management Officer, appointed in April 2021</p> <p>Managing Executive Officer, appointed in June 2021</p> <p>Managing Officer, appointed in October 2021</p> <p>Chief Officer for Regional Operations (North America), appointed in October 2021</p> <p>President, Chief Executive Officer and Director of American Honda Motor Co., Inc., appointed in October 2021</p> <p>Senior Managing Executive Officer of the Company, appointed in April 2023</p> <p>Director, Senior Managing Executive Officer, appointed in June 2023</p>	*2	92,900

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
	<p>Director, Executive Vice President and Representative Executive Officer, appointed in April 2024 (presently held)</p> <p>Compliance and Privacy Officer, appointed in April 2024 (presently held)</p> <p>Culture Transformation Officer, appointed in April 2025 (presently held)</p>		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Director, Managing Executive Officer</i>			
Eiji Fujimura (September 1, 1970)	<p>Joined Honda Motor Co., Ltd. in April 1993</p> <p>General Manager of Finance Division for Business Management Operations, appointed in April 2017</p> <p>General Manager of Regional Operation Planning Division for Regional Operations (North America), appointed in April 2019</p> <p>Operating Executive, appointed in April 2021</p> <p>Chief Officer for Business Management Operations and General Manager of Accounting Division for Business Management Operations, appointed in April 2021</p> <p>Head of Accounting and Finance Supervisory Unit, appointed in April 2022</p> <p>Executive Officer, appointed in April 2023</p> <p>Chief Financial Officer, appointed in April 2023 (presently held)</p> <p>Chief Officer for Corporate Management Operations, appointed in April 2023 (presently held)</p> <p>Managing Executive Officer, appointed in April 2024</p> <p>Director, Managing Executive Officer, appointed in June 2024 (presently held)</p> <p>Compensation Committee Member, appointed in June 2024 (presently held)</p>	*2	9,000

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Directors</i>			
Asako Suzuki (January 28, 1964)	<p>Joined Honda Motor Co., Ltd. in April 1987</p> <p>President of Dongfeng Honda Automobile Co., Ltd., appointed in April 2014</p> <p>Operating Officer of the Company, appointed in April 2016</p> <p>Vice Chief Officer for Regional Operations (Japan), appointed in April 2018</p> <p>Chief Officer for Human Resources and Corporate Governance Operations, appointed in April 2019</p> <p>Operating Executive, appointed in April 2020</p> <p>Director, appointed in June 2021 (presently held)</p> <p>Full-time Audit Committee Member, appointed in June 2021 (presently held)</p>	*2	85,600
Jiro Morisawa (February 24, 1967)	<p>Joined Honda Motor Co., Ltd. in April 1989</p> <p>General Manager of Regional Operation Planning Office for Regional Operations (Japan), appointed in April 2016</p> <p>General Manager of Accounting Division for Business Management Operations, appointed in April 2017</p> <p>Vice Chief Officer for Business Management Operations and General Manager of Accounting Division for Business Management Operations, appointed in April 2018</p> <p>Operating Officer, appointed in April 2019</p> <p>Chief Officer for Business Management Operations, appointed in April 2019</p> <p>Operating Executive, appointed in April 2020</p> <p>Chief Officer for Business Management Operations, appointed in April 2020</p> <p>President and Director of American Honda Finance Corporation, appointed in April 2021</p> <p>Director of the Company, appointed in June 2024 (presently held)</p> <p>Full-time Audit Committee Member, appointed in June 2024 (presently held)</p>	*2	37,170

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kunihiko Sakai *1 (March 4, 1954)	<p>Public Prosecutor of Tokyo District Public Prosecutors' Office, appointed in April 1979</p> <p>Superintending Prosecutor of Takamatsu High Public Prosecutors' Office, appointed in July 2014</p> <p>Superintending Prosecutor of Hiroshima High Public Prosecutors' Office, appointed in September 2016 (resigned in March 2017)</p> <p>Registered with the Dai-Ichi Tokyo Bar Association in April 2017</p> <p>Advisor Attorney to TMI Associates, appointed in April 2017 (presently held)</p> <p>Audit and Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd., appointed in June 2018 (presently held)</p> <p>Director (Audit and Supervisory Committee Member) of the Company, appointed in June 2019</p> <p>Director, appointed in June 2021 (presently held)</p> <p>Nominating Committee Member, appointed in June 2021 (presently held)</p> <p>Audit Committee Member, appointed in June 2021 (presently held)</p>	*2	7,000
Fumiya Kokubu *1 (October 6, 1952)	<p>Joined Marubeni Corporation in April 1975</p> <p>President and CEO, Member of the Board of Marubeni Corporation, appointed in April 2013</p> <p>Chairman of the Board of Marubeni Corporation, appointed in April 2019</p> <p>Outside Director of Taisei Corporation, appointed in June 2019 (presently held)</p> <p>Director of the Company, appointed in June 2020 (presently held)</p> <p>Nominating Committee Member (Chairperson), appointed in June 2021 (presently held)</p> <p>Compensation Committee Member, appointed in June 2021 (presently held)</p> <p>Chairperson of Japan Machinery Center for Trade and Investment, appointed in May 2022 (presently held)</p> <p>Chairman of Japan Foreign Trade Council, Inc., appointed in May 2022 (resigned in May 2024)</p> <p>Director, Member of the Board, Executive Corporate Advisor of Marubeni Corporation, appointed in April 2025 (presently held)</p>	*2	5,400

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Yoichiro Ogawa *1 (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>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>	*2	4,000

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kazuhiro Higashi *1 (April 25, 1957)	<p>Joined Resona Group in April 1982</p> <p>Director, President and Representative Executive Officer of Resona Holdings, Inc., appointed in April 2013</p> <p>Representative Director, President and Executive Officer of Resona Bank, Limited, appointed in April 2013</p> <p>Chairman of Osaka Bankers Association, appointed in June 2013 (resigned in June 2014)</p> <p>Chairman of the Board, President, and Representative Director of Resona Bank, Limited, appointed in April 2017</p> <p>Chairman of Osaka Bankers Association, appointed in June 2017 (resigned in June 2018)</p> <p>Chairman of the Board, President, Representative Director and Executive Officer of Resona Bank, Limited, appointed in April 2018</p> <p>Chairman and Director of Resona Holdings, Inc., appointed in April 2020 (resigned in June 2022)</p> <p>Chairman and Director of Resona Bank, Limited, appointed in April 2020 (resigned in June 2022)</p> <p>Outside Director of Sompo Holdings, Inc., appointed in June 2020 (presently held)</p> <p>Director of the Company, appointed in June 2021 (presently held)</p> <p>Nominating Committee Member, appointed in June 2021 (presently held)</p> <p>Compensation Committee Member (Chairperson), appointed in June 2021 (presently held)</p> <p>Senior Advisor of Resona Holdings, Inc., appointed in June 2022 (presently held)</p> <p>Senior Advisor of Resona Bank, Limited., appointed in June 2022 (presently held)</p>	*2	4,000

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Ryoko Nagata *1 (July 14, 1963)	<p>Joined Japan Tobacco Inc. in April 1987</p> <p>Executive Officer of Japan Tobacco Inc., appointed in June 2008</p> <p>Standing Audit & Supervisory Board Member of Japan Tobacco Inc., appointed in March 2018 (resigned in March 2023)</p> <p>Director of the Company, appointed in June 2021 (presently held)</p> <p>Audit Committee Member, appointed in June 2021 (presently held)</p> <p>External Corporate Auditor of Medley, Inc., appointed in March 2023 (presently held)</p> <p>Outside Director of UACJ Corporation, appointed in June 2023 (presently held)</p>	*2	4,000
Mika Agatsuma *1 (June 8, 1964)	<p>Joined IBM Japan, Ltd. in April 1987</p> <p>Vice President of IBM Japan, Ltd., appointed in August 2017</p> <p>In Charge of Cloud Application Innovation for Global Business Services of IBM Japan, Ltd., appointed in August 2017</p> <p>Managing Partner of IBM Japan, Ltd., appointed in October 2022 (resigned in March 2024)</p> <p>In Charge of Hybrid Cloud Services for IBM Consulting of IBM Japan, Ltd., appointed in October 2022</p> <p>In Charge of Hybrid Cloud Platform for IBM Consulting of IBM Japan, Ltd., appointed in June 2023</p> <p>Director of the Company, appointed in June 2024 (presently held)</p> <p>Nominating Committee Member, appointed in June 2024 (presently held)</p> <p>Outside Director of SQUARE ENIX HOLDINGS CO., LTD., appointed in June 2024 (presently held)</p> <p>Executive Corporate Officer of ID Holdings Corporation, appointed in October 2024 (presently held)</p>	*2	600

*1 Directors Mr. Kunihiko Sakai, Mr. Fumiya Kokubu, Mr. Yoichiro Ogawa, Mr. Kazuhiro Higashi, Ms. Ryoko Nagata and Ms. Mika Agatsuma are Outside Directors.

*2 The term of office of a Director is until at the close of the Ordinary General Meeting of Shareholders of the fiscal year ended March 31, 2025 after his/her election to office at the close of the Ordinary General Meeting of Shareholders on June 19, 2024.

*3 The Company is proposing the “Election of twelve Directors” as an agenda item (resolution item) for the Ordinary General Meeting of Shareholders to be held on June 19, 2025. If the agenda item is approved, all Directors listed in the table above (Mr. Toshihiro Mibe, Mr. Noriya Kaihara, Mr. Eiji Fujimura,

Ms. Asako Suzuki, Mr. Jiro Morisawa, Mr. Kunihiko Sakai, Mr. Fumiya Kokubu, Mr. Yoichiro Ogawa, Mr. Kazuhiro Higashi, Ms. Ryoko Nagata and Ms. Mika Agatsuma) will continue to serve as Directors. The term of office of each re-elected Director will extend until the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2026.

In addition, the Company is proposing the “Election of twelve Directors” as an agenda item (resolution item) for the Ordinary General Meeting of Shareholders to be held on June 19, 2025. If the agenda item is approved, the following additional director will be elected:

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Director, Senior Managing Executive Officer (proposed)</i>			
Katsushi Inoue (October 22, 1963)	<p>Joined Honda Motor Co., Ltd. in April 1986</p> <p>President and Chief Executive Officer of Honda Cars India Ltd., appointed in April 2015</p> <p>Operating Officer of the Company, appointed in April 2016</p> <p>Chief Officer for Regional Operations (Europe), appointed in April 2016</p> <p>President and Director of Honda Motor Europe Ltd., appointed in April 2016</p> <p>Managing Officer of the Company, appointed in April 2020</p> <p>Chief Officer for Regional Operations (China), appointed in April 2020</p> <p>President of Honda Motor (China) Investment Co., Ltd., appointed in April 2020</p> <p>President of Honda Motor (China) Technology Co., Ltd., appointed in April 2020</p> <p>Senior Managing Executive Officer of the Company, appointed in April 2023 (presently held)</p> <p>Chief Officer for Electrification Business Development Operations, appointed in April 2023</p> <p>Chief Officer for Automobile Operations, appointed in April 2025 (presently held)</p> <p>Risk Management Officer, appointed in April 2025 (presently held)</p> <p>Director, Senior Managing Executive Officer, appointed in June 2025 (proposed)</p>	*4	58,400

*4 If elected, the term of office of the Director above will commence and expire at the close of the Ordinary General Meeting of Shareholders of the fiscal year ending March 31, 2026.

Composition of the Three Committees under the Board of Directors

●: Chairperson ○: Member

Director's Name	Nominating Committee	Audit Committee	Compensation Committee
Toshihiro Mibe	○		
Eiji Fujimura			○
Asako Suzuki		○	
Jiro Morisawa		○	
Kunihiko Sakai	○	○	
Fumiya Kokubu	●		○
Yoichiro Ogawa		●	○
Kazuhiro Higashi	○		●
Ryoko Nagata		○	
Mika Agatsuma	○		

The composition of the Three Committees as of the date of filing of this Form 20-F is expected to remain unchanged following the resolution of the Ordinary General Meeting of Shareholders to be held on June 19, 2025.

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

In addition to the Executive Officers listed below, Mr. Katsushi Inoue also serves as an Executive Officer. Mr. Inoue has been proposed as a candidate for election to the Board of Directors at the Ordinary General Meeting of Shareholders to be held on June 19, 2025. See “Members of the Board of Directors.”

Name (Date of birth)	Current Positions and Biographies with Registrant	Number of Term	Shares Owned
Managing Executive Officers			
Keiji Ohtsu (July 7, 1964)	Joined Honda R&D Co., Ltd. in April 1983 Managing Officer of Honda R&D Co., Ltd., appointed in April 2014 Operating Officer of the Company, appointed in April 2018 Chief Quality Officer, appointed in April 2018 Operating Executive, appointed in April 2020 Chief Officer for Quality Innovation Operations, appointed in April 2020 In Charge of Certification & Regulation Compliance Division, appointed in April 2020 In Charge of Quality & Compliance Audit Division, appointed in April 2020 Managing Officer, appointed in April 2021 President and Representative Director of Honda R&D Co., Ltd., appointed in April 2021 (presently held) Managing Executive Officer of the Company, appointed in June 2021 (presently held)	*5	76,700

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Masayuki Igarashi (July 6, 1963)	<p>Joined Honda Motor Co., Ltd. in April 1988</p> <p>Director of Asian Honda Motor Co., Ltd., appointed in April 2014</p> <p>Operating Officer of the Company, appointed in April 2015</p> <p>Chief Operating Officer for Power Product Operations, appointed in April 2015</p> <p>Operating Officer and Director, appointed in June 2015</p> <p>Executive Vice President and Director of Honda North America, Inc., appointed in April 2017</p> <p>Executive Vice President and Director of American Honda Motor Co., Inc., appointed in April 2017</p> <p>Operating Officer of the Company, appointed in June 2017</p> <p>Chief Officer for Regional Operations (Asia & Oceania), appointed in April 2018</p> <p>President and Chief Executive Officer of Asian Honda Motor Co., Ltd., appointed in April 2018</p> <p>Operating Executive of the Company, appointed in April 2020</p> <p>Managing Officer, appointed in April 2022</p> <p>Managing Executive Officer, appointed in April 2023 (presently held)</p> <p>Chief Officer for Regional Operations (China), appointed in April 2023 (presently held)</p> <p>President of Honda Motor (China) Investment Co., Ltd., appointed in April 2023 (presently held)</p> <p>President of Honda Motor (China) Technology Co., Ltd., appointed in April 2023 (presently held)</p>	*5	93,800

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kensuke Oe (May 11, 1967)	Joined Honda Motor Co., Ltd. in April 1990	*5	14,600
	In Charge of Manufacturing of Honda Canada Inc., appointed in April 2018		
	Operating Executive of the Company, appointed in April 2020		
	General Manager of Saitama Factory in Production Supervisory Unit for Automobile Operations, appointed in April 2020		
	Head of Production Engineering Supervisory Unit in Mono-zukuri Center for Automobile Operations, appointed in April 2021		
	Managing Officer, appointed in April 2022		
	Head of Production Unit for Automobile Operations, appointed in April 2022		
	Managing Executive Officer, appointed in April 2023 (presently held)		
Manabu Ozawa (May 12, 1965)	President and Director, Honda Development & Manufacturing of America, LLC, appointed in April 2024 (presently held)	*5	9,000
	Joined Honda Motor Co., Ltd. in April 1989		
	Managing Director of Honda R&D Co., Ltd., appointed in April 2019		
	Operating Executive of the Company, appointed in April 2020		
	Head of Corporate Planning Supervisory Unit, appointed in April 2020		
	Director for Honda Innovation Inc., appointed in April 2020		
	Managing Executive Officer of the Company, appointed in April 2023 (presently held)		
	Chief Officer for Corporate Strategy Operations, appointed in April 2023 (presently held)		
Chief Officer for Traffic Safety Promotion Operations, appointed in April 2024 (presently held)			

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Hironao Ito (December 27, 1966)	<p>Joined Honda Motor Co., Ltd. in April 1989</p> <p>Managing Director of Honda R&D Co., Ltd., appointed in April 2019</p> <p>Operating Executive of the Company, appointed in April 2020</p> <p>Head of Digital Transformation Supervisory Unit, appointed in April 2020</p> <p>Head of IT Operations, appointed in April 2021</p> <p>Head of Digital Supervisory Unit, appointed in April 2022</p> <p>Deputy General Manager of Mono-zukuri Center for Automobile Operations, appointed in April 2022</p> <p>Vice Chief Officer for Automobile Operations, appointed in June 2022</p> <p>Managing Executive Officer, appointed in April 2023 (presently held)</p> <p>Head of BEV Development Center for Electrification Business Development Operations, appointed in April 2023</p> <p>Head of Automobile Development Center for Automobile Operations, appointed in April 2023</p> <p>Director of Honda R&D Co., Ltd., appointed in April 2023</p> <p>Chief Development Officer of the Company, appointed in April 2024</p> <p>Executive in Charge of Government and Industry Relations, Japan Automobile Manufacturers Association, Inc. (JAMA) for Corporate Strategy Operations, appointed in April 2025 (presently held)</p>	*5	9,600

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Ayumu Matsuo (September 28, 1965)	<p>Joined Honda Motor Co., Ltd. in April 1991</p> <p>Managing Director of Honda R&D Co., Ltd., appointed in April 2020</p> <p>Operating Executive of the Company, appointed in April 2021</p> <p>Chief Officer, Quality Innovation Operations, appointed in April 2021</p> <p>Executive in Charge of Certification & Regulation Compliance Division, appointed in April 2021</p> <p>Executive in Charge of Quality & Compliance Audit Division, appointed in April 2021</p> <p>Head of Quality Innovation Unit, appointed in April 2022</p> <p>Executive in Charge of Certification & Regulation Compliance Division, appointed in April 2022</p> <p>Executive in Charge of Quality & Compliance Audit Division, appointed in April 2022</p> <p>Head of Supply Chain & Purchasing Unit, Automobile Operations, appointed in April 2023</p> <p>Executive Officer, appointed in April 2024</p> <p>Chief Officer for Supply Chain & Purchasing Operations, appointed in April 2024 (presently held)</p> <p>Managing Executive Officer, appointed in April 2025 (presently held)</p>	*5	9,500
Kazuhiro Takizawa (March 29, 1968)	<p>Joined Honda Motor Co., Ltd. in April 1990</p> <p>General Manager of Europe Automobile Division for Regional Operations (Europe, Africa and the Middle East), appointed in April 2022</p> <p>Operating Executive, appointed in April 2023</p> <p>Vice Chief Officer for Regional Operations (North America), appointed in April 2023</p> <p>EVP of American Honda Motor Co., Inc., appointed in April 2023</p> <p>Executive Officer of the Company, appointed in April 2024</p> <p>Chief Officer for Regional Operations (North America), appointed in April 2024 (presently held)</p> <p>President, Chief Executive Officer and Director of American Honda Motor Co., Inc., appointed in April 2024 (presently held)</p> <p>Managing Executive Officer, appointed in April 2025 (presently held)</p>	*5	13,400

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<i>Executive Officers</i>			
Minoru Kato (December 17, 1965)	Joined Honda Motor Co., Ltd. in April 1988	*5	9,000
	President of Honda Motorcycle and Scooter India Pvt. Ltd., appointed in April 2017		
	Operating Executive of the Company, appointed in April 2020		
	Chief Officer for Life Creation Operations, appointed in May 2020		
	Head of Power Products Business Supervisory Unit, Motorcycle and Power Products Operations, appointed in April 2022		
	Head of Motorcycle Business Unit, Motorcycle and Power Products Operations, appointed in April 2023 (presently held)		
	Executive Officer, appointed in April 2024 (presently held)		
Yutaka Tamagawa (April 23, 1966)	Chief Officer for Motorcycle and Power Products Operations, appointed in April 2024 (presently held)	*5	9,000
	Joined Honda Motor Co., Ltd. in April 1990		
	Operating Officer of Honda R&D Co., Ltd., appointed in April 2018		
	Operating Executive of the Company, appointed in April 2020		
	Electronic Control Development Supervisory Unit of Mono-zukuri Center for Automobile Operations, appointed in April 2020		
	Head of Software Defined Mobility Development Supervisory Unit for Business Development Operations, appointed in April 2022		
	Head of Quality Innovation Unit, appointed in April 2023		
	Executive in Charge of Certification & Regulation Compliance Division, appointed in April 2023		
	Executive in Charge of Quality & Compliance Audit Division, appointed in April 2023		
	Executive Officer, appointed in April 2024 (presently held)		
Chief Officer for Quality Innovation Operations, appointed in April 2024 (presently held)			

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Katsuto Hayashi (October 20, 1969)	Joined Honda Motor Co., Ltd. in April 1992	*5	9,000
	General Manager of Business Strategy Division for Business Supervisory Unit for Automobile Operations, appointed in October 2021		
	Operating Executive, appointed in April 2022		
	Head of Automobile Business Strategy Unit for Electrification Business Development Operations, appointed in April 2023		
	Executive Officer, appointed in April 2024 (presently held)		
	Chief Officer for Automobile Operations, appointed in April 2024		
	Chief Officer for Regional Operations (Associated Regions), appointed in April 2024 (presently held)		
Takashi Onuma (September 11, 1973)	Executive in Charge of Sales & Customer First for Automobile Operations, appointed in April 2025 (presently held)	*5	9,000
	Joined Honda Motor Co., Ltd. in July 2000		
	Senior Vice President, Honda Development & Manufacturing of America, LLC, appointed in April 2021		
	Operating Executive of the Company, appointed in April 2022		
	EVP of Honda Development & Manufacturing of America, LLC, appointed in April 2022		
	Deputy Head of Automobile Development Center for Automobile Operations of the Company, appointed in April 2023		
	Head of Production Engineering Unit, appointed in April 2023		
	Head of ICE Automobile Development Unit, appointed in April 2023		
	Executive Officer, appointed in April 2024 (presently held)		
	Chief Officer for Automobile Production Operations, appointed in April 2024 (presently held)		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Daiki Mihara (June 27, 1969)	<p>Joined Honda Motor Co., Ltd. in March 2004</p> <p>President of Honda Philippines Inc., appointed in April 2015</p> <p>General Manager of Business Planning Division for Motorcycle Operations of the Company, appointed in April 2018</p> <p>President of Honda Vietnam Co., Ltd., appointed in April 2021</p> <p>Operating Executive of the Company, appointed in April 2023</p> <p>Head of Motorcycle and Power Products Electrification Business Development Unit for Electrification Business Development Operations, appointed in April 2023</p> <p>Head of Motorcycle and Power Products Electrification Business Unit for Electrification Business Development Operations, appointed in April 2024</p> <p>Executive Officer, appointed in April 2025 (presently held)</p> <p>Executive in Charge of Motorcycle and Power Products Electrification Business for Motorcycle and Power Products Operations, appointed in April 2025 (presently held)</p> <p>Head of Motorcycle and Power Products Electrification Business Unit for Motorcycle and Power Products Operations, appointed in April 2025 (presently held)</p>	*5	9,000

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Toshihiro Akiwa (July 2, 1972)	<p>Joined Honda Motor Co., Ltd. in April 1996</p> <p>General Manager of Power Unit Planning & Management Division, Power Unit Development Supervisory Unit, Mono-zukuri Center, Automobile Operations, appointed in April 2020</p> <p>Operating Executive, appointed in April 2021</p> <p>Executive Vice President of Honda Motor (China) Investment Co., Ltd., appointed in April 2021</p> <p>Executive Vice President of Honda Motor (China) Technology Co., Ltd. appointed in April 2021</p> <p>Deputy Head of BEV Development Center for Electrification Business Development Operations of the Company, appointed in April 2023</p> <p>Head of BEV Planning Unit, BEV Development Center for Electrification Business Development Operations, appointed in April 2024</p> <p>Executive Officer, appointed in April 2025 (presently held)</p> <p>Chief Officer for Automobile Development Operations, appointed in April 2025 (presently held)</p> <p>Director of Honda R&D Co., Ltd., appointed in April 2025 (presently held)</p>	*5	9,000

*5 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 ended March 31, 2025 after his/her appointment to office. The Company expects that each of its Executive Officers to be reappointed at the first Board of Directors meeting held after the Ordinary General Meeting of Shareholders of the fiscal year ended March 31, 2025. If reappointed, the term of office of each Executive Officer will extend until the conclusion of the first Board of Directors meeting held following the Ordinary General Meeting of Shareholders of the fiscal year ending March 31, 2026.

*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 or Executive Officer and any other Director or Executive 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 achieving the management from the perspective of 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. In setting remuneration levels from the fiscal year ending March 31, 2026 onwards, in order to respond to accelerating changes in the global environment, the Company revised the peer group to include global companies in the automobile and software industries that compete with the Company in terms of business and human resources.

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.

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 and Executive Officer	Executive Vice President and Executive Officer	Senior Managing Executive Officer	Managing Executive Officer	Executive Officer
Monthly remuneration	Fixed	—	Cash	Monthly	25%	35%	40%	50%	
STI	Short-term performance-based remuneration	0 to 180%	Cash	Annually	25%	30%	30%	25%	
LTI	Medium- to long-term performance-based remuneration	40 to 240%	Stock	One year after the annual stock points are granted with restriction on transfer until retirement	50%	35%	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%

STI payment	=	Standard STI	x	Company's performance coefficient	x	Individual performance coefficient
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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 April each year, and shares equivalent to the points based on performance are granted one year after the points are awarded. Furthermore, a restriction period on transfer is placed on the granted shares. In principle, such restriction on transfer is lifted at the time of retirement from both of the Company's Director and Executive Officer. Any share of the Company acquired as LTI shall be continuously held, throughout their term of office and for one year after their retirements.

Performance evaluations are based on key indicators that measure the degree of contribution to increasing corporate value over the mid- to long-term aiming to accelerate commitment to the key themes and further support the creation of both social and economic value. KPIs for financial indicators are the consolidated operating profit margin and profit for the year attributable to owners of the parent, which are important indicators that should be addressed to achieve the ROIC target set for the fiscal year ending March 31, 2031 described in Item 4. “Information on the Company-B. Business Overview-Preparing for the Future-‘Financial Strategy.” KPIs for non-financial indicators are directly linked to key themes: brand value, total CO₂ emissions, and associate engagement. KPIs for stock indicators are the total shareholder return, which is an indicator that reflects the market evaluation of our creation of both social and economic value. Remuneration varies from 40 to 240% depending on the performance of each evaluation year.

KPIs		Evaluation method	Weight	Fluctuation
Financial indicators	Consolidated operating profit margin	Evaluated based on degree of achievement of targets	60%	40 to 240%
	Profit for the year attributable to owners of the parent			
Non-financial indicators	Brand value		20%	
	Total CO ₂ emissions			
	Associate Engagement			
Stock indicator	Total Shareholder Return		Evaluation based on relative comparison with the dividend-inclusive TOPIX growth rate for the fiscal year	

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

- Brand value: Survey of the Company’s brand value by a third-party research firm
- Total CO₂ emissions: The amount of CO₂ emissions from corporate activities and products based on CO₂ emissions calculation methods used commonly in Japan (and globally)
- Associate Engagement: Survey of employee activeness in each region by a third-party research firm

(LTI before the fiscal year ended March 31, 2024)

Points are granted according to the base amount for each position in April each year, and shares equivalent to the points linked to performance are granted three years after the points are awarded. Therefore, the Company’s performance up to the fiscal year ending March 31, 2026, will be reflected in LTI up to the fiscal year ended March 31, 2024. Furthermore, a restriction period on transfer is placed on the granted shares. In principle, such restriction on transfer is lifted at the time of retirement from both Company’s Director and Executive Officer. Any share of the Company acquired as LTI shall be continuously held, throughout their term of office and for one year after their retirement.

Performance evaluations are based on key indicators that measure the degree of contribution to increasing corporate value over the medium to long term. KPIs for financial indicators are consolidated operating profit margin and consolidated profit before income taxes, 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 employee activeness, which vary from 50 to 150% depending on the degree of achievement of the target values for the year under evaluation.

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

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

- Brand value: Survey of motorcycle/automobile/power products businesses by a third-party research firm
- SRI index: Dow Jones Sustainability World Index
- Employee activeness: 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 for the fiscal year ended March 31, 2025, STI was increased by 11.1% compared to the base amount. For LTI, the evaluation period is from the fiscal year ended March 31, 2023 to the fiscal year ended March 31, 2025, and the points granted in the fiscal year ended March 31, 2023 were paid with a performance-linked coefficient of 105%, while the points granted in the fiscal year ended March 31, 2025 were paid with a performance-linked coefficient of 84%.

Recovery of Erroneously Awarded Compensation

In accordance with the rules of the United States Securities and Exchange Commission and the New York Stock Exchange, the Company has implemented a policy to recover erroneously awarded incentive-based compensation.

Under this policy, in the event that the Company is required to prepare a restatement of the financial statements, the Company shall, in principle, reasonably and promptly cause the return of all of the portion of the STI and LTI paid or granted to the Company's Executive Officers exceeding what would have been paid or granted based on the restated financial statements. In addition, in the event that an Executive Officer of the Company commits certain misconduct, derelictions of duty, violations of the laws, or similar actions, the Company shall reasonably and promptly, as determined by the Compensation Committee, cause the return of part or all of the STI and LTI paid or granted to such Executive Officer.

The compensation subject to recovery includes STI and LTI paid or granted during the fiscal year in which a restatement of the financial statements is required or other causes for recovery arose, and the preceding three fiscal years. The Company's policy to recover extends to Executive Officers who served as such during such period, even if they have since resigned from the position. Furthermore, LTI subject to recovery includes points awarded before the issuance of shares and shares during the transfer restriction period.

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 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 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 seven times for the fiscal year ended March 31, 2025, with all members present at each meeting.

The main matters discussed during the fiscal year ended March 31, 2025 are as follows.

- Basic policies and annual activity plans
- Compensation evaluation for Directors and Executive Officers
- LTI and share delivery rules
- Policy to recover erroneously awarded compensation
- Remuneration level, etc.

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, 2025 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, 2025 was ¥1,176 million. This amount includes fixed monthly remuneration paid to two Directors who retired during the fiscal year ended March 31, 2025. This also includes the amounts paid to one Director who had concurrently served as Executive Officer and resigned as of April 7, 2025. However, with respect to this individual, the Compensation Committee resolved at its meeting held on April 24, 2025, that, in accordance with the Company's clawback policy, STI and LTI for the fiscal year ended March 31, 2025 being the period of the execution of duties will not be paid to the Director who had concurrently served as Executive Officer. Further, LTI for which the performance evaluation period had not ended at the time of resignation, was forfeited in accordance with the terms of the Stock Grant Regulations governing such LTI. The amount of fixed monthly remuneration paid to Executive Officers includes the amount of fixed monthly remuneration paid to the Executive Officers who were also Directors of subsidiaries 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, 2025 were ¥471 million and ¥380 million, respectively. The total amount of LTI includes LTI paid to one Executive Officer who retired during the fiscal year ended March 31, 2025.

The amounts of fixed monthly remuneration paid, STI and LTI accrued during the fiscal year ended March 31, 2025 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	4	¥ 151	—	¥ —	—	¥ —	¥ 151
Outside Directors	6	103	—	—	—	—	103
Executive Officers	16	922	15	471	14	380	1,773
Total	26	¥1,176	15	¥471	14	¥380	¥2,027

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

** The LTI for which the performance evaluation period had not ended at the time of resignation of one director, was forfeited upon the resignation. However, as such LTI had been accrued over prior fiscal years, the amount remains included in the total disclosed above.

The amount of fixed monthly remuneration paid to Toshihiro Mibe during the fiscal year ended March 31, 2025 was ¥94 million. The amount of STI and LTI for Toshihiro Mibe accrued for the fiscal year ended March 31, 2025 were ¥115 million and ¥207 million, respectively.

The amount of fixed monthly remuneration paid to Noriya Kaihara during the fiscal year ended March 31, 2025 was ¥80 million. The amount of STI and LTI for Noriya Kaihara accrued for the fiscal year ended March 31, 2025 were ¥75 million and ¥55 million, respectively.

The amount of fixed monthly remuneration paid to Katsushi Inoue during the fiscal year ended March 31, 2025 was ¥44 million. The amount of STI and LTI for Katsushi Inoue accrued for the fiscal year ended March 31, 2025 were ¥40 million and ¥29 million, respectively.

The amount of fixed monthly remuneration paid to Masayuki Igarashi during the fiscal year ended March 31, 2025 was ¥100 million. The amount of STI for Masayuki Igarashi accrued for the fiscal year ended March 31, 2025 was ¥23 million.

The amount of fixed monthly remuneration paid to Kensuke Oe during the fiscal year ended March 31, 2025 was ¥98 million. The amount of STI for Kensuke Oe accrued for the fiscal year ended March 31, 2025 was ¥21 million.

The amount of fixed monthly remuneration paid to Kazuhiro Takizawa during the fiscal year ended March 31, 2025 was ¥109 million. The amount of STI for Kazuhiro Takizawa accrued for the fiscal year ended March 31, 2025 was ¥18 million.

The Board Incentive Plan

For the fiscal year ended March 31, 2019, the Company resolved to introduce a stock compensation scheme (the “Scheme”) for the purpose of further enhancing Executive 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 for the fiscal year ended March 31, 2022 and for the fiscal year ended March 31, 2025.

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 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 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 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, 2027
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	1,940 million yen (including trust fees and trust expenses)
Timing of acquisition of shares	July 26, 2024
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

2,603,000 shares (Total number of shares scheduled to be acquired for three fiscal years from the fiscal year ended March 31, 2025)

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

Executive Officers 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, 2023, 2024 and 2025.

As of March 31, 2023

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Power Products and Other Businesses</u>
<u>197,039</u>	<u>45,813</u>	<u>139,999</u>	<u>2,340</u>	<u>8,887</u>

As of March 31, 2023, Honda had 197,039 full-time employees, including 134,193 local nationals employed in its overseas operations.

As of March 31, 2024

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Power Products and Other Businesses</u>
<u>194,993</u>	<u>47,980</u>	<u>135,829</u>	<u>2,409</u>	<u>8,775</u>

As of March 31, 2024, Honda had 194,993 full-time employees, including 133,573 local nationals employed in its overseas operations.

As of March 31, 2025

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Power Products and Other Businesses</u>
<u>194,173</u>	<u>49,548</u>	<u>133,665</u>	<u>2,519</u>	<u>8,441</u>

As of March 31, 2025, Honda had 194,173 full-time employees, including 132,239 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 86% of the employees of the Company and its Japanese subsidiaries were members of AHWU as of March 31, 2025.

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.

Honda's average number of temporary employees on a consolidated basis during the fiscal year ended March 31, 2025 was as follows.

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Power Products and Other Businesses</u>
<u>21,147</u>	<u>9,810</u>	<u>9,965</u>	<u>45</u>	<u>1,327</u>

E. Share Ownership

The total amount of the Company's voting securities owned by its Directors and Executive Officers as a group as of the filing date of this Annual Report 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	711,470 shares	0.016%

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, 2025, the Association owned 22,867,532 shares of the Company's common stock.

The Employee Stock Ownership Plan

From the fiscal year beginning from April 1, 2024, the Company resolved to introduce a stock grant scheme (the Scheme) for the purpose of further enhancing Operating Executives' mindfulness toward contributing to the key initiatives and further support the creation of social and economic value with Executive Officers.

The Company expanded the Scheme to include certain Management positions beginning from the fiscal year ending March 31, 2026 to accelerate these key initiatives and to further create mid- to long-term social and economic value through cooperation among Executive Officers, Operating Executives and Management positions.

Outline of the Scheme

The Scheme is a stock grant scheme that uses an ESOP (Employee Stock Ownership Plan) trust (an "ESOP Trust"). An ESOP 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 Operating Executives and, beginning from the fiscal year ending March 31, 2026, to certain Management positions in accordance with the Company's Stock Grant Regulations.

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 the attitude of Operating Executive and Management positions of contributing toward the sustained improvement of corporate value of the Company in the medium to long term
Trustor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Employees 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	July 25, 2024
Period of trust	From July 25, 2024 to August 31, 2027
Exercise of voting rights of Company shares	None
Class of shares acquired	Common shares of the Company
Amount of trust money at the time of the trust period agreement	2,940 million yen (including trust fees and trust expenses)
Timing of acquisition of shares at the time of the trust period agreement	July 26, 2024
Amount of trust money added at the time of the trust period	1,048 million yen (including trust fees and trust expenses)
Timing of acquisition of shares at the time of additional trust	May 26, 2025
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 Operating Executives and Management positions

2,335,000 shares (Total number of shares scheduled to be acquired for three fiscal years from the fiscal year ended March 31, 2025)

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

Operating Executives and, beginning from the fiscal year ending March 31, 2026, certain Management positions who satisfy the beneficiary requirements

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2025, 5,280,000,000 shares of Honda's Common Stock were issued and 4,346,509,571 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, 2025:

<u>Name</u>	<u>Shares owned (thousands)</u>	<u>Ownership (%)</u>
The Master Trust Bank of Japan, Ltd. (Trust Account)	773,501	17.8
Custody Bank of Japan, Ltd. (Trust Account)	282,587	6.5
Moxley & Co. LLC*	247,552	5.7

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

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

According to a statement on Schedule 13G (Amendment No. 9) filed by BlackRock, Inc. with the SEC on February 6, 2024, BlackRock, Inc. directly and indirectly held, as of December 31, 2023, 386,567,082, or 7.1% of the then issued shares, of Honda's Common Stock.

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, 2025 were 5,280,000,000 shares of Common Stock, of which 247,552,149 shares represented by ADSs and 844,659,322 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 181 on March 31, 2025.

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, 2025, Honda had sales of ¥717.4 billion and purchases of ¥2,093.8 billion with affiliates and joint ventures accounted for using the equity method. As of March 31, 2025, Honda had receivables of ¥263.0 billion from affiliates and joint ventures, and had payables of ¥312.9 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 pays stable and continuous dividends aiming at a consolidated dividend payout ratio of approximately 30%.

From the fiscal year ending March 2026 onward, the Company will adopt DOE (dividend on adjusted equity attributable to owners of the parent*) as its shareholder redistribution indicator, with a target of approximately 3.0%, in order to achieve more stable and continuous dividends. We will strive to further improve our capital efficiency and enhance the level of dividends.

The Company may also acquire its own shares at a timing that it deems optimal, with the goal of 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’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 determined total dividends for the year ended March 31, 2025 were ¥68 per share. Semiannual dividends per share for the year ended March 31, 2025 were as follows: the interim ¥34, the year-end ¥34 per share.

Details of Distribution of Surplus (Record dates of the fiscal year ended March 31, 2025)

	Resolution of the Board of Directors	Resolution of the Board of Directors
	<u>November 6, 2024</u>	<u>May 13, 2025</u>
Dividend per Share of Common Stock (yen)	34.00	34.00
Total Amount of Dividends (millions of yen)	159,386	147,960

* Adjusted “equity attributable to owners of the parent”, which is the basis for DOE (dividend on adjusted equity attributable to owners of the parent), is based on adjusted amounts that exclude “Other components of equity”, which fluctuate significantly due to the effects of foreign exchange and market conditions.

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 three shares 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 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 2.4 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 2.4 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. 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, the portion of its holding period for the shares or ADSs that preceded the current taxable year).

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.

J. Annual Report to Security Holders

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 depositary payable by investors are as follows:

Category (as defined by SEC)	Depositary 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 depositary receipts	Not applicable
(f) General depositary services, particularly those charged on an annual basis	Services performed by the depositary 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 depositary during each calendar year and shall be payable at the sole discretion of the depositary 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, 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

The Depository has agreed to contribute to Honda a portion of certain fees received by the Depository under the deposit agreement. From April 1, 2024 to March 31, 2025, such contributions totaled US\$4,359,504.53. Additionally, from April 1, 2024 to March 31, 2025, the Depository waived US\$258,651.20 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, 2025. 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, 2025 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, 2025.

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, 2025 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. Jiro Morisawa are each qualified as an “audit committee financial expert” as defined by the rules of the SEC. Additionally, Mr. Ogawa and Mr. Morisawa 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, 2025, 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 the fiscal years ended March 31, 2024 and 2025:

	Yen (millions)	
	2024	2025
Audit Fees	¥5,624	¥6,060
Audit-Related Fees	171	172
Total	<u>¥5,795</u>	<u>¥6,232</u>

“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.

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, 2025. There were no purchases of Honda's shares by its affiliated purchasers during that fiscal year.

Period	(a) Total Number of Shares Purchased*1	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Yen Amount of Shares that May Yet Be Purchased Under the Plans or Programs*2
April 1 to April 30, 2024	6,763,900	¥1,848	6,763,900	89,450
May 1 to May 31, 2024	357	¥1,732	—	300,000,000,000
June 1 to June 30, 2024	192	¥1,692	—	300,000,000,000
July 1 to July 31, 2024	12,357,756	¥1,618	12,357,200	280,000,519,050
August 1 to August 31, 2024	55,193,958	¥1,522	55,193,800	196,002,200,050
September 1 to September 30, 2024	69,095,250	¥1,491	69,095,100	92,966,355,550
October 1 to October 31, 2024	43,354,111	¥1,558	43,353,900	25,436,704,100
November 1 to November 30, 2024	576	¥1,392	—	—
December 1 to December 31, 2024	6	¥1,284	—	1,100,000,000,000
January 1 to January 31, 2025	121,485,250	¥1,522	121,485,200	915,057,792,376
February 1 to February 28, 2025	108,303,297	¥1,421	108,303,100	761,107,222,210
March 1 to March 31, 2025	62,915,396	¥1,450	62,915,200	669,882,181,107
Total	479,470,049	¥1,496	479,467,400	

*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 the BIP Trust and the ESOP Trust.

*2 During the year ended March 31, 2025, the following share repurchase programs were in effect:
Share repurchase was resolved at the meeting of the Board of Directors pursuant to the articles of incorporation
Date of announcement: February 8, 2024
Maximum number of shares authorized to be repurchased: 34,000,000
Maximum yen amount authorized to be used for repurchase: ¥50,000,000,000
Repurchase period: from March 1, 2024 to April 30, 2024
Share repurchase was resolved at the meeting of the Board of Directors pursuant to the articles of incorporation
Date of announcement: May 10, 2024
Maximum number of shares authorized to be repurchased: 180,000,000

Maximum yen amount authorized to be used for repurchase: ¥300,000,000,000
 Repurchase period: from May 13, 2024 to March 31, 2025
 Share repurchase was resolved at the meeting of the Board of Directors pursuant to the articles of incorporation
 Date of announcement: November 6, 2024
 Maximum number of shares authorized to be repurchased: 70,000,000
 Maximum yen amount authorized to be used for repurchase: ¥100,000,000,000
 Repurchase period: from November 7, 2024 to October 31, 2025
 Prior to purchasing any shares under the program, Honda terminated it in December 2024.
 Share repurchase was resolved at the meeting of the Board of Directors pursuant to the articles of incorporation
 Date of announcement: December 23, 2024
 Maximum number of shares authorized to be repurchased: 1,100,000,000
 Maximum yen amount authorized to be used for repurchase: ¥1,100,000,000,000
 Repurchase period: from January 6, 2025 to December 23, 2025

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
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.	Honda has adopted a “company with three committees” corporate governance system (the “Three Committees system”) under the Company Law. 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 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 fifteen members. As of the date of this Form 20-F, Honda has eleven Directors (including six Outside Directors) and seventeen Executive Officers (including three Executive Officers who also serve as Directors), the Nominating Committee has five members, of which four are Outside Directors, the Audit Committee has five members, of which three are Outside Directors, and the Compensation Committee has four members, of which three are Outside Directors. Under the 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.

Honda is proposing the "Election of twelve Directors" as an agenda item (resolution item) for the Ordinary General Meeting of Shareholders to be held on June 19, 2025. If the matter is approved, Honda plans to have twelve Directors (including six Outside Directors) and seventeen Executive Officers (including four Executive Officers who also serve as Directors). No changes of composition of the Three Committees after the resolution of the Ordinary General Meeting of Shareholders are expected.

"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 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 six 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.

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.

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

A NYSE-listed U.S. company must have a nominating/
corporate governance committee entirely of independent
directors.

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.

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 the 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 the 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.

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 the Company Law, the Compensation
Committee shall establish the compensation policy as
well as determine the compensation for directors and
executive officers. The Compensation Committee

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

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. 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 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 August 2018 to August 2027, provided, however, that this period may be extended by a resolution of the Compensation Committee 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.

Item 16J. Insider Trading Policies

Honda has adopted Guidelines on Insider Information Control and Insider Trading Regulation (hereinafter referred to as the “Guidelines”), which govern the purchase, sale, and other disposal of the Company’s securities by directors, executive officers, and employees.

Honda believes that the Guidelines are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to Honda.

The Guidelines are included as an exhibit to this Annual Report on Form 20-F.

Item 16K. Cybersecurity

Risk Management and Strategy

Honda has established a management system and standards for information system security in order to minimize the negative impact on its business and business results from the occurrence of cybersecurity incidents. Based on these standards, we have implemented security measures in both hardware and software aspects to strengthen the security of our information systems. To address security, including product security, we have established a cross-functional system across business and manufacturing systems, software, quality, and other areas.

We develop rules and procedures based on laws and regulations, formulate response flows, verify and implement measures for improvement through cybersecurity exercises, and develop human resources, among other things. We also utilize solutions for managing cybersecurity information and monitoring malicious activities to monitor and analyze cybersecurity threats and vulnerabilities, and in the event of a security incident related to a cyberattack with a significant impact on Honda, we establish a Global Emergency Headquarters under the supervision and monitoring of the Risk Management Officer, and the supervisory division in charge of risks from cybersecurity threats plays a central role in quickly ascertaining the actual situation and taking measures to minimize the impacts of cybersecurity incidents from a company-wide perspective.

When implementing third-party packaged software and cloud services, we make decisions based on risk assessments following established security standards and conduct annual checks after implementation. In response to cyberattacks on production facilities and suppliers, we verify the status of security measures at both domestic and overseas production facilities and suppliers. Based on the results of these verifications, we take measures to strengthen security, such as supporting the introduction of solutions for managing cybersecurity incident information, and monitoring malicious activities. For such activities to strengthen security, we have concluded outsourcing agreements with security consulting companies and external specialists to receive support.

With regard to personal information protection regulations and cybersecurity-related laws and regulations in various countries, in addition to current regulations, we collect and monitor information on regulatory trends that are expected to be enforced in the future.

These comprehensive cybersecurity response processes are incorporated into Honda's comprehensive risk management system and will be discussed in detail in the following "Governance" section.

For a description of information security-related risks, including risks from cybersecurity threats, identified by Honda as of the filing date of this Annual Report, please refer to Item 3. "Key Information—D. Risk Factors—Information Security Risks".

Honda has been targeted by cyberattacks in the past; however, no risks from cybersecurity threats have been identified that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition, over the past three fiscal years, including the fiscal year that is the subject of this annual report.

Governance

Based on the resolution of the Board of Directors, the Board of Directors has appointed the Senior Managing Executive Officer and Chief Officer for Automobile Operations as the Risk Management Officer*, who monitors and supervises the response status of significant risks, including risks from cybersecurity threats.

The Risk Management Committee, chaired by the Risk Management Officer, has been established to deliberate on important matters related to risk management, including risk from cybersecurity threats. Honda has established the Honda Global Risk Management Policy, which stipulates the Company's basic policy for risk management, the collection of risk information, and the response system in the event of risk occurrence.

In accordance with the aforementioned Policy, Honda has designated its cybersecurity supervisory divisions to conduct risk assessments and report the status of cybersecurity risk responses to the Risk Management Officer through the Risk Management Committee. The designated cybersecurity supervisory divisions consists of members with practical experience in various roles related to information technology, including security,

* After the ordinary general meeting of shareholders to be held on June 19, 2025 and the resolution of the Board of Directors following such meeting, the position will become Director, Senior Managing Executive Officer and Chief Officer for Automobile Operations.

auditing, and systems are established in both the Quality Innovation Operations and Corporate Administration Operations divisions. The Risk Management Officer, who has knowledge and experience in overall risk management, receives technical support from the cybersecurity risk supervisory divisions, and monitors and supervises the responses to risks from cybersecurity threats.

In the event of a material cybersecurity incident, the cybersecurity risk supervisory divisions are to immediately report it to the Risk Management Officer through the Risk Management Committee. Upon receiving the report, the Risk Management Officer is to establish a Global Emergency Headquarters, which coordinate with relevant organizations affected by the incident in order to prevent and contain the crisis. Such response status is reported to the Board of Directors and the Executive Council as necessary based on the judgment of the Risk Management Officer.

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 Depository, and holders and beneficial owners of American Depositary Receipts *5
2.3	Form of Amendment No. 1 to Second Amended and Restated Deposit Agreement, dated September 29, 2023, among the registrant, JPMorgan Chase Bank, N.A., as Depository and holders and beneficial owners of American Depositary Receipts *6
2.4	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 *7
11.2	Guidelines on Insider Information Control and Insider Trading Regulation (English translation) *8
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
97.1	Policy to Recover Erroneously Awarded Incentive-based Compensation (English translation) *9
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, 2025, has been formatted in Inline XBRL

- *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, 2023.
- *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 depository, on March 29, 2022.
- *6 Incorporated by reference to Post-Effective Amendment No. 1 to the registration statement for American Depositary Shares on Form F-6 (File No. 333-263937) filed by JPMorgan Chase Bank, N.A. as depository, on September 21, 2023.
- *7 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on July 9, 2004.
- *8 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 20, 2024.
- *9 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 20, 2024.

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, 2025

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

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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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2025, 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, 2025, 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 18, 2025 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 provisions 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, 2025 amounted to ¥858,103 million, which included the provisions for specific

warranty programs such as product recalls. During the year ended March 31, 2025, the Company changed the method to estimate the provisions for specific warranty programs of automobile products manufactured at major production bases, from individually estimating the provisions for each specific warranty program when it was 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, to comprehensively estimating the provisions at the time products are sold to customers. The provisions for specific warranty programs are measured by number of units sold over the past fiscal years and expected specific warranty cost per unit to be incurred after vehicle sales over its product life. In addition to the provisions comprehensively accrued, certain warranty program cost is individually accrued when it is deemed appropriate by considering its nature and magnitude of each program. This change in accounting estimate resulted in the increase of the provisions for product warranties by ¥127,554 million, which was included in selling, general and administrative expenses.

We identified the evaluation of the provisions for specific warranty programs including the change in method used to develop the estimate as a critical audit matter as a high degree of auditor judgment was required to evaluate 1) the factors considered by management to change the method used to estimate the provisions and 2) the expected specific warranty cost per unit to develop the provisions comprehensively accrued for specific warranty programs.

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 process of the provisions for specific warranty programs. This included controls related to the change in method to estimate the provisions and the determination of the expected specific warranty cost per unit to develop the provisions comprehensively accrued for specific warranty programs. We assessed the timing of the Company's decision to change the method to estimate the provisions by considering newly obtained information and changes in the circumstances. We evaluated the expected specific warranty cost per unit by comparing it to historical trends of warranty costs and testing the reliability of data used to determine the expected specific warranty cost per unit.

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 ¥82,125 million as of March 31, 2025, which included the allowance for ECL on retail receivables which amounted to ¥78,450 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, 2025 was ¥5,748,187 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 18, 2025

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, 2025, 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, 2025, 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, 2025 and 2024, 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, 2025, and the related notes (collectively, the consolidated financial statements), and our report dated June 18, 2025 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 18, 2025

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2024 and 2025

	Note	Yen (millions)	
		2024	2025
Assets			
Current assets:			
Cash and cash equivalents	5	¥ 4,954,565	¥ 4,528,795
Trade receivables	6	1,240,090	1,160,847
Receivables from financial services	7	2,558,594	2,755,800
Other financial assets	8	229,583	208,478
Inventories	9	2,442,969	2,470,590
Other current assets		446,763	563,252
Total current assets		11,872,564	11,687,762
Non-current assets:			
Investments accounted for using the equity method	10	1,206,968	1,242,614
Receivables from financial services	7	5,616,676	6,172,817
Other financial assets	8	968,142	873,459
Equipment on operating leases	11	5,202,768	5,748,187
Property, plant and equipment	12	3,234,413	3,209,921
Intangible assets	13	999,689	1,126,019
Deferred tax assets	23	170,856	143,499
Other non-current assets		502,074	571,589
Total non-current assets		17,901,586	19,088,105
Total assets		¥29,774,150	¥30,775,867
Liabilities and Equity			
Current liabilities:			
Trade payables	14	¥ 1,609,836	¥ 1,663,487
Financing liabilities	15	4,105,590	4,497,747
Accrued expenses		638,319	728,935
Other financial liabilities	16	340,858	276,861
Income taxes payable		157,410	108,562
Provisions	17	566,722	388,441
Other current liabilities		904,757	951,124
Total current liabilities		8,323,492	8,615,157
Non-current liabilities:			
Financing liabilities	15	6,057,967	6,953,520
Other financial liabilities	16	316,919	301,439
Retirement benefit liabilities	18	284,844	288,472
Provisions	17	385,001	667,274
Deferred tax liabilities	23	855,067	718,084
Other non-current liabilities		544,988	604,099
Total non-current liabilities		8,444,786	9,532,888
Total liabilities		16,768,278	18,148,045
Equity:			
Common stock		86,067	86,067
Capital surplus		205,073	205,299
Treasury stock		(550,808)	(1,272,845)
Retained earnings		10,644,213	11,122,187
Other components of equity		2,312,450	2,185,821
Equity attributable to owners of the parent		12,696,995	12,326,529
Non-controlling interests		308,877	301,293
Total equity	19	13,005,872	12,627,822
Total liabilities and equity		¥29,774,150	¥30,775,867

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2023, 2024 and 2025

	Note	Yen (millions)		
		2023	2024	2025
Sales revenue	20	¥ 16,907,725	¥ 20,428,802	¥ 21,688,767
Operating costs and expenses:				
Cost of sales		(13,576,133)	(16,016,659)	(17,024,788)
Selling, general and administrative		(1,669,908)	(2,106,539)	(2,351,011)
Research and development	21	(880,915)	(923,627)	(1,099,482)
Total operating costs and expenses		<u>(16,126,956)</u>	<u>(19,046,825)</u>	<u>(20,475,281)</u>
Operating profit		<u>780,769</u>	<u>1,381,977</u>	<u>1,213,486</u>
Share of profit (loss) of investments accounted for using the equity method	10	117,445	110,817	982
Finance income and finance costs:				
Interest income	22	73,071	173,695	191,131
Interest expense	22	(36,112)	(59,631)	(54,907)
Other, net	22	(55,608)	35,526	(33,052)
Total finance income and finance costs		<u>(18,649)</u>	<u>149,590</u>	<u>103,172</u>
Profit before income taxes		879,565	1,642,384	1,317,640
Income tax expense	23	<u>(162,256)</u>	<u>(459,794)</u>	<u>(414,606)</u>
Profit for the year		<u>¥ 717,309</u>	<u>¥ 1,182,590</u>	<u>¥ 903,034</u>
Profit for the year attributable to:				
Owners of the parent		651,416	1,107,174	835,837
Non-controlling interests		65,893	75,416	67,197
			Yen	
		<u>2023</u>	<u>2024</u>	<u>2025</u>
Earnings per share attributable to owners of the parent				
Basic and diluted	24	¥ 128.01	¥ 225.88	¥ 178.93

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended March 31, 2023, 2024 and 2025

	Note	Yen (millions)		
		2023	2024	2025
Profit for the year		¥ 717,309	¥1,182,590	¥ 903,034
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans		3,350	(18,931)	26,727
Net changes in revaluation of financial assets measured at fair value through other comprehensive income		(18,465)	(25,469)	(13,477)
Share of other comprehensive income of investments accounted for using the equity method	10	292	8,300	(6,499)
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		(474)	56	415
Exchange differences on translating foreign operations		422,960	875,050	(162,325)
Share of other comprehensive income of investments accounted for using the equity method	10	30,429	54,353	18,401
Total other comprehensive income, net of tax	19	438,092	893,359	(136,758)
Comprehensive income for the year		¥1,155,401	¥2,075,949	¥ 766,276
Comprehensive income for the year attributable to:				
Owners of the parent		1,081,429	1,981,448	699,150
Non-controlling interests		73,972	94,501	67,126

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended March 31, 2023, 2024 and 2025

		Yen (millions)							
		Equity attributable to owners of the parent					Non-controlling interests	Total equity	
Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total			
	Balance as of April 1, 2022	¥86,067	¥185,495	¥ (328,309)	¥ 9,539,133	¥ 990,438	¥10,472,824	¥ 299,722	¥10,772,546
	Comprehensive income for the year								
	Profit for the year				651,416		651,416	65,893	717,309
	Other comprehensive income, net of tax					430,013	430,013	8,079	438,092
	Total comprehensive income for the year				651,416	430,013	1,081,429	73,972	1,155,401
	Reclassification to retained earnings				3,054	(3,054)	—		—
	Transactions with owners and other								
	Dividends paid				(213,475)		(213,475)	(51,601)	(265,076)
	Purchases of treasury stock			(157,001)			(157,001)		(157,001)
	Disposal of treasury stock			379			379		379
	Share-based payment transactions		94				94		94
	Equity transactions and others							(4,052)	(4,052)
	Total transactions with owners and other		94	(156,622)	(213,475)		(370,003)	(55,653)	(425,656)
	Balance as of March 31, 2023	¥86,067	¥185,589	¥ (484,931)	¥ 9,980,128	¥1,417,397	¥11,184,250	¥ 318,041	¥11,502,291
	Comprehensive income for the year								
	Profit for the year				1,107,174		1,107,174	75,416	1,182,590
	Other comprehensive income, net of tax					874,274	874,274	19,085	893,359
	Total comprehensive income for the year				1,107,174	874,274	1,981,448	94,501	2,075,949
	Reclassification to retained earnings				(17,715)	17,715	—		—
	Transactions with owners and other								
	Dividends paid				(241,865)		(241,865)	(63,895)	(305,760)
	Purchases of treasury stock			(250,513)			(250,513)		(250,513)
	Disposal of treasury stock			504			504		504
	Cancellation of treasury stock		(623)	184,132	(183,509)		—		—
	Share-based payment transactions		3				3		3
	Equity transactions and others		20,104			3,064	23,168	(39,770)	(16,602)
	Total transactions with owners and other		19,484	(65,877)	(425,374)	3,064	(468,703)	(103,665)	(572,368)
	Balance as of March 31, 2024	¥86,067	¥205,073	¥ (550,808)	¥10,644,213	¥2,312,450	¥12,696,995	¥ 308,877	¥13,005,872
	Comprehensive income for the year								
	Profit for the year				835,837		835,837	67,197	903,034
	Other comprehensive income, net of tax					(136,687)	(136,687)	(71)	(136,758)
	Total comprehensive income for the year				835,837	(136,687)	699,150	67,126	766,276
	Reclassification to retained earnings				(10,058)	10,058	—		—
	Transactions with owners and other								
	Dividends paid				(347,805)		(347,805)	(78,692)	(426,497)
	Purchases of treasury stock			(722,365)			(722,365)		(722,365)
	Disposal of treasury stock			328			328		328
	Share-based payment transactions		226				226		226
	Equity transactions and others							3,982	3,982
	Total transactions with owners and other		226	(722,037)	(347,805)		(1,069,616)	(74,710)	(1,144,326)
	Balance as of March 31, 2025	¥86,067	¥205,299	¥(1,272,845)	¥11,122,187	¥2,185,821	¥12,326,529	¥ 301,293	¥12,627,822

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2023, 2024 and 2025

	Note	Yen (millions)		
		2023	2024	2025
Cash flows from operating activities:				
Profit before income taxes		¥ 879,565	¥ 1,642,384	¥ 1,317,640
Depreciation, amortization and impairment				
losses excluding equipment on operating leases		721,630	794,366	742,863
Share of (profit) loss of investments accounted for				
using the equity method		(117,445)	(110,817)	(982)
Finance income and finance costs, net		(71,661)	(141,250)	(169,976)
Interest income and interest costs from				
financial services, net		(146,461)	(152,041)	(171,854)
Changes in assets and liabilities				
Trade receivables		(155,924)	(138,323)	69,199
Inventories		(171,467)	(67,833)	(79,464)
Trade payables		105,272	36,516	112,635
Accrued expenses		42,122	157,582	72,803
Provisions and retirement benefit liabilities		90,880	263,593	128,447
Receivables from financial services		(41,480)	(1,454,357)	(904,344)
Equipment on operating leases		768,070	12,661	(690,110)
Other assets and liabilities		218,369	58,325	(58,502)
Other, net		(1,222)	(48,219)	22,065
Dividends received		244,902	158,092	126,343
Interest received		324,234	560,709	737,648
Interest paid		(159,020)	(283,447)	(439,081)
Income taxes paid, net of refund		(401,342)	(540,663)	(523,178)
Net cash provided by operating activities		2,129,022	747,278	292,152
Cash flows from investing activities:				
Payments for additions to property, plant and equipment		(475,048)	(348,680)	(510,803)
Payments for additions to and internally developed intangible assets		(157,440)	(259,985)	(336,632)
Proceeds from sales of property, plant and equipment and intangible assets		16,206	14,418	12,258
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of		740	(18,544)	—
Payments for acquisitions of investments accounted for using the equity method		(23,826)	(173,767)	(157,013)
Proceeds from sales of investments accounted for using the equity method		—	—	21,486
Payments for acquisitions of other financial assets		(527,334)	(282,076)	(419,222)
Proceeds from sales and redemptions of other financial assets		488,642	201,367	447,960
Net cash used in investing activities		(678,060)	(867,267)	(941,966)
Cash flows from financing activities:				
Proceeds from short-term financing liabilities		9,127,333	10,020,736	8,988,964
Repayments of short-term financing liabilities		(8,684,799)	(10,045,118)	(8,648,271)
Proceeds from long-term financing liabilities		971,067	3,654,964	3,809,432
Repayments of long-term financing liabilities		(2,382,190)	(2,056,083)	(2,658,526)
Dividends paid to owners of the parent		(213,475)	(241,865)	(347,805)
Dividends paid to non-controlling interests		(51,376)	(66,855)	(67,186)
Purchases and sales of treasury stock, net		(156,622)	(250,009)	(722,037)
Repayments of lease liabilities		(78,297)	(80,513)	(78,137)
Other, net		—	(16,611)	4,043
Net cash provided by (used in) financing activities		(1,468,359)	918,646	280,477
Effect of exchange rate changes on cash and cash equivalents		145,480	352,894	(56,433)
Net change in cash and cash equivalents		128,083	1,151,551	(425,770)
Cash and cash equivalents at beginning of year		3,674,931	3,803,014	4,954,565
Cash and cash equivalents at end of year	5	¥ 3,803,014	¥ 4,954,565	¥ 4,528,795

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, China, India, Indonesia, Malaysia, Thailand, Vietnam 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

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, 2025 are as follows.

Honda is currently evaluating the impact of adoption of this standard on the Company’s consolidated financial statements.

<u>Standards and interpretations</u>	<u>Mandatory adoption (from fiscal years beginning on or after)</u>	<u>Reporting periods in which the Company is scheduled to adopt the standards</u>	<u>Overview of new or amended standards and interpretations</u>
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	New standard which supersedes current standard of presentation and disclosure in 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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.

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:

- End of term residual values of operating lease vehicles (note 3(f))
- 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) Material 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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.

(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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(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 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, 2023, 2024 and 2025.

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.

Our most significant finance subsidiary located in the United States determines contractual residual values of operating lease vehicles at lease inception based on expectations of used vehicle values at the end of their lease term. The finance subsidiary in the United States depreciates 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. The finance subsidiary in the United States assesses its 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. 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.

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.

(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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

Property, plant and equipment in the consolidated statements of financial position includes right-of-use assets under lease arrangements. For the accounting for the right-of-use assets, see note “(3) Material Accounting Policies (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 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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) Material 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.

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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(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

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 ECL 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(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.

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. In the case that an entity has a surplus in a defined benefit plan, the recognized asset is limited to present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 are 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(n) Revenue Recognition

1) Sale of products

Sales of products are reported by Motorcycle business, Automobile business, Power products 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 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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. 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.

Honda has adopted amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules” issued on May 23, 2023, and has neither recognized nor disclosed information about deferred tax assets and liabilities related to the income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development(OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules.

(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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(4) Segment Information

Based on Honda’s organizational structure and characteristics of products and services, Honda discloses segment information in four categories: Reportable segments of Motorcycle business, Automobile business and Financial services business, and other segments that are not reportable. The other segments are combined and disclosed in Power products and other businesses. Segment information is based on 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 segment information are consistent with the accounting policies used in the Company’s consolidated financial statements.

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
Power Products and Other Businesses	Power products and relevant parts, and others	Research and development Manufacturing Sales and related services Others

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(a) Segment Information

Segment information as of and for the years ended March 31, 2023, 2024 and 2025 is as follows:

As of and for the year ended March 31, 2023

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Products and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥2,908,983	¥10,593,519	¥ 2,954,098	¥451,125	¥16,907,725	¥ —	¥16,907,725
Intersegment	—	188,198	2,046	25,307	215,551	(215,551)	—
Total	<u>2,908,983</u>	<u>10,781,717</u>	<u>2,956,144</u>	<u>476,432</u>	<u>17,123,276</u>	<u>(215,551)</u>	<u>16,907,725</u>
Segment profit (loss)	<u>¥ 488,709</u>	<u>¥ (16,629)</u>	<u>¥ 285,857</u>	<u>¥ 22,832</u>	<u>¥ 780,769</u>	<u>¥ —</u>	<u>¥ 780,769</u>
Share of profit (loss) of investments accounted for using the equity method	¥ 49,119	¥ 66,973	¥ —	¥ 1,353	¥ 117,445	¥ —	¥ 117,445
Segment assets	1,580,521	10,082,519	11,197,017	480,166	23,340,223	1,329,844	24,670,067
Investments accounted for using the equity method	110,665	795,973	—	9,308	915,946	—	915,946
Depreciation and amortization	65,746	600,617	908,942	21,571	1,596,876	—	1,596,876
Capital expenditures	59,101	613,351	1,546,683	14,386	2,233,521	—	2,233,521
Impairment losses on non-financial assets ...	4,662	24,777	5,259	91	34,789	—	34,789
Provision (reversal) for credit and lease residual losses on receivables from financial services	—	—	27,018	—	27,018	—	27,018

As of and for the year ended March 31, 2024

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Products and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥3,220,168	¥13,567,565	¥ 3,248,808	¥392,261	¥20,428,802	¥ —	¥20,428,802
Intersegment	—	223,950	2,976	30,068	256,994	(256,994)	—
Total	<u>3,220,168</u>	<u>13,791,515</u>	<u>3,251,784</u>	<u>422,329</u>	<u>20,685,796</u>	<u>(256,994)</u>	<u>20,428,802</u>
Segment profit (loss)	<u>¥ 556,232</u>	<u>¥ 560,649</u>	<u>¥ 273,978</u>	<u>¥ (8,882)</u>	<u>¥ 1,381,977</u>	<u>¥ —</u>	<u>¥ 1,381,977</u>
Share of profit (loss) of investments accounted for using the equity method	¥ 53,843	¥ 55,392	¥ —	¥ 1,582	¥ 110,817	¥ —	¥ 110,817
Segment assets	2,047,270	11,690,446	14,118,371	585,301	28,441,388	1,332,762	29,774,150
Investments accounted for using the equity method	119,598	1,076,481	—	10,889	1,206,968	—	1,206,968
Depreciation and amortization	72,590	655,250	834,246	17,400	1,579,486	—	1,579,486
Capital expenditures	74,006	598,475	2,451,930	16,768	3,141,179	—	3,141,179
Impairment losses on non-financial assets ...	33	44,652	14,646	61	59,392	—	59,392
Provision (reversal) for credit and lease residual losses on receivables from financial services	—	—	50,057	—	50,057	—	50,057

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

As of and for the year ended March 31, 2025

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Products and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥3,626,603	¥14,169,240	¥ 3,507,766	¥385,158	¥21,688,767	¥ —	¥21,688,767
Intersegment	—	298,616	4,457	29,452	332,525	(332,525)	—
Total	3,626,603	14,467,856	3,512,223	414,610	22,021,292	(332,525)	21,688,767
Segment profit (loss)	¥ 663,443	¥ 243,853	¥ 315,634	¥ (9,444)	¥ 1,213,486	¥ —	¥ 1,213,486
Share of profit (loss) of investments							
accounted for using the equity method	¥ 59,060	¥ (59,867)	¥ —	¥ 1,789	¥ 982	¥ —	¥ 982
Segment assets	2,248,809	11,874,764	15,713,348	576,347	30,413,268	362,599	30,775,867
Investments accounted for using the equity method							
Depreciation and amortization	107,889	1,117,102	—	17,623	1,242,614	—	1,242,614
Capital expenditures	72,443	642,506	881,500	16,356	1,612,805	—	1,612,805
Impairment losses on non-financial assets ...	94,688	797,831	3,125,821	18,468	4,036,808	—	4,036,808
Provision (reversal) for credit and lease residual losses on receivables from financial services	99	18,477	20,660	69	39,305	—	39,305
Provision (reversal) for credit and lease residual losses on receivables from financial services	—	—	70,963	—	70,963	—	70,963

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 (loss) 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.
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, 2023, 2024 and 2025 amounted to ¥1,462,656 million, ¥1,573,834 million and ¥979,954 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, 2023, 2024 and 2025 are ¥289,850 million, ¥536,590 million and ¥454,502 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, 2023, 2024 and 2025 are ¥8,400 million, ¥12,220 million and ¥120,919 million respectively. These are mainly included in Automobile business.
7. Right-of-use assets are not included in Capital expenditures.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(b) Product or Service Groups Information

Sales revenue by product or service groups of Honda for the years ended March 31, 2023, 2024 and 2025 is as follows:

	Yen (millions)		
	2023	2024	2025
Motorcycles, all-terrain vehicles (ATVs), side-by-sides (SxS) and relevant parts	¥ 2,908,983	¥ 3,220,168	¥ 3,626,603
Automobiles and relevant parts	12,093,972	15,227,546	15,818,947
Financial services	1,453,645	1,588,827	1,858,059
Power products and relevant parts	360,385	292,563	285,253
Others	90,740	99,698	99,905
Total	¥16,907,725	¥20,428,802	¥ 21,688,767

(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, 2023, 2024 and 2025 are as follows:

As of and for the year ended March 31, 2023

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥2,409,584	¥7,905,936	¥6,592,205	¥16,907,725
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥2,937,148	¥4,373,329	¥1,728,475	¥ 9,038,952

As of and for the year ended March 31, 2024

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥2,634,505	¥10,343,985	¥7,450,312	¥20,428,802
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,054,330	¥ 4,914,193	¥1,822,125	¥ 9,790,648

As of and for the year ended March 31, 2025

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥2,845,609	¥11,388,564	¥7,454,594	¥21,688,767
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets	¥3,329,692	¥ 5,441,006	¥1,699,183	¥10,469,881

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(5) Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Cash and deposits	¥3,381,610	¥3,261,111
Cash equivalents	1,572,955	1,267,684
Total	<u>¥4,954,565</u>	<u>¥4,528,795</u>

Cash equivalents held by Honda mainly consist of money market funds and certificates of deposit.

(6) Trade Receivables

Trade receivables are classified as financial assets measured at amortized cost.

Trade receivables as of March 31, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Trade accounts and notes receivable	¥ 986,390	¥ 894,214
Other	262,102	275,099
Allowance for impairment losses	(8,402)	(8,466)
Total	<u>¥1,240,090</u>	<u>¥1,160,847</u>

The changes in the allowance for impairment losses on trade receivables for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Balance at beginning of year	¥8,845	¥ 8,620	¥8,402
Remeasurement	¥ 297	¥ 274	¥ 490
Write-offs	(757)	(1,114)	(133)
Exchange differences on translating foreign operations	235	622	(293)
Balance at end of year	<u>¥8,620</u>	<u>¥ 8,402</u>	<u>¥8,466</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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

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.

Receivables from financial services as of March 31, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Consumer finance receivables:		
Retail	¥7,330,459	¥8,034,504
Finance lease	230,139	253,559
Dealer finance receivables:		
Wholesale	707,035	746,066
Subtotal	¥8,267,633	¥9,034,129
Allowance for credit losses	¥ (68,999)	¥ (82,125)
Unearned interest income and fees	(23,364)	(23,387)
Total	¥8,175,270	¥8,928,617
Current assets	¥2,558,594	¥2,755,800
Non-current assets	5,616,676	6,172,817
Total	¥8,175,270	¥8,928,617

Finance lease receivables

The lease payments receivable under the finance leases by maturity as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Within 1 year	¥ 36,880	¥ 40,726
Between 1 and 2 years	42,831	46,851
Between 2 and 3 years	26,085	25,814
Between 3 and 4 years	18,064	18,542
Between 4 and 5 years	6,150	6,600
Later than 5 years	8,414	9,646
Undiscounted lease payments receivable	¥138,424	¥148,179
Unearned finance income	¥(12,134)	¥(11,623)
Unguaranteed residual value	¥ 80,485	¥ 93,616
Net investment in the lease	¥206,775	¥230,172

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, 2023, 2024 and 2025 are as follows:

For the years ended March 31, 2023, 2024 and 2025

	Yen (millions)			
	12-month ECL (Stage 1)	Lifetime ECL		Total
		Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
Retail:				
Balance as of April 1, 2022	¥23,789	¥ 5,514	¥ 7,464	¥ 36,767
Remeasurement	¥ 868	¥ 5,288	¥ 20,673	¥ 26,829
Write-offs	—	—	(19,942)	(19,942)
Exchange differences on translating foreign operations	1,810	270	349	2,429
Balance as of March 31, 2023	¥26,467	¥11,072	¥ 8,544	¥ 46,083
Remeasurement	¥ 6,823	¥ 1,732	¥ 40,899	¥ 49,454
Write-offs	—	—	(36,663)	(36,663)
Exchange differences on translating foreign operations	3,849	1,474	1,282	6,605
Balance as of March 31, 2024	¥37,139	¥14,278	¥ 14,062	¥ 65,479
Remeasurement	¥ 5,422	¥ 5,695	¥ 59,389	¥ 70,506
Write-offs	—	—	(54,155)	(54,155)
Exchange differences on translating foreign operations	(1,533)	(484)	(1,363)	(3,380)
Balance as of March 31, 2025	¥41,028	¥19,489	¥ 17,933	¥ 78,450
Finance lease:				
Balance as of April 1, 2022	¥ 139	¥ 92	¥ 256	¥ 487
Remeasurement	¥ 49	¥ (28)	¥ (24)	¥ (3)
Write-offs	—	—	(35)	(35)
Exchange differences on translating foreign operations	4	5	7	16
Balance as of March 31, 2023	¥ 192	¥ 69	¥ 204	¥ 465
Remeasurement	¥ 46	¥ 15	¥ 16	¥ 77
Write-offs	—	—	(43)	(43)
Exchange differences on translating foreign operations	17	10	29	56
Balance as of March 31, 2024	¥ 255	¥ 94	¥ 206	¥ 555
Remeasurement	¥ (79)	¥ 105	¥ 132	¥ 158
Write-offs	—	—	(29)	(29)
Exchange differences on translating foreign operations	1	(1)	3	3
Balance as of March 31, 2025	¥ 177	¥ 198	¥ 312	¥ 687

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

	Yen (millions)			
	Lifetime ECL			Total
	12-month ECL (Stage 1)	Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
Wholesale:				
Balance as of April 1, 2022	¥ 1,176	¥ 17	¥ 616	¥ 1,809
Remeasurement	¥ (263)	¥ (8)	¥ 463	¥ 192
Write-offs	—	—	33	33
Exchange differences on translating foreign operations	63	1	6	70
Balance as of March 31, 2023	¥ 976	¥ 10	¥ 1,118	¥ 2,104
Remeasurement	¥ 377	¥ 49	¥ 100	¥ 526
Write-offs	—	—	6	6
Exchange differences on translating foreign operations	149	3	177	329
Balance as of March 31, 2024	¥ 1,502	¥ 62	¥ 1,401	¥ 2,965
Remeasurement	¥ 172	¥ (27)	¥ 154	¥ 299
Write-offs	—	—	(82)	(82)
Exchange differences on translating foreign operations	(6)	—	(188)	(194)
Balance as of March 31, 2025	¥ 1,668	¥ 35	¥ 1,285	¥ 2,988
Total:				
Balance as of April 1, 2022	¥25,104	¥ 5,623	¥ 8,336	¥ 39,063
Remeasurement	¥ 654	¥ 5,252	¥ 21,112	¥ 27,018
Write-offs	—	—	(19,944)	(19,944)
Exchange differences on translating foreign operations	1,877	276	362	2,515
Balance as of March 31, 2023	¥27,635	¥11,151	¥ 9,866	¥ 48,652
Remeasurement	¥ 7,246	¥ 1,796	¥ 41,015	¥ 50,057
Write-offs	—	—	(36,700)	(36,700)
Exchange differences on translating foreign operations	4,015	1,487	1,488	6,990
Balance as of March 31, 2024	¥38,896	¥14,434	¥ 15,669	¥ 68,999
Remeasurement	¥ 5,515	¥ 5,773	¥ 59,675	¥ 70,963
Write-offs	—	—	(54,266)	(54,266)
Exchange differences on translating foreign operations	(1,538)	(485)	(1,548)	(3,571)
Balance as of March 31, 2025	¥42,873	¥19,722	¥ 19,530	¥ 82,125

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, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Financial assets measured at amortized cost:		
Receivables other than trade receivables and receivables from financial services . .	¥ 123,359	¥ 120,067
Debt securities	69,751	84,018
Guaranty deposits	13,662	15,297
Restricted cash	118,129	117,260
Other	4,422	11,063
Allowance for impairment losses	(2,748)	(2,513)
Financial assets measured at fair value through other comprehensive income:		
Debt securities	30,567	34,872
Equity securities	522,703	434,592
Financial assets measured at fair value through profit or loss:		
Derivatives	194,187	133,077
Debt securities	123,693	134,204
Total	¥1,197,725	¥1,081,937
Current assets	¥ 229,583	¥ 208,478
Non-current assets	968,142	873,459
Total	¥1,197,725	¥1,081,937

The changes in the allowance for impairment losses on other financial assets for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Balance at beginning of year	¥3,212	¥2,988	¥2,748
Remeasurement	¥ 232	¥ 97	¥ 18
Write-offs	(461)	(345)	(253)
Exchange differences on translating foreign operations	5	8	(0)
Balance at end of year	¥2,988	¥2,748	¥2,513

The allowance for impairment losses on other financial assets for the years ended March 31, 2023, 2024 and 2025 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, 2024 and 2025 are as follows:

As of March 31, 2024

	Yen (millions)
	Fair value
Contemporary Amperex Technology Co., Ltd.	¥163,986
GM Cruise Holdings LLC	65,802
Renesas Electronics Corporation	47,139
Stanley Electric Co., Ltd.	47,110
Mitsubishi UFJ Financial Group, Inc.	22,580
GS Yuasa Corporation	15,464

As of March 31, 2025

	Yen (millions)
	Fair value
Contemporary Amperex Technology Co., Ltd.	¥215,612
Stanley Electric Co., Ltd.	46,951
Renesas Electronics Corporation	35,083
NIKKON Holdings Co., Ltd.	13,186
GS Yuasa Corporation	11,711
Chubb Limited	11,703

Honda sells (derecognizes) the equity securities designated as financial assets measured at fair value through other comprehensive income for the purpose of improving efficiency in the utilization of resources and reviewing trade relationships, among other reasons.

The fair values at the date of derecognition and cumulative net gains or losses recognized in other comprehensive income in equity for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Fair value	¥ 42	¥2,452	¥ 61,586
Cumulative net gain or loss	¥(99)	¥ (527)	¥(55,090)

(9) Inventories

Inventories as of March 31, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Finished goods	¥1,521,673	¥1,582,755
Work in process	93,412	80,730
Raw materials	827,884	807,105
Total	¥2,442,969	¥2,470,590

The amounts of write-down of inventories recognized as an expense for the years ended March 31, 2023, 2024 and 2025 are ¥8,400 million, ¥12,220 million and ¥120,919 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, 2024 and 2025 is as follows:

	Yen (millions)	
	2024	2025
Investments accounted for using the equity method:		
Affiliates	¥ 715,901	¥ 854,536
Joint ventures	491,067	388,078
Total	¥1,206,968	¥1,242,614
Honda's equity of undistributed earnings:		
Affiliates	¥ 111,787	¥ 95,581
Joint ventures	279,915	160,433
Total	¥ 391,702	¥ 256,014

For the year ended March 31, 2023, for certain investments accounted for using the equity method with quoted market prices in active markets, the Company recognized impairment losses to the recoverable amounts based on the fair values because there was objective evidence of impairment due to declines in quoted market prices.

Furthermore, for the year ended March 31, 2023, for certain investments accounted for using the equity method with no quoted market prices in active markets, the Company recognized impairment losses to the recoverable amounts based on the value in use because there was objective evidence of impairment where the transaction price in the share purchase agreement executed during the year ended March 31, 2023 was below the acquisition cost.

For the year ended March 31, 2023, the Company recognized impairment losses of ¥68,545 million in total, which are included in share of profit of investments accounted for using the equity method in the consolidated statements of income and mainly included in Automobile business.

For the year ended March 31, 2024 and 2025, the Company did not recognize any significant impairment losses.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

Honda's share of comprehensive income of affiliates and joint ventures for the years ended March 31, 2023, 2024 and 2025 is as follows:

	Yen (millions)		
	2023	2024	2025
Profit for the year:			
Affiliates	¥(81,504)	¥ 26,490	¥ 15,838
Joint ventures	198,949	84,327	(14,856)
Total	¥117,445	¥110,817	¥ 982
Other comprehensive income:			
Affiliates	¥ 25,920	¥ 31,797	¥ 18,305
Joint ventures	4,801	30,856	(6,403)
Total	¥ 30,721	¥ 62,653	¥ 11,902
Comprehensive income for the year:			
Affiliates	¥(55,584)	¥ 58,287	¥ 34,143
Joint ventures	203,750	115,183	(21,259)
Total	¥148,166	¥173,470	¥ 12,884

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

Combined financial information in respect of affiliates as of March 31, 2024 and 2025, and for the years ended March 31, 2023, 2024 and 2025 is as follows:

	Yen (millions)			
For the year ended March 31, 2023	Motorcycle Business	Automobile Business	Power Products and Other Businesses	Total
Sales revenue	¥ 189,332	¥3,800,943	¥9,187	¥3,999,462
Profit for the year	10,038	(45,204)	1,901	(33,265)

	Yen (millions)			
As of and for the year ended March 31, 2024	Motorcycle Business	Automobile Business	Power Products and Other Businesses	Total
Current assets	¥ 72,203	¥ 1,988,023	¥22,696	¥2,082,922
Non-current assets	24,867	2,400,612	26,272	2,451,751
Total assets	97,070	4,388,635	48,968	4,534,673
Current liabilities	29,538	1,348,062	5,433	1,383,033
Non-current liabilities	3,542	701,643	685	705,870
Total liabilities	33,080	2,049,705	6,118	2,088,903
Total equity	¥ 63,990	¥ 2,338,930	¥42,850	¥2,445,770
Sales revenue	¥ 178,964	¥ 4,425,320	¥10,335	¥4,614,619
Profit for the year	12,744	38,348	2,193	53,285

	Yen (millions)			
As of and for the year ended March 31, 2025	Motorcycle Business	Automobile Business	Power Products and Other Businesses	Total
Current assets	¥ 46,092	¥ 1,971,257	¥32,727	¥2,050,076
Non-current assets	18,217	2,770,810	24,559	2,813,586
Total assets	64,309	4,742,067	57,286	4,863,662
Current liabilities	19,386	1,549,786	6,630	1,575,802
Non-current liabilities	1,919	499,907	541	502,367
Total liabilities	21,305	2,049,693	7,171	2,078,169
Total equity	¥ 43,004	¥ 2,692,374	¥50,115	¥2,785,493
Sales revenue	¥ 153,727	¥ 4,451,855	¥17,845	¥4,623,427
Profit for the year	12,978	87,996	3,047	104,021

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

Combined financial information in respect of joint ventures as of March 31, 2024 and 2025, and for the years ended March 31, 2023, 2024 and 2025 is as follows:

	Yen (millions)			
For the year ended March 31, 2023	Motorcycle Business	Automobile Business	Power Products and Other Businesses	Total
Sales revenue	¥1,071,031	¥ 4,360,348	¥ 6,022	¥5,437,401
Profit for the year	93,766	304,119	1,779	399,664

	Yen (millions)			
As of and for the year ended March 31, 2024	Motorcycle Business	Automobile Business	Power Products and Other Businesses	Total
Current assets	¥ 376,630	¥ 1,206,741	¥3,852	¥1,587,223
Non-current assets	201,692	682,236	880	884,808
Total assets	578,322	1,888,977	4,732	2,472,031
Current liabilities	320,335	1,026,763	1,875	1,348,973
Non-current liabilities	72,977	72,063	2,441	147,481
Total liabilities	393,312	1,098,826	4,316	1,496,454
Total equity	¥ 185,010	¥ 790,151	¥ 416	¥ 975,577
Sales revenue	¥1,103,578	¥ 4,003,276	¥4,183	¥5,111,037
Profit for the year	100,242	67,056	1,674	168,972

	Yen (millions)			
As of and for the year ended March 31, 2025	Motorcycle Business	Automobile Business	Power Products and Other Businesses	Total
Current assets	¥ 383,566	¥ 919,732	¥4,892	¥1,308,190
Non-current assets	185,883	631,036	1,153	818,072
Total assets	569,449	1,550,768	6,045	2,126,262
Current liabilities	326,185	874,653	2,119	1,202,957
Non-current liabilities	71,439	78,792	3,266	153,497
Total liabilities	397,624	953,445	5,385	1,356,454
Total equity	¥ 171,825	¥ 597,323	¥ 660	¥ 769,808
Sales revenue	¥1,181,238	¥ 2,723,204	¥4,943	¥3,909,385
Profit for the year	108,842	(139,636)	1,398	(29,396)

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, 2024 and 2025 are as follows:

(Cost)

	<u>Yen (millions)</u>
Balance as of April 1, 2023	¥ 6,266,953
Additions	¥ 2,448,469
Sales or disposal	(2,662,279)
Exchange differences on translating foreign operations	625,564
Other	—
Balance as of March 31, 2024	<u>¥ 6,678,707</u>
Additions	¥ 3,134,025
Sales or disposal	(2,608,962)
Exchange differences on translating foreign operations	(112,651)
Other	—
Balance as of March 31, 2025	<u>¥ 7,091,119</u>

(Accumulated depreciation and impairment losses)

	<u>Yen (millions)</u>
Balance as of April 1, 2023	¥(1,540,661)
Depreciation	¥ (829,868)
Sales or disposal	1,043,821
Exchange differences on translating foreign operations	(134,587)
Other	(14,644)
Balance as of March 31, 2024	<u>¥(1,475,939)</u>
Depreciation	¥ (876,860)
Sales or disposal	1,020,755
Exchange differences on translating foreign operations	21,499
Other	(32,387)
Balance as of March 31, 2025	<u>¥(1,342,932)</u>

(Carrying amount)

	<u>Yen (millions)</u>
Balance as of March 31, 2024	¥ 5,202,768
Balance as of March 31, 2025	5,748,187

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, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Within 1 year	¥ 810,011	¥ 966,028
Between 1 and 2 years	614,883	741,093
Between 2 and 3 years	314,854	364,347
Between 3 and 4 years	108,572	114,240
Between 4 and 5 years	31,106	32,341
Later than 5 years	10,427	12,540
Total	¥1,889,853	¥2,230,589

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, 2024 and 2025 are ¥1,141,819 million and ¥1,256,945 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, 2024 and 2025 are as follows:

(Cost)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2023	¥ 653,918	¥ 2,758,854	¥ 6,615,640	¥ 164,779	¥ 10,193,191
Additions	8,328	35,397	113,006	325,741	482,472
Reclassification	8,129	74,106	199,180	(281,415)	—
Sales or disposal	(4,078)	(39,594)	(285,196)	—	(328,868)
Deconsolidation	(7,346)	(36,633)	(109,783)	(4,149)	(157,911)
Exchange differences on translating foreign operations	15,409	165,930	609,316	17,450	808,105
Other	202	(3,662)	13,886	(2,527)	7,899
Balance as of March 31, 2024	¥ 674,562	¥ 2,954,398	¥ 7,156,049	¥ 219,879	¥ 11,004,888
Additions	14,867	36,761	98,025	463,013	612,666
Reclassification	3,336	84,185	292,186	(379,707)	—
Sales or disposal	(9,128)	(39,708)	(295,604)	—	(344,440)
Exchange differences on translating foreign operations	(2,385)	(26,961)	(117,006)	(5,476)	(151,828)
Other	6	(3,179)	(2,949)	(2,128)	(8,250)
Balance as of March 31, 2025	¥ 681,258	¥ 3,005,496	¥ 7,130,701	¥ 295,581	¥ 11,113,036

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, 2023	¥ (23,224)	¥(1,694,821)	¥(5,306,138)	¥ (899)	¥ (7,025,082)
Depreciation	(6,086)	(107,219)	(450,649)	—	(563,954)
Sales or disposal	3,002	31,498	260,947	—	295,447
Deconsolidation	1,425	24,264	89,502	331	115,522
Exchange differences on translating foreign operations	(334)	(98,578)	(494,162)	1	(593,073)
Other	(225)	(594)	1,318	166	665
Balance as of March 31, 2024	¥ (25,442)	¥(1,845,450)	¥(5,899,182)	¥ (401)	¥ (7,770,475)
Depreciation	(6,399)	(106,045)	(419,365)	—	(531,809)
Sales or disposal	3,372	34,386	263,760	—	301,518
Exchange differences on translating foreign operations	44	15,566	95,475	—	111,085
Other	(355)	(2,909)	(10,132)	(38)	(13,434)
Balance as of March 31, 2025	¥ (28,780)	¥(1,904,452)	¥(5,969,444)	¥ (439)	¥ (7,903,115)

(Carrying amount)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of March 31, 2024	¥ 649,120	¥ 1,108,948	¥1,256,867	¥219,478	¥ 3,234,413
Balance as of March 31, 2025	652,478	1,101,044	1,161,257	295,142	3,209,921

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 includes 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, 2024 and 2025 are as follows:

	Yen (millions)			
	Land	Buildings and structures	Machinery and equipment	Total
Balance as of April 1, 2023	¥86,368	¥136,059	¥ 85,918	¥308,345
Additions	7,887	28,103	58,496	94,486
Depreciation	(6,086)	(18,433)	(53,389)	(77,908)
Other	3,017	(8,131)	3,202	(1,912)
Balance as of March 31, 2024	¥91,186	¥137,598	¥ 94,227	¥323,011
Additions	5,689	33,006	36,544	75,239
Depreciation	(6,399)	(19,110)	(50,115)	(75,624)
Other	(3,839)	(7,669)	(1,413)	(12,921)
Balance as of March 31, 2025	¥86,637	¥143,825	¥ 79,243	¥309,705

(13) Intangible Assets

The changes in cost, accumulated amortization and impairment losses, and carrying amounts of intangible assets for the years ended March 31, 2024 and 2025 are as follows:

(Cost)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2023	¥1,014,266	¥517,550	¥ 93,421	¥1,625,237
Additions	¥ —	¥ 13,144	¥ 41,165	¥ 54,309
Internally developed	207,519	42,896	—	250,415
Sales or disposal	(128,194)	(16,228)	(14,826)	(159,248)
Exchange differences on translating foreign operations	12,224	36,984	14,517	63,725
Other	(4,254)	3,636	(3,648)	(4,266)
Balance as of March 31, 2024	¥1,101,561	¥597,982	¥130,629	¥1,830,172
Additions	¥ —	¥ 20,330	¥ 2,153	¥ 22,483
Internally developed	287,098	55,775	—	342,873
Sales or disposal	(50,588)	(6,880)	(21,365)	(78,833)
Exchange differences on translating foreign operations	(793)	(5,754)	(2,099)	(8,646)
Other	1,616	5,352	206	7,174
Balance as of March 31, 2025	¥1,338,894	¥666,805	¥109,524	¥2,115,223

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, 2023	¥(345,904)	¥(397,763)	¥(10,670)	¥(754,337)
Amortization	¥(154,780)	¥ (30,029)	¥ (855)	¥(185,664)
Sales or disposal	128,194	15,315	219	143,728
Exchange differences on translating foreign operations	(1,935)	(29,418)	(1,656)	(33,009)
Other	2,055	(3,997)	741	(1,201)
Balance as of March 31, 2024	¥(372,370)	¥(445,892)	¥(12,221)	¥(830,483)
Amortization	¥(162,579)	¥ (40,549)	¥ (1,008)	¥(204,136)
Sales or disposal	37,207	6,041	302	43,550
Exchange differences on translating foreign operations	(39)	3,650	168	3,779
Other	18	(124)	(1,808)	(1,914)
Balance as of March 31, 2025	¥(497,763)	¥(476,874)	¥(14,567)	¥(989,204)

(Carrying amount)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of March 31, 2024	¥729,191	¥152,090	¥ 118,408	¥ 999,689
Balance as of March 31, 2025	841,131	189,931	94,957	1,126,019

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, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Trade accounts and notes payable	¥1,310,944	¥1,359,175
Other	298,892	304,312
Total	¥1,609,836	¥1,663,487

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, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Current:		
Commercial paper	¥ 959,620	¥1,114,208
Loans	387,093	475,728
Medium-term notes	90,835	164,457
Asset-backed securities	79,299	75,511
Subtotal	<u>¥1,516,847</u>	<u>¥1,829,904</u>
Reclassification from non-current liabilities (Current portion)	<u>¥2,588,743</u>	<u>¥2,667,843</u>
Total	<u>¥4,105,590</u>	<u>¥4,497,747</u>

The weighted average interest rates for financing liabilities presented in current liabilities (excluding reclassification from non-current liabilities) as of March 31, 2024 and 2025 are as follows:

	2024	2025
Weighted average interest rate	4.94%	4.15%

Financing liabilities presented in non-current liabilities as of March 31, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Non-current:		
Loans	¥ 1,050,890	¥ 984,333
Medium-term notes	5,129,411	5,900,016
Corporate bonds	1,038,311	866,042
Asset-backed securities	1,428,098	1,870,972
Subtotal	<u>¥ 8,646,710</u>	<u>¥ 9,621,363</u>
Reclassification to current liabilities (Current portion)	<u>¥(2,588,743)</u>	<u>¥(2,667,843)</u>
Total	<u>¥ 6,057,967</u>	<u>¥ 6,953,520</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, 2024 and 2025 are as follows:

	2024	2025
Loans	Interest rate: 0.14% - 13.06% Due: 2024 - 2046	Interest rate: 0.14% - 13.30% Due: 2025 - 2046
Medium-term notes	Interest rate: 0.30% - 6.40% Due: 2024 - 2034	Interest rate: 0.30% - 5.85% Due: 2025 - 2035
Corporate bonds	Interest rate: 0.03% - 2.97% Due: 2024 - 2032	Interest rate: 0.09% - 2.97% Due: 2025 - 2032
Asset-backed securities	Interest rate: 0.11% - 5.94% Due: 2024 - 2028	Interest rate: 0.11% - 5.87% Due: 2025 - 2029

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(Pledged assets)

Pledged assets for financing liabilities as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Trade receivables	¥ 34,137	¥ 27,365
Receivables from financial services	1,520,521	1,980,042
Inventories	4,117	1,772
Equipment on operating leases	86,455	92,822
Property, plant and equipment	2,491	2,779
Total	¥1,647,721	¥2,104,780

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, 2023, 2024 and 2025 are as follows:

For the year ended March 31, 2023

	Yen (millions)							
	Balance as of April 1, 2022	Cash flows from financing activities	Cash flows from operating activities	Acquisitions	Non-cash changes			Balance as of March 31, 2023
				Changes in foreign currency exchange rates	Changes in fair value	Other		
Short-term financing liabilities	¥ 906,543	¥ 442,534	¥ —	¥ —	¥ 27,055	¥ —	¥ (10,357)	¥1,365,775
Long-term financing liabilities	7,196,013	(1,356,965)	—	—	459,754	—	591	6,299,393
Lease liabilities	318,758	(78,297)	—	79,202	3,675	—	(7,380)	315,958
Derivative financial liabilities (assets)*	38,636	(54,158)	(8,641)	—	3,718	85,721	—	65,276
Total	¥8,459,950	¥(1,046,886)	¥(8,641)	¥79,202	¥494,202	¥85,721	¥(17,146)	¥8,046,402

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2024

	Yen (millions)							Balance as of March 31, 2024
	Balance as of April 1, 2023	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 . . .	¥1,365,775	¥ (24,382)	¥ —	¥ —	¥177,888	¥ —	¥ (2,434)	¥ 1,516,847
Long-term financing liabilities . . .	6,299,393	1,593,898	—	—	751,082	—	2,337	8,646,710
Lease liabilities	315,958	(80,513)	—	92,612	9,509	—	(5,160)	332,406
Derivative financial liabilities (assets)*	65,276	4,983	(36,665)	—	11,112	(32,957)	—	11,749
Total	¥8,046,402	¥1,493,986	¥(36,665)	¥92,612	¥949,591	¥(32,957)	¥ (5,257)	¥10,507,712

For the year ended March 31, 2025

	Yen (millions)							Balance as of March 31, 2025
	Balance as of April 1, 2024	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 . . .	¥ 1,516,847	¥ 340,693	¥ —	¥ —	¥ (30,130)	¥ —	¥ 2,494	¥ 1,829,904
Long-term financing liabilities . . .	8,646,710	1,119,418	—	—	(149,634)	—	4,869	9,621,363
Lease liabilities	332,406	(78,137)	—	76,919	(1,427)	—	(6,838)	322,923
Derivative financial liabilities (assets)*	11,749	31,488	(35,007)	—	(621)	2,532	—	10,141
Total	¥10,507,712	¥1,413,462	¥ (35,007)	¥ 76,919	¥(181,812)	¥ 2,532	¥ 525	¥11,784,331

Explanatory note:

- * 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, 2024 and 2025 consist of the following:

	Yen (millions)	
	2024	2025
Financial liabilities measured at amortized cost	¥ 88,779	¥ 83,747
Financial liabilities measured at fair value through profit or loss:		
Derivatives	236,592	171,630
Lease liabilities	332,406	322,923
Total	<u>¥657,777</u>	<u>¥578,300</u>
Current liabilities	¥340,858	¥276,861
Non-current liabilities	316,919	301,439
Total	<u>¥657,777</u>	<u>¥578,300</u>

(17) Provisions

The components of and changes in provisions for the year ended March 31, 2025 are as follows:

	Yen (millions)		
	Product warranties	Other	Total
Balance as of April 1, 2024	¥ 815,190	¥ 136,533	¥ 951,723
Additional provisions	¥ 454,502	¥ 112,452	¥ 566,954
Write-offs	(357,345)	(45,832)	(403,177)
Reversal	(43,784)	(1,632)	(45,416)
Exchange differences on translating foreign operations	(10,460)	(3,909)	(14,369)
Balance as of March 31, 2025	<u>¥ 858,103</u>	<u>¥ 197,612</u>	<u>¥1,055,715</u>

Current liabilities and non-current liabilities of provisions as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Current liabilities	¥566,722	¥ 388,441
Non-current liabilities	385,001	667,274
Total	<u>¥951,723</u>	<u>¥1,055,715</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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.

(i) Honda recognizes general estimated warranty costs at the time products are sold to customers and estimates 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.

(ii) In fiscal years prior to the year ended March 31, 2025, Honda historically recognized specific estimated warranty program costs when it was 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. The provisions were estimated for each specific warranty program.

During the year ended March 31, 2025, it was made possible for Honda to make reliable estimates of product warranty costs at the time products are sold to customers, since the number of automobile product units subject to specific warranty program have increased in the recent fiscal years, historical data to support the use of its estimate on specific warranty program costs have sufficiently accumulated, and “Quality Innovation Operations” has been established to monitor progress of specific warranty programs and related costs across Honda. As such, Honda changed the estimation model to accrue the provisions comprehensively for specific warranty programs of automobile products manufactured at our major production bases at the time of vehicle sales for the year ended March 31, 2025.

The estimated specific warranty costs are measured by number of units sold over the past fiscal years and specific warranty cost per unit expected to be incurred (specific warranty cost per unit) after vehicle sales over its product life based on our historical experience. Expected specific warranty cost per unit is calculated based on the actual warranty costs incurred over specific range of past periods such as the average useful product life. This estimate is inherently uncertain as it is based on our historical experience as described above. Consequently, the actual specific warranty cost per unit may differ from the expected cost per unit and result in adjustments to the provisions in future reporting periods. The difference from estimated specific warranty cost per unit can be primarily driven by actual repair cost such as parts and labors.

In addition to the provisions comprehensively accrued, estimates of certain warranty program cost are individually made when it is deemed appropriate by considering its nature and magnitude of each program. Honda recognizes those provisions 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. The provisions are estimated based on the expected level of future warranty costs, including the expected number of units to be affected and the estimated repair cost per unit for warranty claims.

The change in the estimation model resulted in the increase of provisions for product warranties by ¥127,554 million for the year ended March 31, 2025, which is included in selling, general and administrative in the consolidated statements of income and included in Automobile business.

Provisions for (i) and (ii) product warranties are utilized for expenditures based on the demand from customers and dealers. A portion of the product warranties is expected to be reimbursed by agreement with suppliers. The amount of expected reimbursement is ¥161,057 million as of March 31, 2025.

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 its 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.

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, 2024 and 2025 are as follows:

	Yen (millions)			
	2024		2025	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Balance at beginning of year	¥1,160,727	¥ 925,961	¥1,081,392	¥1,037,123
Current service cost	27,397	17,702	24,203	19,077
Past service cost	—	(271)	—	—
Interest cost	13,944	47,108	16,392	50,717
Plan participants' contributions	—	4,447	—	4,022
Remeasurements:				
Changes in demographic assumptions	(4,249)	(724)	980	1,982
Changes in financial assumptions	(44,232)	(14,686)	(83,744)	(28,838)
Other	(91)	(1,446)	3,325	8,516
Benefits paid	(59,464)	(66,563)	(62,296)	(63,038)
Deconsolidation	(12,640)	—	—	—
Exchange differences on translating foreign operations	—	125,595	—	(22,965)
Balance at end of year	¥1,081,392	¥1,037,123	¥ 980,252	¥1,006,596
Fair value of plan assets:				
Balance at beginning of year	¥1,236,755	¥ 879,975	¥1,247,059	¥ 993,401
Interest income	15,030	45,291	19,164	52,338
Actual return on plan assets, excluding interest income	43,828	(6,964)	(27,278)	(19,496)
Employer contributions	20,108	16,819	19,349	15,683
Plan participants' contributions	—	4,447	—	4,022
Benefits paid	(54,727)	(66,563)	(59,027)	(63,038)
Deconsolidation	(13,935)	—	—	—
Exchange differences on translating foreign operations	—	120,396	—	(24,582)
Balance at end of year	¥1,247,059	¥ 993,401	¥1,199,267	¥ 958,328
Effects of asset ceiling	123,505	86,321	195,916	37,807
Net defined benefit liabilities (assets)	¥ (42,162)	¥ 130,043	¥ (23,099)	¥ 86,075

Retirement benefit assets included in net defined benefit liabilities (assets) as of March 31, 2024 and 2025 are ¥148,296 million and ¥185,835 million, respectively, which are presented in other non-current assets in the consolidated statements of financial position.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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 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, 2024 and 2025 is as follows:

As of March 31, 2024

	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	¥ 14,251	¥ —	¥ 14,251	¥ 8,946	¥ —	¥ 8,946
Equity securities:						
Japan	25,610	—	25,610	403	—	403
United States	211,349	—	211,349	12,308	—	12,308
Other	176,452	127	176,579	6,764	—	6,764
Debt securities:						
Japan	53,981	1,042	55,023	—	414	414
United States	149,531	16,055	165,586	—	161,319	161,319
Other	141,011	114,569	255,580	—	12,650	12,650
Group annuity insurance:						
General accounts	—	39,329	39,329	—	—	—
Separate accounts	—	29,350	29,350	—	—	—
Pooled funds:						
Real estate funds	—	204	204	—	78,832	78,832
Private equity funds	—	—	—	—	171,660	171,660
Hedge funds	—	134,096	134,096	—	31,495	31,495
Commingled and other mutual funds	1,289	152,466	153,755	—	464,649	464,649
Other	19	(13,672)	(13,653)	424	43,537	43,961
Total	¥773,493	¥473,566	¥1,247,059	¥28,845	¥964,556	¥993,401

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

As of March 31, 2025

	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	¥ 22,760	¥ —	¥ 22,760	¥ 8,124	¥ —	¥ 8,124
Equity securities:						
Japan	22,005	—	22,005	546	—	546
United States	200,605	—	200,605	10,687	—	10,687
Other	145,261	70	145,331	4,685	2,048	6,733
Debt securities:						
Japan	47,992	1,262	49,254	—	1,055	1,055
United States	145,869	23,544	169,413	—	163,424	163,424
Other	135,936	115,050	250,986	—	14,544	14,544
Group annuity insurance:						
General accounts	—	39,871	39,871	—	—	—
Separate accounts	—	29,531	29,531	—	—	—
Pooled funds:						
Real estate funds	—	209	209	—	70,336	70,336
Private equity funds	—	—	—	—	154,824	154,824
Hedge funds	—	120,414	120,414	—	26,400	26,400
Commingled and other mutual funds	1,038	158,217	159,255	—	459,546	459,546
Other	2	(10,369)	(10,367)	382	41,727	42,109
Total	¥721,468	¥477,799	¥1,199,267	¥24,424	¥933,904	¥958,328

3) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations as of March 31, 2024 and 2025 are as follows:

	2024		2025	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	1.6%	4.9 - 5.2%	2.3%	4.6 - 5.9%
Rate of salary increase	1.6%	2.0 - 7.5%	1.6%	2.0 - 4.9%

4) Sensitivity analysis

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate as of March 31, 2024 and 2025 are as follows:

	Yen (millions)			
	2024		2025	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease	¥70,025 increase	¥67,928 increase	¥58,739 increase	¥62,310 increase
0.5% increase	¥63,047 decrease	¥59,881 decrease	¥53,176 decrease	¥55,111 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, 2024 and 2025, 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 is 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 ¥16,900 million to its Japanese pension plans and ¥28,604 million to its foreign pension plans in the year ending March 31, 2026.

The weighted average duration of defined benefit obligations as of March 31, 2024 and 2025 are as follows:

	2024		2025	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Weighted average duration of defined benefit obligations	12 years	11 years	11 years	10 years

(b) Personnel Expenses

Personnel expenses included in the consolidated statements of income for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Personnel expenses	¥1,635,515	¥1,807,731	¥1,934,596

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, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Financing liabilities	¥10,163,557	¥11,451,267
Equity	13,005,872	12,627,822

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, 2023, 2024 and 2025 are as follows:

	Shares		
	2023	2024	2025
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	5,280,000,000
Changes during the year *	—	3,468,571,570	—
Balance at end of year	1,811,428,430	5,280,000,000	5,280,000,000

Explanatory notes:

- *1 As of the effective date of October 1, 2023, the Company implemented a three-for-one stock split of its common stock to shareholders as of the record date of September 30, 2023.
- *2 As of February 29, 2024, the Company cancelled 154,285,290 shares of its treasury stock based on the resolution of the Board of Directors Meeting on February 8, 2024.

All of the issued shares as of March 31, 2023, 2024 and 2025 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, 2023, 2024 and 2025 is as follows:

	Shares		
	2023	2024	2025
Common shares	147,087,841	451,092,624	933,490,429

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, 2023, 2024 and 2025 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, 2022	¥ —	¥145,720	¥ 844,718	¥ 990,438
Adjustment during the year . .	¥ 3,304	¥ (19,030)	¥ 445,739	¥ 430,013
Reclassification to retained earnings	(3,304)	250	—	(3,054)
Balance as of March 31, 2023	¥ —	¥126,940	¥1,290,457	¥1,417,397
Adjustment during the year . .	¥(18,194)	¥(17,924)	¥ 913,456	¥ 877,338
Reclassification to retained earnings	18,194	(479)	—	17,715
Balance as of March 31, 2024	¥ —	¥108,537	¥2,203,913	¥2,312,450
Adjustment during the year . .	¥ 26,874	¥ (19,953)	¥ (143,608)	¥ (136,687)
Reclassification to retained earnings	(26,874)	36,932	—	10,058
Balance as of March 31, 2025	¥ —	¥125,516	¥2,060,305	¥2,185,821

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, 2023, 2024 and 2025 are as follows:

For the year ended March 31, 2023

	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	¥ 7,192	¥ (3,842)	¥ 3,350
Net changes	<u>7,192</u>	<u>(3,842)</u>	<u>3,350</u>
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(26,279)	7,814	(18,465)
Net changes	<u>(26,279)</u>	<u>7,814</u>	<u>(18,465)</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	294	(2)	292
Net changes	<u>294</u>	<u>(2)</u>	<u>292</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	(444)	98	(346)
Reclassification to profit or loss	(166)	38	(128)
Net changes	<u>(610)</u>	<u>136</u>	<u>(474)</u>
Exchange differences on translating foreign operations:			
Amount incurred during the year	427,650	(1,612)	426,038
Reclassification to profit or loss	(4,690)	1,612	(3,078)
Net changes	<u>422,960</u>	<u>—</u>	<u>422,960</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	32,436	(1,905)	30,531
Reclassification to profit or loss	(102)	—	(102)
Net changes	<u>32,334</u>	<u>(1,905)</u>	<u>30,429</u>
Total other comprehensive income	<u>¥435,891</u>	<u>¥ 2,201</u>	<u>¥438,092</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2024

	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	¥(30,696)	¥ 11,765	¥(18,931)
Net changes	<u>(30,696)</u>	<u>11,765</u>	<u>(18,931)</u>
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(27,034)	1,565	(25,469)
Net changes	<u>(27,034)</u>	<u>1,565</u>	<u>(25,469)</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	8,976	(676)	8,300
Net changes	<u>8,976</u>	<u>(676)</u>	<u>8,300</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	149	(83)	66
Reclassification to profit or loss	(78)	68	(10)
Net changes	<u>71</u>	<u>(15)</u>	<u>56</u>
Exchange differences on translating foreign operations:			
Amount incurred during the year	880,235	(2,727)	877,508
Reclassification to profit or loss	(5,185)	2,727	(2,458)
Net changes	<u>875,050</u>	<u>—</u>	<u>875,050</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	57,139	(2,850)	54,289
Reclassification to profit or loss	64	—	64
Net changes	<u>57,203</u>	<u>(2,850)</u>	<u>54,353</u>
Total other comprehensive income	<u>¥883,570</u>	<u>¥ 9,789</u>	<u>¥893,359</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2025

	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	¥ 33,986	¥ (7,259)	¥ 26,727
Net changes	<u>33,986</u>	<u>(7,259)</u>	<u>26,727</u>
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(23,320)	9,843	(13,477)
Net changes	<u>(23,320)</u>	<u>9,843</u>	<u>(13,477)</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(7,029)	530	(6,499)
Net changes	<u>(7,029)</u>	<u>530</u>	<u>(6,499)</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	582	(128)	454
Reclassification to profit or loss	(50)	11	(39)
Net changes	<u>532</u>	<u>(117)</u>	<u>415</u>
Exchange differences on translating foreign operations:			
Amount incurred during the year	(162,200)	(2)	(162,202)
Reclassification to profit or loss	(125)	2	(123)
Net changes	<u>(162,325)</u>	<u>—</u>	<u>(162,325)</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	20,910	(1,190)	19,720
Reclassification to profit or loss	(1,319)	—	(1,319)
Net changes	<u>19,591</u>	<u>(1,190)</u>	<u>18,401</u>
Total other comprehensive income	<u>¥(138,565)</u>	<u>¥ 1,807</u>	<u>¥(136,758)</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

The components of other comprehensive income included in non-controlling interests for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	¥ 341	¥ 186	¥ 90
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	88	6	155
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	7,650	18,893	(316)
Total	¥ 8,079	¥ 19,085	¥ (71)

(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, 2023, 2024 and 2025 are as follows:

1) Dividend payout

For the year ended March 31, 2023

Resolution	The Board of Directors Meeting on May 13, 2022
Type of shares	Common shares
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

Resolution	The Board of Directors Meeting on November 9, 2022
Type of shares	Common shares
Total amount of dividends (millions of yen)	102,219
Dividend per share (yen)	60.00
Record date	September 30, 2022
Effective date	December 5, 2022

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2024

Resolution	The Board of Directors Meeting on May 11, 2023
Type of shares	Common shares
Total amount of dividends (millions of yen)	99,915
Dividend per share (yen)	60.00
Record date	March 31, 2023
Effective date	June 6, 2023
Resolution	The Board of Directors Meeting on November 9, 2023
Type of shares	Common shares
Total amount of dividends (millions of yen)	141,949
Dividend per share (yen)	87.00
Record date	September 30, 2023
Effective date	December 5, 2023

Explanatory note:

- * As of the effective date of October 1, 2023, the Company implemented a three-for-one stock split of its common stock to shareholders as of the record date of September 30, 2023. Dividend per share is an amount prior to the stock split.

For the year ended March 31, 2025

Resolution	The Board of Directors Meeting on May 10, 2024
Type of shares	Common shares
Total amount of dividends (millions of yen)	188,418
Dividend per share (yen)	39.00
Record date	March 31, 2024
Effective date	June 4, 2024
Resolution	The Board of Directors Meeting on November 6, 2024
Type of shares	Common shares
Total amount of dividends (millions of yen)	159,386
Dividend per share (yen)	34.00
Record date	September 30, 2024
Effective date	December 4, 2024

2) Dividends payable of which record date was in the year ended March 31, 2025, effective after the period

Resolution	The Board of Directors Meeting on May 13, 2025
Type of shares	Common shares
Resource for dividend	Retained earnings
Total amount of dividends (millions of yen)	147,960
Dividend per share (yen)	34.00
Record date	March 31, 2025
Effective date	June 5, 2025

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(20) Sales Revenue

(a) Disaggregation of revenue

As stated in Note 4, Honda discloses segment information in four categories.

The sales revenue disaggregated by geographical markets based on the location of the customer and the reconciliation of the disaggregated sales revenue with each segment for the years ended March 31, 2023, 2024 and 2025 are as follows:

For the year ended March 31, 2023

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Power Products and Other Businesses	Total
Revenue arising from contracts with customers					
Japan	¥ 109,393	¥ 1,375,593	¥ 158,653	¥ 89,627	¥ 1,733,266
North America	306,725	5,985,958	1,341,863	182,126	7,816,672
Europe	250,088	332,928	—	94,328	677,344
Asia	1,739,330	2,523,613	29	55,354	4,318,326
Other Regions	502,917	360,299	—	29,464	892,680
Total	¥2,908,453	¥10,578,391	¥1,500,545	¥450,899	¥15,438,288
Revenue arising from the other sources* . . .	530	15,128	1,453,553	226	1,469,437
Total	¥2,908,983	¥10,593,519	¥2,954,098	¥451,125	¥16,907,725

For the year ended March 31, 2024

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Power Products and Other Businesses	Total
Revenue arising from contracts with customers					
Japan	¥ 113,746	¥ 1,586,358	¥ 172,072	¥ 87,072	¥ 1,959,248
North America	335,545	8,503,602	1,487,948	138,760	10,465,855
Europe	351,850	506,731	—	84,459	943,040
Asia	1,792,327	2,446,250	5	55,898	4,294,480
Other Regions	625,585	498,506	—	26,001	1,150,092
Total	¥3,219,053	¥13,541,447	¥1,660,025	¥392,190	¥18,812,715
Revenue arising from the other sources* . . .	1,115	26,118	1,588,783	71	1,616,087
Total	¥3,220,168	¥13,567,565	¥3,248,808	¥392,261	¥20,428,802

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

For the year ended March 31, 2025

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Power Products and Other Businesses	Total
Revenue arising from contracts with customers					
Japan	¥ 106,632	¥ 1,794,911	¥ 193,188	¥ 88,943	¥ 2,183,674
North America	347,503	9,379,001	1,456,899	127,991	11,311,394
Europe	379,432	459,755	—	77,859	917,046
Asia	2,071,481	1,953,109	15	62,018	4,086,623
Other Regions	714,537	563,025	—	28,251	1,305,813
Total	¥3,619,585	¥14,149,801	¥1,650,102	¥385,062	¥19,804,550
Revenue arising from the other sources* . . .	7,018	19,439	1,857,664	96	1,884,217
Total	¥3,626,603	¥14,169,240	¥3,507,766	¥385,158	¥21,688,767

Explanatory note:

* Revenue arising from the other sources primarily includes lease revenues recognized under IFRS 16 and interest recognized under IFRS 9.

(b) Contract balances

The receivables from contracts with customers and contract liabilities for the years ended March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Receivables from contracts with customers:		
Trade receivables	¥982,118	¥888,774
Contract liabilities:		
Other current liabilities	401,855	411,941
Other noncurrent liabilities	306,170	329,298

The amounts of revenue recognized for the years ended March 31, 2023, 2024 and 2025 that were included in the contract liability balances at the beginning of the year are ¥219,873 million, ¥273,224 million and ¥343,681 million, respectively. The amounts of revenue recognized for the years ended March 31, 2023, 2024 and 2025 from performance obligations satisfied (or partially satisfied) in previous years were immaterial. In addition, the balances of contract assets were immaterial.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(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, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Within 1 year	¥230,865	¥245,826
Between 1 and 5 years	355,882	363,831
Later than 5 years	22,198	26,275
Total	¥608,945	¥635,932

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, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Assets recognized from the costs to obtain a contract with a customer	¥186,074	¥192,532

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.

The amounts of amortization of the assets for the years ended March 31, 2023, 2024 and 2025 are ¥52,193 million, ¥60,391 million and ¥66,438 million, respectively.

(21) Research and Development

Research and development costs for the years ended March 31, 2023, 2024 and 2025 consist of the following:

	Yen (millions)		
	2023	2024	2025
Research and development expenditures incurred during the reporting period	¥ 852,067	¥ 976,366	¥1,210,620
Amount capitalized	(120,811)	(207,519)	(287,098)
Amortization and disposal losses of capitalized development costs	149,659	154,780	175,960
Total	¥ 880,915	¥ 923,627	¥1,099,482

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(22) Finance Income and Finance Costs

Finance income and finance costs for the years ended March 31, 2023, 2024 and 2025 consist of the following:

	Yen (millions)		
	2023	2024	2025
Interest income:			
Financial assets measured at amortized cost	¥ 69,217	¥ 169,287	¥184,928
Financial assets measured at fair value through other comprehensive income	497	798	1,206
Financial assets measured at fair value through profit or loss	3,357	3,610	4,997
Total	<u>73,071</u>	<u>173,695</u>	<u>191,131</u>
Interest expense:			
Financial liabilities measured at amortized cost	(34,065)	(42,609)	(45,385)
Other	(2,047)	(17,022)	(9,522)
Total	<u>(36,112)</u>	<u>(59,631)</u>	<u>(54,907)</u>
Other, net:			
Dividends received:			
Financial assets measured at fair value through other comprehensive income	6,150	8,804	15,037
Financial assets measured at fair value through profit or loss	—	—	—
Gains (losses) on derivatives:			
Financial assets and financial liabilities measured at fair value through profit or loss	(92,144)	(202)	(24,783)
Gains (losses) on foreign exchange	47,705	67,414	(22,009)
Other	(17,319)	(40,490)	(1,297)
Total	<u>(55,608)</u>	<u>35,526</u>	<u>(33,052)</u>
Total	<u>¥ (18,649)</u>	<u>¥ 149,590</u>	<u>¥103,172</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, 2023, 2024 and 2025 consist of the following:

	Yen (millions)								
	2023			2024			2025		
	Japan	Foreign	Total	Japan	Foreign	Total	Japan	Foreign	Total
Profit (loss) before									
income taxes	¥(40,638)	¥ 920,203	¥ 879,565	¥148,651	¥1,493,733	¥1,642,384	¥180,912	¥1,136,728	¥1,317,640
Income tax expense									
(benefit):									
Current taxes . . .	12,699	353,611	366,310	19,081	606,077	625,158	28,922	499,076	527,998
Deferred taxes . .	(92,631)	(111,423)	(204,054)	34,265	(199,629)	(165,364)	(3,821)	(109,571)	(113,392)
Total	<u>¥(79,932)</u>	<u>¥ 242,188</u>	<u>¥ 162,256</u>	<u>¥ 53,346</u>	<u>¥ 406,448</u>	<u>¥ 459,794</u>	<u>¥ 25,101</u>	<u>¥ 389,505</u>	<u>¥ 414,606</u>

The benefits of deferred taxes in Japan for the year ended March 31, 2023, include tax benefits of ¥96,195 million resulting from the recognition of deferred tax assets previously unrecognized on tax losses, tax credits and deductible temporary differences since we consider it probable that future taxable profit would be available in the consolidated group under the Japanese Group Relief System, which consists of the Company and its certain consolidated subsidiaries in Japan.

The statutory income tax rate in Japan is approximately 30.2% for each of the years in the three-year period ended March 31, 2025.

The Japanese statutory income tax rate for the years ended March 31, 2023, 2024 and 2025 differs from the average effective tax rate for the following reasons:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Statutory income tax rate*	30.2%	30.2%	30.2%
Difference in statutory income tax rates of foreign subsidiaries	(6.3)	(5.4)	(5.2)
Effects of investments accounted for using the equity method	(4.0)	(2.0)	0.0
Effects of undistributed earnings and withholding taxes on royalty	11.3	6.1	7.0
Changes in unrecognized deferred tax assets	(10.3)	0.1	1.1
Effects of income and expense not taxable and deductible for tax purpose	0.1	0.0	0.5
Effects of tax credit	(2.9)	(2.6)	(2.2)
Other adjustments relating to prior years	(0.5)	(0.1)	(2.1)
Adjustments for the uncertain tax treatments on income taxes	0.6	0.1	0.6
Adjustments for the changes in income tax laws	(0.6)	0.2	0.4
Other	0.8	1.4	1.2
Average effective tax rate	<u>18.4%</u>	<u>28.0%</u>	<u>31.5%</u>

Explanatory note:

* On March 31, 2025, the National Diet of Japan approved amendments to existing income tax laws. Upon the change in the laws, the statutory income tax rate in Japan for the years beginning on and after April 1, 2026 was changed to approximately 31%.

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, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Deferred tax assets:		
Inventories	¥ 60,476	¥ 62,292
Accrued expenses	75,627	64,632
Provisions	170,286	243,174
Property, plant and equipment	40,470	55,231
Intangible assets	75,630	91,540
Retirement benefit liabilities	59,951	60,634
Lease liabilities	72,720	82,117
Carryforward of unused tax losses	95,400	36,057
Carryforward of unused tax credit	11,387	4,932
Other	105,431	137,622
Total	¥ 767,378	¥ 838,231
Deferred tax liabilities:		
Property, plant and equipment	¥ 154,256	¥ 151,402
Intangible assets	195,662	236,577
Other financial assets	55,074	62,934
Operating leases	776,937	721,248
Undistributed earnings	71,577	71,781
Retirement benefit assets	37,780	44,309
Receivables from financial services	63,070	34,337
Other	97,233	90,228
Total	¥1,451,589	¥1,412,816
Net deferred tax assets (liabilities)	¥ (684,211)	¥ (574,585)

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, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Inventories	¥ (7,407)	¥ (8,335)	¥ (2,284)
Provisions	(27,854)	(26,423)	(75,290)
Property, plant and equipment*	19,079	(41,544)	(16,389)
Retirement benefit liabilities (assets)	(4,149)	(1,840)	3,308
Operating leases	(153,429)	(93,321)	(46,698)
Undistributed earnings	(1,005)	8,355	(537)
Carryforward of unused tax losses	(42,172)	17,652	59,300
Carryforward of unused tax credit	9,504	4,238	6,400
Other*	3,379	(24,146)	(41,202)
Total	¥ (204,054)	¥(165,364)	¥(113,392)

Explanatory note:

- * Honda has adopted “Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)” with a date of initial application of April 1, 2023 and the comparative information has been retrospectively adjusted.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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, 2024 and 2025. 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 ¥629 million and ¥637 million as of March 31, 2024 and 2025, 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, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Deductible temporary differences	¥446,655	¥461,089
Carryforward of unused tax losses	439,849	436,674
Carryforward of unused tax credit	65,643	124,850

The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Within 1 year	¥ 4,088	¥ 12,142
Between 1 and 5 years	95,320	92,042
Between 5 and 20 years	55,480	36,115
Indefinite periods	284,961	296,375
Total	¥439,849	¥436,674

The components by expiry of the carryforward of unused tax credit for which deferred tax assets are not recognized as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Within 1 year	¥ 38	¥ 4
Between 1 and 5 years	65,574	124,831
Between 5 and 20 years	31	15
Indefinite periods	—	—
Total	¥65,643	¥124,850

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, 2024 and 2025 are ¥8,112,152 million and ¥8,127,532 million, respectively.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(c) Global minimum taxation

The Act for Partial Amendment to the Income Tax Act, etc. (Act No. 3 of 2023) to implement the global minimum tax rule has been enacted in Japan. The Company and its certain domestic subsidiaries will be additionally taxed on the income of their foreign subsidiaries and joint ventures that are taxed below 15% in the tax jurisdictions where these subsidiaries and joint ventures are located. The enacted global minimum tax rule in Japan is effective from the years beginning on or after April 1, 2024, and its impact on income tax expense related to the Pillar Two model rules was immaterial for the year ended March 31, 2025.

(24) Earnings Per Share

Earnings per share attributable to owners of the parent for the years ended March 31, 2023, 2024 and 2025 are calculated based on the following information. There were no significant dilutive potential common shares outstanding for the years ended March 31, 2023, 2024 and 2025.

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Profit for the year attributable to owners of the parent (millions of yen)	¥ 651,416	¥ 1,107,174	¥ 835,837
Weighted average number of common shares outstanding, basic (shares)	5,088,921,345	4,901,560,332	4,671,383,489
Basic earnings per share attributable to owners of the parent (yen)	¥ 128.01	¥ 225.88	¥ 178.93

Explanatory note:

* As of the effective date of October 1, 2023, the Company implemented a three-for-one stock split of its common stock to shareholders as of the record date of September 30, 2023. Basic earnings per share attributable to owners of the parent are calculated based on the assumption that the stock split had been implemented at the beginning of the year ended March 31, 2023.

(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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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, 2024 and 2025 is as follows.

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)	
	2024	2025
Impact on profit before income taxes	¥(4,138)	¥(2,162)

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, 2024 and 2025 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)	
	2024	2025
Impact on profit before income taxes	¥(24,322)	¥(22,118)

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

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 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, 2025, 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

1) Credit risk exposure

The analysis of the age of receivables from financial services that are past due as of March 31, 2024 and 2025 is as follows:

	Yen (millions)				Total
	Less than 30 days past due	30-59 days past due	60-89 days past due	90 days and greater past due	
As of March 31, 2024					
Consumer finance receivables:					
Retail	¥328,741	¥74,948	¥19,722	¥17,246	¥440,657
Finance lease	1,499	258	16	481	2,254
Dealer finance receivables:					
Wholesale	10,457	51	16	44	10,568
Total	<u>¥340,697</u>	<u>¥75,257</u>	<u>¥19,754</u>	<u>¥17,771</u>	<u>¥453,479</u>

	Yen (millions)				Total
	Less than 30 days past due	30-59 days past due	60-89 days past due	90 days and greater past due	
As of March 31, 2025					
Consumer finance receivables:					
Retail	¥378,755	¥92,347	¥23,455	¥21,269	¥515,826
Finance lease	1,921	265	21	614	2,821
Dealer finance receivables:					
Wholesale	17,211	54	16	85	17,366
Total	<u>¥397,887</u>	<u>¥92,666</u>	<u>¥23,492</u>	<u>¥21,968</u>	<u>¥536,013</u>

The balances of retail receivables included in consumer finance receivables as of March 31, 2024 and 2025 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, 2024				
Consumer finance receivables:				
Retail*	¥6,919,715	¥374,582	¥36,162	¥7,330,459

	Yen (millions)			Total
	Lifetime ECL			
	12-month ECL (Stage 1)	Not credit- impaired (Stage 2)	Credit- impaired (Stage 3)	
As of March 31, 2025				
Consumer finance receivables:				
Retail*	¥7,060,827	¥932,769	¥40,908	¥8,034,504

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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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, 2024 and 2025 are as follows:

<u>As of March 31, 2024</u>	Yen (millions)			
	<u>12-month ECL (Stage 1)</u>	Lifetime ECL		<u>Total</u>
		Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
Dealer finance receivables:				
Group A	¥527,138	¥3,403	¥6,010	¥536,551
Group B	166,726	3,559	199	170,484
Total	¥693,864	¥6,962	¥6,209	¥707,035
Loan commitments:				
Group A	¥ 82,802	¥ —	¥ —	¥ 82,802
Group B	9,571	—	—	9,571
Total	¥ 92,373	¥ —	¥ —	¥ 92,373

The undiscounted maximum amount of potential payment for guarantees of bank loans of employees for their housing costs as of March 31, 2024 is ¥5,034 million.

<u>As of March 31, 2025</u>	Yen (millions)			
	<u>12-month ECL (Stage 1)</u>	Lifetime ECL		<u>Total</u>
		Not credit-impaired (Stage 2)	Credit-impaired (Stage 3)	
Dealer finance receivables:				
Group A	¥522,368	¥1,866	¥5,029	¥529,263
Group B	215,160	1,617	26	216,803
Total	¥737,528	¥3,483	¥5,055	¥746,066
Loan commitments:				
Group A	¥107,073	¥ —	¥ —	¥107,073
Group B	20,275	—	—	20,275
Total	¥127,348	¥ —	¥ —	¥127,348

The undiscounted maximum amount of potential payment for guarantees of bank loans of employees for their housing costs as of March 31, 2025 is ¥4,286 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

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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, 2024 and 2025 are approximately 80% and 80%, respectively, and those for dealer finance receivables are approximately 100% 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.

The unused portions of the credit facility of Honda's commercial paper and medium-term note programs as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Commercial paper	¥ 900,657	¥ 711,885
Medium-term notes	1,857,974	2,381,972
Total	¥2,758,631	¥3,093,857

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, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Commercial paper programs	¥1,461,590	¥1,433,976
Other	63,759	72,482
Total	¥1,525,349	¥1,506,458

Borrowings under those committed lines of credit generally are available at the prime interest rate.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Maturity analysis of financial liabilities

1) Non-derivative financial liabilities

Non-derivative financial liabilities by maturity as of March 31, 2024 and 2025 are as follows:

<u>As of March 31, 2024</u>	Yen (millions)				
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total contractual cash flows</u>
Trade payables	¥ 1,609,836	¥1,609,836	¥ —	¥ —	¥ 1,609,836
Financing liabilities	10,163,557	4,379,834	5,875,709	686,075	10,941,618
Accrued expenses	638,319	638,319	—	—	638,319
Other financial liabilities	421,185	117,190	117,172	221,844	456,206
Total	¥12,832,897	¥6,745,179	¥5,992,881	¥ 907,919	¥13,645,979

<u>As of March 31, 2025</u>	Yen (millions)				
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total contractual cash flows</u>
Trade payables	¥ 1,663,487	¥1,663,487	¥ —	¥ —	¥ 1,663,487
Financing liabilities	11,451,267	4,819,178	6,331,191	1,245,640	12,396,009
Accrued expenses	728,935	728,935	—	—	728,935
Other financial liabilities	406,670	115,587	115,839	215,609	447,035
Total	¥14,250,359	¥7,327,187	¥6,447,030	¥1,461,249	¥15,235,466

Other financial liabilities include lease liabilities. Lease liabilities by maturity as of March 31, 2024 and 2025 are as follows:

<u>As of March 31, 2024</u>	Yen (millions)				
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total contractual cash flows</u>
Lease liabilities	¥ 332,406	¥ 79,012	¥ 101,205	¥187,211	¥ 367,428

<u>As of March 31, 2025</u>	Yen (millions)				
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total contractual cash flows</u>
Lease liabilities	¥ 322,923	¥ 72,062	¥ 103,245	¥188,046	¥ 363,353

2) Derivative financial liabilities

Derivative financial liabilities by maturity as of March 31, 2024 and 2025 are as follows:

<u>As of March 31, 2024</u>	Yen (millions)			
	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total contractual cash flows</u>
Derivative financial liabilities	¥121,922	¥154,387	¥3,863	¥280,172

<u>As of March 31, 2025</u>	Yen (millions)			
	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total contractual cash flows</u>
Derivative financial liabilities	¥ 69,252	¥138,665	¥7,443	¥215,360

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(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

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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

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.

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 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, 2024 and 2025 consist of the following:

As of March 31, 2024	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	¥ —	¥ 80,347	¥ —	¥ 80,347
Interest rate instruments	—	108,034	—	108,034
Other	—	—	5,806	5,806
Total	—	188,381	5,806	194,187
Debt securities	55,265	63,886	4,542	123,693
Financial assets measured at fair value through other comprehensive income:				
Debt securities	—	30,567	—	30,567
Equity securities	407,489	—	115,214	522,703
Total	¥462,754	¥282,834	¥125,562	¥871,150
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥100,708	¥ —	¥100,708
Interest rate instruments	—	133,381	—	133,381
Other	—	2,503	—	2,503
Total	—	236,592	—	236,592
Total	¥ —	¥236,592	¥ —	¥236,592

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2024.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

As of March 31, 2025	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	¥ —	¥ 71,516	¥ —	¥ 71,516
Interest rate instruments	—	50,612	—	50,612
Other	—	—	10,949	10,949
Total	—	122,128	10,949	133,077
Debt securities	56,070	73,648	4,486	134,204
Financial assets measured at fair value through other comprehensive income:				
Debt securities	—	34,872	—	34,872
Equity securities	384,409	—	50,183	434,592
Total	¥ 440,479	¥ 230,648	¥ 65,618	¥ 736,745
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥ 70,495	¥ —	¥ 70,495
Interest rate instruments	—	101,049	—	101,049
Other	—	86	—	86
Total	—	171,630	—	171,630
Total	¥ —	¥ 171,630	¥ —	¥ 171,630

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2025.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2024 and 2025 are as follows:

For the year ended March 31, 2024	Yen (millions)		
	Derivatives	Debt securities	Equity securities
Balance as of April 1, 2023	¥ 5,700	¥ 5,074	¥ 149,820
Total gains or losses:			
Profit or loss	(723)	145	—
Other comprehensive income	—	(4,625)	(47,742)
Purchases	—	4,625	7,535
Sales	—	(1,156)	(160)
Exchange differences on translating foreign operations	829	479	1,408
Other	—	—	4,353
Balance as of March 31, 2024	¥ 5,806	¥ 4,542	¥ 115,214
Unrealized gains or losses included in profit or loss on assets held at March 31, 2024	¥ (723)	¥ 145	¥ —
For the year ended March 31, 2025			
For the year ended March 31, 2025	Yen (millions)		
For the year ended March 31, 2025	Derivatives	Debt securities	Equity securities
Balance as of April 1, 2024	¥ 5,806	¥ 4,542	¥ 115,214
Total gains or losses:			
Profit or loss	5,339	(153)	—
Other comprehensive income	—	—	29,617
Purchases	—	—	3,304
Sales	—	—	(96,232)
Transfer to level 1 due to listing	—	—	(15)
Exchange differences on translating foreign operations	(196)	97	(171)
Other	—	—	(1,534)
Balance as of March 31, 2025	¥ 10,949	¥ 4,486	¥ 50,183
Unrealized gains or losses included in profit or loss on assets held at March 31, 2025	¥ 5,339	¥ (153)	¥ —

Explanatory notes:

1. Gains or losses included in profit or loss for the years ended March 31, 2024 and 2025 are included in other, net in finance income and finance costs in the consolidated statements of income.
2. Gains or losses on equity securities included in other comprehensive income for the years ended March 31, 2024 and 2025 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

(28) Commitments and Contingent Liabilities

(a) Commitments

Purchase commitments

Commitments for purchases of property, plant and equipment and other commitments as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Commitments for purchases of property, plant and equipment and other commitments	¥108,440	¥120,744

(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.

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 significant 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(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, 2024 and 2025.

(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.

The balances of receivables and payables with affiliates and joint ventures as of March 31, 2024 and 2025 are as follows:

	Yen (millions)	
	2024	2025
Receivables:		
Affiliates	¥ 76,290	¥ 50,113
Joint ventures	265,992	212,913
Total	¥ 342,282	¥ 263,026
Payables:		
Affiliates	¥ 225,706	¥ 241,204
Joint ventures	85,023	71,737
Total	¥ 310,729	¥ 312,941

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

The amount of the transactions with affiliates and joint ventures for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Sales revenue:			
Affiliates	¥ 125,318	¥ 141,323	¥ 152,256
Joint ventures	942,003	818,607	565,207
Total	¥1,067,321	¥ 959,930	¥ 717,463
Purchase:			
Affiliates	¥1,443,840	¥1,620,755	¥1,731,349
Joint ventures	238,341	442,035	362,495
Total	¥1,682,181	¥2,062,790	¥2,093,844

Unrecognized commitment

The Company entered into the joint venture agreement with LG Energy Solution, Ltd. on August 29, 2022 and committed to invest US\$1,730 million in L-H Battery Company, Inc., which was newly established and became our affiliate. The commitment under this agreement for the remaining investment as of March 31, 2024 and 2025 is US\$891 million and US\$112 million, respectively.

(b) Compensation to Key Management

Compensation paid to the directors and executive officers of the Company for the years ended March 31, 2023, 2024 and 2025 are as follows:

	Yen (millions)		
	2023	2024	2025
Remuneration	¥ 679	¥ 1,209	¥ 1,176
STI (Short Term Incentive)	229	612	471
LTI (Long Term Incentive)	286	453	380
Total	¥ 1,194	¥ 2,274	¥ 2,027

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(c) Major Consolidated Subsidiaries

Major consolidated subsidiaries as of March 31, 2025 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
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 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 Finance Europe plc	U.K.	Finance	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 Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd	Malaysia	Manufacturing and Sales	51.0
Asian Honda Motor Co., Ltd.	Thailand	Coordination of Subsidiaries Operation and Sales	100.0
Honda Automobile (Thailand) Co., Ltd.	Thailand	Manufacturing and Sales	89.0
Thai Honda Co., Ltd.	Thailand	Manufacturing and Sales	72.5
Honda Vietnam Co., Ltd.	Vietnam	Manufacturing and Sales	70.0
Honda South America Ltda.	Brazil	Coordination of Subsidiaries Operation	100.0
Moto Honda da Amazonia Ltda.	Brazil	Manufacturing and Sales	100.0
Banco Honda S.A	Brazil	Finance	100.0

(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 Eiji Fujimura, Director, Managing Executive Officer and Chief Financial Officer on June 18, 2025.

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 Depository, and holders and beneficial owners of American Depositary Receipts *5
2.3	Form of Amendment No. 1 to Second Amended and Restated Deposit Agreement, dated September 29, 2023, among the registrant, JPMorgan Chase Bank, N.A., as Depository and holders and beneficial owners of American Depositary Receipts *6
2.4	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 *7
11.2	Guidelines on Insider Information Control and Insider Trading Regulation (English translation) *8
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
97.1	Policy to Recover Erroneously Awarded Incentive-based Compensation (English translation) *9
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, 2025, has been formatted in Inline XBRL

- *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, 2023.
- *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 depository, on March 29, 2022.
- *6 Incorporated by reference to Post-Effective Amendment No. 1 to the registration statement for American Depositary Shares on Form F-6 (File No. 333-263937) filed by JPMorgan Chase Bank, N.A. as depository, on September 21, 2023.
- *7 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on July 9, 2004.
- *8 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 20, 2024.
- *9 Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on June 20, 2024.

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 18, 2025
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 matters concerning the development of internal control systems;
- (x) the matters concerning internal audit;
- (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 or electronically sign.

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
Partly amended on April 1, 2023
Partly amended on January 1, 2025
Partly amended on April 1, 2025

-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 three shares 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 reference documents for a General Meeting of Shareholders such as notices of shareholders' meetings, business reports including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. Under the Company Law and the Articles of Incorporation of Honda, business reports including financial statements may only be provided by electronic means, but shareholders have the right to request Honda to provide them in writing. As for the notices of shareholders' meetings themselves, Honda is required to provide them in writing which include certain material information such as the date, place and subject matters of the meeting, and URL links to the other reference documents, but, also conversely, these notices may be provided by electronic means to those shareholders who have approved such means of notice provision. 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, among others, those who have been subject to punitive measure within five years for violating the Foreign Exchange and Foreign Trade Law, foreign governments or foreign state-owned enterprises (excluding those accredited by the Minister of Finance) or investors who have obligation to cooperate with foreign governments in collecting information related to Japan’s national security base on agreements with foreign governments or foreign laws and regulations (the “Type-A investors”), 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 a foreign financial institution, including Type-B investors, who are investors that do not fall under the definition of a Type-A investor but should be treated as a quasi-Type-A investor due to the circumstances, 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 and (3) in the case of a Type-B investor, in addition to satisfying (i) to (v) above, (vi) not accessing non-public information about business activities in the Core Sectors (excluding information about directors, other officers, and the financial condition of the investee corporation) and (vii) not sending employees to the investee corporation and will not recruit or solicit any of its directors, other officers or employees regarding 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 Amendment No.1 to Second Amended 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 three shares 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.2.(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, 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 18, 2025

By: _____ /s/ Toshihiro Mibe
 Name: **Toshihiro Mibe**
 Title: **Director, President and Representative Executive Officer,
 Chief Executive 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, 2025 (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 18, 2025

By: _____ /s/ Toshihiro Mibe
Name: **Toshihiro Mibe**
Title: **Director, President and Representative Executive Officer**
Chief Executive Officer
Honda Motor Co., Ltd.

