

Changes in Consolidated Financial Statements Due to Voluntary Adoption of International Financial Reporting Standards (IFRS)

In conjunction with the voluntary adoption of International Financial Reporting Standards (IFRS), the forecast for the fiscal year ending March 31, 2016 which is scheduled to be announced in late April 2015 will be disclosed based on IFRS.

- Differences between the forecast based on U.S. generally accepted accounting principles (U.S. GAAP) and the forecast based on IFRS for the fiscal year ending March 31, 2016 will be explained within the “FY15 Financial Results Presentation”, which will be available upon the announcement of Honda’s financial results for the fiscal year ending March 31, 2015.
- Please refer to the following slides for the changes in the accounts presented in the financial statements.

Information included in this material is currently under consideration. Therefore, please be advised that Honda’s actual consolidated financial statements based on IFRS that will be announced at a later date could differ from those described in this material. This material does not constitute a solicitation of investments or any similar act regarding the shares issued by Honda.

Consolidated Statements of Income

U.S. GAAP	IFRS
Net sales and other operating revenue	Sales revenue
Operating costs and expenses:	Operating costs and expenses:
Cost of sales	Cost of sales
Selling, general and administrative	Selling, general and administrative
Research and development	Research and development
Operating income	Operating profit
Other income (expenses):	Share of profit from investments accounted for using the equity method
Interest income	Finance income and finance costs:
Interest expense	
Other, net	Interest income
Income before income taxes and equity in income of affiliates	Interest expense
Income tax expense:	Other, net
Current	Profit before income taxes
Deferred	Income tax expense
Income before equity in income of affiliates	Profit for the year
Equity in income of affiliates	Profit for the year attributable to:
Net income	Owners of the parent
Less: Net income attributable to noncontrolling interests	Non-controlling interests
Net income attributable to Honda Motor Co., Ltd.	

1) "Equity in income of affiliates" under U.S. GAAP is included in "**Profit before income taxes**" and presented as "**Share of profit of investments accounted for using the equity method**".

2) "Other income (expenses)" under U.S. GAAP is presented as "**Finance income and finance costs**".

3) "Net income" under U.S. GAAP is presented as "**Profit for the year**".

4) "Net income attributable to Honda Motor Co., Ltd." under U.S. GAAP is presented as "**Profit for the year attributable to owners of the parent**".

5) "Less: Net income attributable to noncontrolling interests" under U.S. GAAP is presented as "**Profit for the year attributable to non-controlling interests**".

Consolidated Statements of Financial Position, Assets

U.S. GAAP	IFRS
Assets	Assets
Current assets:	Current assets:
Cash and cash equivalents	Cash and cash equivalents
Trade accounts and notes receivable, net of allowance for doubtful accounts	Trade receivables
Finance subsidiaries-receivables, net	Receivables from financial services
Inventories	Other financial assets
Deferred income taxes	Inventories
Other current assets	Other current assets
Total current assets	Total current assets
Finance subsidiaries-receivables, net	Non-current assets:
Investments and advances:	Investments accounted for using the equity method
Investments in and advances to affiliates	Receivables from financial services
Other, including marketable equity securities	Other financial assets
Total investments and advances	Equipment on operating leases
Property on operating leases:	Property, plant and equipment
Vehicles	Intangible assets
Less accumulated depreciation	Deferred tax assets
Net property on operating leases	Other non-current assets
Property, plant and equipment, at cost:	Total non-current assets
Land	Total assets
Buildings	
Machinery and equipment	
Construction in progress	
Less accumulated depreciation and amortization	
Net property, plant and equipment	
Other assets, net of allowance for doubtful accounts	
Total assets	

1) "Other financial assets" and "Other current assets" are presented in separate lines from "Other current assets" under U.S. GAAP.

2) "Investments in and advances to affiliates" under U.S. GAAP is presented as "Investments accounted for using the equity method" and "Other financial assets".

3) "Other financial asset", "Intangible assets", "Deferred tax assets" and "Other non-current assets" are presented in separate lines from "Other assets, net of allowance for doubtful accounts" under U.S. GAAP.

4) "Deferred income taxes" presented in current assets under U.S. GAAP is reclassified to "Deferred tax assets" in non-current assets.

Consolidated Statements of Financial Position, Liabilities and Equity

U.S. GAAP		IFRS
Liabilities and Equity		Liabilities and Equity
Current liabilities:		Current liabilities:
Short-term debt	→	Trade payables
Current portion of long-term debt	→	Financing liabilities
Trade payables:		Accrued expenses
Notes	→	Other financial liabilities
Accounts	→	Income taxes payable
Accrued expenses	→	Provisions
Income taxes payable	→	Other current liabilities
Other current liabilities	→	Total current liabilities
Total current liabilities		Non-current liabilities:
Long-term debt, excluding current portion	→	Financing liabilities
Other liabilities	→	Other financial liabilities
Total liabilities		Retirement benefit liabilities
Equity:		Provisions
Honda Motor Co., Ltd. shareholders' equity:		Deferred tax liabilities
Common stocks, authorized shares; issued shares	→	Other non-current liabilities
Capital surplus	→	Total non-current liabilities
Legal reserves	→	Total liabilities
Retained earnings	→	Equity:
Accumulated other comprehensive income (loss), net	→	Common stock
Treasury stock, shares	→	Capital surplus
Total Honda Motor Co., Ltd. shareholders' equity	→	Treasury stock
Noncontrolling interests	→	Retained earnings
Total equity		Other components of equity
Commitments and contingent liabilities		Equity attributable to owners of the parent
Total liabilities and equity		Non-controlling interests
		Total equity
		Total liabilities and equity

1) "Notes payables" and "Accounts payables" under U.S. GAAP are presented as "**Trade payables**".

2) "Short-term debt" and "Current portion of long-term debt" under U.S. GAAP are presented as "**Financial liabilities**".

3) "**Other financial liabilities**" and "**Other current liabilities**" are presented in separate lines from "Other current liabilities" under U.S. GAAP.

4) "**Accrued expenses**" and "**Provisions**" are presented in separate lines from "Accrued expenses" under U.S. GAAP.

5) "**Other financial liabilities**", "**Retirement benefit liabilities**", "**Provisions**", "**Deferred tax liabilities**" and "**Other non-current liabilities**" are presented in separate lines from "other liabilities" under U.S. GAAP.

6) "Legal reserve" under U.S. GAAP is included in "**Retained earnings**".

Consolidated Statements of Cash Flows

U.S. GAAP

Cash flows from operating activities:
Net income
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation excluding property on operating leases
Depreciation of property on operating leases
Deferred income taxes
Equity in income of affiliates
Dividends from affiliates
Provision for credit and lease residual losses on finance subsidiaries-receivables
Impairment loss on property on operating leases
Loss (gain) on derivative instruments, net
Decrease (increase) in assets:
Trade accounts and notes receivable
Inventories
Other current assets
Other assets
Increase (decrease) in liabilities:
Trade accounts and notes payable
Accrued expenses
Income taxes payable
Other current liabilities
Other liabilities
Other, net
Net cash provided by operating activities
Cash flows from investing activities:
Increase in investments and advances
Decrease in investments and advances
Payments for purchases of available-for-sale securities
Proceeds from sales of available-for-sale securities
Payments for purchases of held-to-maturity securities
Proceeds from redemptions of held-to-maturity securities
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed
Proceeds from sales of investments in affiliates
Capital expenditures
Proceeds from sales of property, plant and equipment
Proceeds from insurance recoveries for damaged property, plant and equipment
Acquisitions of finance subsidiaries-receivables
Collections of finance subsidiaries-receivables
Purchases of operating lease assets
Proceeds from sales of operating lease assets
Other, net
Net cash used in investing activities
Cash flows from financing activities:
Proceeds from short-term debt
Repayments of short-term debt
Proceeds from long-term debt
Repayments of long-term debt
Dividends paid
Dividends paid to noncontrolling interests
Sales (purchases) of treasury stock, net
Other, net
Net cash provided by financing activities
Effect of exchange rate changes on cash and cash equivalents
Net change in cash and cash equivalents
Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

IFRS

Cash flows from operating activities:
Profit before income taxes
Depreciation, amortization and impairment losses excluding equipment on operating leases
Share of profit of investments accounted for using the equity method
Finance income and finance costs, net
Interest income and interest costs from financial services, net
Changes in assets and liabilities
Trade receivables
Inventories
Trade payables
Accrued expenses
Provisions and retirement benefit liabilities
Receivables from financial services
Equipment on operating leases
Other assets and liabilities
Other, net
Dividends received
Interest received
Interest paid
Income taxes paid
Net cash provided by operating activities
Cash flows from investing activities:
Payments for additions to property, plant and equipment
Payments for additions to and internally developed intangible assets
Proceeds from sales of property, plant and equipment and intangible assets
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of
Proceeds from sales of investments accounted for using the equity method
Payments for acquisitions of other financial assets
Proceeds from sales and redemptions of other financial assets
Other, net
Net cash used in investing activities
Cash flows from financing activities:
Proceeds from short-term financing liabilities
Repayments of short-term financing liabilities
Proceeds from long-term financing liabilities
Repayments of long-term financing liabilities
Dividends paid to owners of the parent
Dividends paid to non-controlling interests
Purchases and sales of treasury stock, net
Other, net
Net cash provided by financing activities
Effect of exchange rate changes on cash and cash equivalents
Net change in cash and cash equivalents
Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

1) Cash flows from operating activities begin from **"Profit before income taxes"**, and **"Income taxes paid"** is presented in a separate line.

2) **"Changes in receivables from financial services"** and **"Changes in equipment on operating leases"** which were presented as cash flows from investing activities under U.S. GAAP are presented as cash flows from operating activities.

3) **"Dividends received"**, **"Interest received"** and **"Interest paid"** are presented in separate lines.

4) **"Payments for additions to and internally developed intangible assets"** is presented in a separate line.