

**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, 2015**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- For the transition period from \_\_\_\_\_ to \_\_\_\_\_**
- OR**
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- Date of event requiring this shell company report**  
**Commission file number 1-7628**

**HONDA GIKEN KOGYO KABUSHIKI KAISHA**  
(Exact name of Registrant as specified in its charter)

**HONDA MOTOR CO., LTD.**  
(Translation of Registrant's name into English)

**JAPAN**

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

**Narushi Yazaki, Honda North America, Inc.,**

**ir@hna.honda.com, (212)707-9920, 156 West 56th Street, 20th Floor, New York, NY 10019, U.S.A.**

(Name, E-mail and/or Facsimile number, Telephone and Address of Company Contact Person)

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

Title of each class

Name of each exchange on which registered

**Common Stock\***

**New York Stock Exchange**

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

**None**

(Title of class)

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

**None**

(Title of class)

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

Title of each class

Outstanding as of March 31, 2015

**Common Stock**

**1,802,286,926\*\***

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 transmission 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such file). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 Depositary Shares, each representing one share of Common Stock.

\*\* Shares of Common Stock include 83,945,355 shares represented by American Depositary Shares.

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## NOTE ON PRESENTATION

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.

The consolidated financial statements of the Company in this Annual Report 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). As such, we make an explicit and unreserved statement of compliance with IFRS, as issued by the IASB, with respect to our consolidated financial statements as of and for the fiscal years ended March 31, 2014 and 2015 included in this Annual Report.

In accordance with rule amendments adopted by the United States Securities and Exchange Commission (“SEC”), which became effective on March 4, 2008, we are not required to provide reconciliations to U.S. generally accepted accounting principles (“U.S. GAAP”).

The consolidated financial statements included in this Annual Report are our first consolidated financial statements prepared in accordance with IFRS. In preparing these financial statements, the opening statement of financial position as of April 1, 2013, which is the date of transition to IFRS, and the comparative financial statements as of and for the fiscal year ended March 31, 2014 have been prepared in accordance with IFRS. In addition to the consolidated financial statements included in this Annual Report, other disclosure in this Annual Report has also been updated to correspond to the transition to IFRS.

The consolidated financial statements included in our Annual Reports on Form 20-F previously filed with the SEC were prepared in accordance with U.S. GAAP and the most recent consolidated financial statements prepared in accordance with U.S. GAAP are those as of and for the fiscal year ended March 31, 2014. IFRS differs in certain respects from U.S. GAAP. An explanation of how the transition to IFRS has affected our consolidated financial statements is provided in note “(31) Explanation of Transition to IFRS” to the accompanying consolidated financial statements.

## PART I

### **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. Selected Financial Data**

In the fiscal year ended March 31, 2015, we changed the basis of the accounting principles used to prepare our consolidated financial statements from U.S. GAAP to IFRS. Accordingly, the consolidated financial statements of the Company in this Annual Report have been prepared in accordance with IFRS, as issued by IASB. An explanation of how the transition to IFRS has affected our consolidated financial statements is provided in note “(31) Explanation of Transition to IFRS” to the accompanying consolidated financial statements.

The selected consolidated financial data set out below for each of the two fiscal years ended March 31, 2015 have been derived from our consolidated financial statements that were prepared in accordance with IFRS.

You should read the IFRS selected consolidated financial data set out below together with “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements contained in this Annual Report.

	Fiscal years ended March 31,	
	Yen (millions, except Per Share Data)	
	2014	2015
<b>Consolidated Statement of Income Data:</b>		
Sales revenue . . . . .	¥12,506,091	¥13,328,099
Operating profit . . . . .	823,864	670,603
Share of profit of investments accounted for using the equity method . . .	130,916	96,097
Profit before income taxes . . . . .	933,903	806,237
Profit for the year . . . . .	665,911	561,098
Profit for the year attributable to owners of the parent . . . . .	624,703	509,435
<b>Consolidated Statement of Financial Position Data:</b>		
Total assets . . . . .	16,048,438	18,425,837
Financing liabilities, including current and non-current . . . . .	5,846,948	6,759,839
Equity attributable to owners of the parent . . . . .	6,335,534	7,108,627
Total equity . . . . .	6,558,928	7,382,821
Common stock . . . . .	86,067	86,067
<b>Per Share Data:</b>		
Weighted average number of common shares outstanding		
Basic and diluted (thousands of shares) . . . . .	1,802,294	1,802,289
Earnings per share attributable to owners of the parent *1		
Basic and diluted . . . . .	¥ 346.62	¥ 282.66
Dividends declared during the period per common share *2 . . . . .	79.00	88.00
	(US\$ 0.77)	(US\$ 0.73)

\*1 Earnings per share has been calculated by dividing profit for the year attributable to owners of the parent available to common shareholders by the weighted average number of common shares outstanding during the period.

\*2 A year-end dividend of ¥22 (\$0.18) per common share aggregating ¥39.6 billion (\$330 million) relating to fiscal 2015 was determined by our Board of Directors in April 2015 and approved by our shareholders in June 2015. This dividend will be paid in June 2015. U.S. dollar amounts for dividends per share are translated from yen at the year-end exchange rate of each period.

The following table sets out information regarding the noon buying rates for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York expressed in yen per \$1.00 during the periods shown. On May 29, 2015, the noon buying rate was ¥123.98=\$1.00. The average exchange rate for the period shown is the average of the month-end rates during the period.

<u>Years ended or ending March 31,</u>	<u>Noon Buying Rate</u>			
	<u>Average</u>	<u>Period end</u>	<u>High</u>	<u>Low</u>
		<u>(Yen per \$1.00)</u>		
2011 .....	85.00	82.76	94.68	78.74
2012 .....	78.86	82.41	85.26	75.72
2013 .....	83.26	94.16	96.16	77.41
2014 .....	100.46	102.98	105.25	92.96
2015 .....	110.78	119.96	121.50	101.26
2016 (through May 29, 2015) .....	121.92	123.98	124.18	118.80
<u>Month,</u>			<u>High</u>	<u>Low</u>
			<u>(Yen per \$1.00)</u>	
December 2014 .....			121.38	117.28
January 2015 .....			120.20	116.78
February 2015 .....			120.38	117.33
March 2015 .....			121.50	119.01
April 2015 .....			120.36	118.80
May 2015 .....			124.18	119.09

*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 results of operations could be adversely affected. In that event, the trading prices of Honda's common stock and American Depositary Shares could decline, and you may lose all or part of your investment. Additional risks not currently known to Honda or that Honda now deems immaterial may also harm Honda and affect your investment.

**Risks Relating to Honda's Industry**

**Honda may be adversely affected by market conditions**

Honda conducts its operations in Japan and throughout the world, including North America, Europe and Asia. A sustained loss of consumer confidence in these markets, which may be caused by an extended economic slowdown, recession, changes in consumer preferences, rising fuel prices, financial crisis or other factors could trigger a decline in demand for motorcycles, automobiles and power products that may adversely affect Honda's results.

### **Prices for products may fluctuate**

Prices for motorcycles, automobiles and power products in certain markets may experience sharp changes over short periods of time. This volatility may be caused by various factors, including fierce competition, short-term fluctuations in demand caused by instability in underlying economic conditions, changes in tariffs, import regulations and other taxes, shortages of certain materials and parts, a steep rise in material prices and sales incentives. There is no guarantee that such price volatility will not continue for an extended period of time or that price volatility will not occur in markets that to date have not experienced such volatility.

Overcapacity within the industry has increased and will likely continue to increase if the economic downturn continues in Honda's major markets, leading, potentially, to further increased price volatility. Price volatility in any of Honda's markets could adversely affect Honda's results.

### **Risks Relating to Honda's Business in General**

#### **Currency and Interest Rate Risks**

##### **Honda's operations are subject to 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 have an effect on Honda's results and financial condition, as well as Honda's competitiveness, which will over time affect its results.

#### **Legal and Regulatory Risks**

##### **Honda is subject to various governmental regulations**

Honda conducts business operations in countries worldwide. As such, changes in regulations in these countries related to the environment, safety, quality, labor, taxes, currency, exports and imports or other factors could adversely affect Honda's business, financial condition, or results.

##### **Honda is reliant on the protection and preservation of its intellectual property**

Honda owns or otherwise has rights in a number of patents and trademarks relating to the products it manufactures, which have been obtained over a period of years. These patents and trademarks have been of value in the growth of Honda's business and will continue to be of value in the future. Honda does not regard any of its business operations as being dependent upon any single patent or related group of patents. However, an inability to protect this intellectual property generally, or the illegal infringement of some or a large group of Honda's intellectual property rights, could have an adverse effect on Honda's operations.

##### **Honda may be subject to legal proceedings**

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

#### **Risks Relating to Honda's Operations**

##### **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 affect Honda's results.

**Honda relies on external suppliers for the provision of certain raw materials and parts**

Honda purchases raw materials and parts from numerous external suppliers, and relies on certain suppliers for some of the raw materials and parts which it uses in the manufacture of its products. Honda's ability to continue to obtain these supplies in an efficient and cost-effective manner 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 source of raw materials and parts and Honda's ability to compete with other users in obtaining the supplies. In particular, the loss of a key supplier could affect our production and increase our costs.

**Honda relies on business alliances and joint ventures with other companies**

Honda engages in business operations through alliances and joint ventures with other companies in expectation of synergy effects and increased efficiency, or in accordance with requirements from the countries in which Honda conducts its businesses. However, if disagreements occur between the parties to an alliance or joint venture, or if an alliance or joint venture is changed or cancelled, it may have an adverse effect on Honda's business, financial condition, or results.

**Honda may be adversely affected by wars, terrorism, political uncertainty and labor strikes**

Honda conducts business operations in countries worldwide and is exposed to risks including wars, terrorism, political uncertainty and labor strikes in those countries or neighboring regions. If such unforeseeable events occur, and operations are delayed or suspended, Honda's business, financial condition, or results could be adversely affected.

**Honda may be adversely affected by natural disasters**

In order to minimize the impact on its business operations when events such as large-scale natural disasters, accidents, or the outbreak of infectious diseases occur, Honda conducts a risk evaluation of these events and constructs business continuity plans (BCPs) in each region. However, if operations are delayed or suspended due to the occurrence of disasters, accidents, or the outbreak of infectious diseases that exceed assumptions, Honda's business, financial condition or results could be adversely affected.

**Honda may be adversely affected by inadvertent disclosure of confidential information**

Although Honda maintains internal controls through established procedures to protect confidential information, including personal information of its customers and related parties, such information could be inadvertently disclosed. If this occurs, Honda could be subject to, and could be adversely affected by, claims for damages from the customers or parties affected. Also, inadvertent disclosure of confidential business or technical information to third parties could also result in a loss of Honda's competitiveness.

**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 many 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 materially affect Honda's financial condition and results.



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

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. With respect to the quality of our products, which serves as the pillar of our brand image, we recognize that our mainstay products provide personal mobility and touch human lives, so we place top priority on the safety and security of our customers and constantly strive to further enhance the quality of our development, production and service-related activities. However, if for some unforeseeable reason a product defect does occur, from the standpoint of assuring the safety and security of our customers, it is possible that Honda will issue a recall or take some other action considered to be appropriate. In such an event, the Honda brand image could be damaged and this could adversely impact Honda's business operations as well as our results.

**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 Board of Corporate Auditors 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 or its directors, executive officers or corporate auditors**

The Company is a limited liability, joint stock corporation incorporated under the laws of Japan. Most of its directors, executive officers and corporate auditors 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 quarterly 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 shareholders. If the shareholders 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 shareholders is usually made at an ordinary general meeting of shareholders held in June. The payment of quarterly dividends 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 dates, which are currently specified as June 30, September 30 and December 31 by the Articles of Incorporation. However, the board usually does not adopt a resolution with respect to a quarterly dividend until after the respective record dates.

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 quarterly 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 and other factors, as well as the relevant governments' specific policies with respect to economic growth, inflation, taxation, currency conversion, imports and sources of supplies and the availability of credit, particularly to the extent such current or future conditions and policies affect the automobile, motorcycle and power product industries and markets in Japan and other markets throughout the world in which Honda conducts its business, and the demand, sales volume and sales prices for Honda's automobiles, motorcycles and power products;

- the effects of competition in the automobile, motorcycle and power product markets on the demand, sales volume and sales prices for Honda's automobiles, motorcycles and power products;
- Honda's ability to finance its working capital and capital expenditure requirements, including obtaining any required external debt or other financing;
- the effects of economic stagnation or recession in Honda's principal markets and of exchange rate and interest rate fluctuations on Honda's results of operations; and
- the effects of environmental and other governmental regulations and legal proceedings.

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 and 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.

Honda develops, produces, and manufactures a variety of motor products, ranging from small general-purpose engines and scooters to specialty sports cars that incorporate Honda's highly efficient internal combustion engine technology.

Honda's principal executive office is located at 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo, 107-8556, Japan. Its telephone number is +81-3-3423-1111.

##### ***Principal Capital Investments***

In the fiscal years ended March 31, 2014 and 2015, Honda's capital expenditures were ¥2,168.3 billion and ¥2,579.2 billion, respectively, on an accrual basis. Also, capital expenditures excluding those with respect to equipment on operating leases were ¥957.6 billion and ¥898.0 billion, respectively, on an accrual basis. For further details of Honda's capital expenditures during fiscal 2015, 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 product 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, 2014 and 2015:

	<u>Fiscal years ended March 31,</u>	
	<u>2014</u>	<u>2015</u>
	Yen (billions)	
Motorcycle Business . . . . .	¥ 1,689.2	¥ 1,846.6
Automobile Business . . . . .	9,178.7	9,603.3
Financial Services Business . . . . .	1,326.0	1,555.5
Power Product and Other Businesses . . . . .	312.0	322.5
Total . . . . .	<u>¥ 12,506.0</u>	<u>¥13,328.0</u>

	<u>Fiscal years ended March 31,</u>	
	<u>2014</u>	<u>2015</u>
	Yen (billions)	
Japan . . . . .	¥ 1,920.1	¥ 1,800.4
North America . . . . .	6,160.3	6,837.6
Europe . . . . .	674.2	655.3
Asia . . . . .	2,584.0	2,899.0
Other Regions . . . . .	1,167.3	1,135.6
Total . . . . .	<u>¥ 12,506.0</u>	<u>¥13,328.0</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 1800cc class. Honda's motorcycles use internal combustion engines developed by Honda that are air- or water-cooled, four-cycle, and are in single, two, four or six-cylinder configurations. Honda's motorcycle line consists of sports (including trial and moto-cross racing), business and commuter models. Honda has also produced all-terrain vehicles (ATVs) since 1984 and multi utility vehicles (MUVs) since 2008.

The following table sets out unit sales for Honda's Motorcycle business, including motorcycles, and all-terrain vehicles (ATVs) 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, 2014 and 2015:

	Fiscal years ended March 31,					
	2014			2015		
	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)	
Japan .....	226	226	¥ 79.5	199	199	¥ 72.4
North America .....	278	278	141.3	286	286	154.7
Europe .....	166	166	102.8	191	191	116.9
Asia .....	14,534	7,858	894.0	15,345	8,478	1,050.4
Other Regions .....	1,804	1,804	471.4	1,571	1,571	451.9
Total .....	<u>17,008</u>	<u>10,332</u>	<u>¥1,689.2</u>	<u>17,592</u>	<u>10,725</u>	<u>¥1,846.6</u>
Motorcycle revenue as a percentage of total sales revenue .....			14%			14%

\* 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.

Motorcycles are produced by Honda in Japan at its Kumamoto Factory. Honda's motorcycles are also produced by subsidiaries in countries around the world including Thailand, Vietnam, India, Brazil and Argentina.

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).

Honda's automobiles use gasoline engines of three, four or six-cylinder configurations, diesel engines, gasoline-electric hybrid systems and gasoline-electric plug-in hybrid systems. Honda also offers alternative fuel-powered vehicles such as natural gas, ethanol, electric and fuel cell vehicles.

Honda's principal automobile products include the following vehicle models:

Passenger cars:

*Accord, Accord Hybrid, Amaze, Brio, Brio Amaze, Brio Satya, City, Civic, Civic Tourer, CRIDER, CR-Z, Fit/Jazz, Fit/Jazz Hybrid, Fit Shuttle, Fit Shuttle Hybrid, FREED, FREED Hybrid, FREED SPIKE, FREED SPIKE Hybrid, GRACE Hybrid, Honda MOBILIO, Insight, JADE, JADE Hybrid, LEGEND Hybrid, Spirior, Stream, Acura ILX, Acura RLX, Acura TLX*

Light trucks:

*Crosstour, CR-V, Elysion, Odyssey, Pilot, Ridgeline, Step WGN, VEZEL/HR-V, VEZEL Hybrid, XR-V, Acura MDX, Acura RDX*

Mini vehicles:

*Acty, Life, N-BOX, N-BOX +, N-BOX SLASH, N-ONE, N-WGN, Vamos*

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, 2014 and 2015:

	Fiscal years ended March 31,					
	2014			2015		
	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)
Japan . . . . .	818	788	¥1,677.5	761	696	¥1,526.0
North America . . . . .	1,754	1,754	4,723.3	1,750	1,750	5,199.0
Europe . . . . .	171	171	493.0	161	161	456.5
Asia . . . . .	1,311	531	1,641.5	1,426	637	1,795.7
Other Regions . . . . .	286	286	643.2	269	269	625.9
Total . . . . .	<u>4,340</u>	<u>3,530</u>	<u>¥9,178.7</u>	<u>4,367</u>	<u>3,513</u>	<u>¥9,603.3</u>
Automobile revenue as a percentage of total sales revenue . . . . .			73%			72%

\* 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 by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to 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.

Automobiles are mainly produced by Honda at two factories located at three sites in Japan: the Saitama Factory (at the Sayama Plant and the Yorii Plant) and the Suzuka Factory. Our major production sites overseas include those located in the United States (Ohio, Alabama and Indiana), Canada (Alliston), Mexico (Celaya and El Salto), the United Kingdom (Swindon), Thailand (Ayutthaya), India (Greater Noida and Alwar), Indonesia (Karawang) and Brazil (Sumare).

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, 2014 and 2015:

	<b>Fiscal years ended March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>Yen (billions)</b>	
Japan .....	¥ 77.1	¥ 119.7
North America .....	1,198.3	1,376.2
Europe .....	14.1	14.2
Asia .....	8.0	12.1
Other Regions .....	28.2	33.1
Total .....	<u>¥1,326.0</u>	<u>¥1,555.5</u>
Financial Services revenue as a percentage of total sales revenue .....	11%	12%

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 Product and Other Businesses**

Honda's Power product business began in 1953 with the introduction of the model the *H*, its first general purpose engine. Since then, Honda has manufactured a variety of power products including tillers, portable generators, general-purpose engines, grass cutters, outboard marine engines, water pumps, snow throwers, power carriers, power sprayers, lawn mowers and lawn tractors (riding lawn mowers). In 2003, Honda introduced a compact home-use cogeneration\* unit.

\* Cogeneration refers to the multiple applications of energy derived from a single source, such as using the heat supplied during the combustion process that drives an engine for other heating or cooling purposes.

The following table sets out Honda's revenue from Power product and other businesses and the breakdown by geographical markets based on the location of the customer for the fiscal years ended March 31, 2014 and 2015:

	Fiscal years ended March 31,			
	2014		2015	
	Honda Group Unit Sales / Consolidated Unit Sales*	Revenue	Honda Group Unit Sales / Consolidated Unit Sales*	Revenue
	Units (thousands)	Yen (billions)	Units (thousands)	Yen (billions)
Japan .....	314	¥ 85.8	338	¥ 82.1
North America .....	2,719	97.3	2,705	107.6
Europe .....	1,031	64.1	1,091	67.5
Asia .....	1,485	40.3	1,382	40.6
Other Regions .....	469	24.4	467	24.5
Total .....	<u>6,018</u>	<u>¥312.0</u>	<u>5,983</u>	<u>¥322.5</u>
Power Product and Other businesses revenue as a percentage of total sales revenue .....		2%		2%

\* 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. In Power product 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 product 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.

### **Sales in Japan**

Sales of Honda motorcycles, automobiles, and power products in Japan are made through different distribution networks. Honda's products are sold to consumers primarily by independent retail dealers throughout Japan.

Motorcycles are distributed through approximately 5,900 outlets, including approximately 600 "PRO'S" shops and approximately 110 Honda Dream authorized dealerships.

As for the automobile distribution network, at present, approximately 720 retail dealers operate approximately 2,210 shops and sell models including the *Accord Hybrid*, *Accord Plug-in Hybrid*, *CR-Z*, *GRACE Hybrid*, *Fit*, *Fit Hybrid*, *Fit Shuttle*, *Fit Shuttle Hybrid*, *FREED*, *FREED Hybrid*, *FREED SPIKE*, *FREED SPIKE Hybrid*, *JADE Hybrid*, *LEGEND Hybrid*, *Stream*, *CR-V*, *Odyssey*, *Step WGN*, *VEZEL*, *VEZEL Hybrid*, *Acty*, *Life*, *N-BOX*, *N-BOX +*, *N-BOX SLASH*, *N-ONE*, *N-WGN*, and *Vamos*.

Power products are distributed in Japan to approximately 1,000 retail dealers throughout Japan, including affiliates of Honda. A number of small engines are also sold to other manufacturers for use in their products.



## **Service and Parts Related Operations in Japan**

Sales of spare parts and after sales services are mainly provided through retail dealers. Training programs on automobile service technicians are provided for dealers regularly by Regional Operations (Japan).

## **Overseas Sales**

In fiscal 2015, approximately 97% of Honda's overseas sales were made through its principal foreign sales subsidiaries, which distribute Honda's products to local wholesalers and retail dealers.

In the United States, Honda markets its products through a sales network of approximately 1,040 independent local dealers for motorcycles, approximately 1,310 for automobiles and approximately 8,200 for power products. Many of the motorcycle dealers and some of the automobile dealers also sell Honda's power products. In 1986, Honda opened the first Acura automobile dealerships in the United States. The Acura network in the United States totaled approximately 270 dealerships at the end of fiscal 2015. The Acura network offers *ILX*, *MDX*, *RDX*, *RLX* and *TLX* models.

With regard to exports from North America, Honda is currently exporting such North American-built models as the *Accord*, *Civic*, *CR-V*, *Crosstour*, *Fit*, *Odyssey*, *Pilot*, *Ridgeline*, *Acura ILX*, *Acura MDX*, *Acura RDX* and *Acura TLX* to other markets. In fiscal 2015, Honda exported approximately 52,000 units from North America to 49 countries throughout the world.

In Europe, Honda's products are distributed through approximately 1,450 independent local dealers for motorcycles, approximately 1,200 for automobiles and approximately 2,770\* for power products.

\* Total number represents dealers in 13 countries which fall under the management of Honda foreign sales subsidiaries in the region.

In Asia, Honda's products are distributed through approximately 14,780 independent local dealers for motorcycles, approximately 1,710 for automobiles and approximately 3,900\* for power products.

\* Total number represents dealers in seven countries where Honda has foreign sales subsidiaries.

The Company exports motorcycle components to 13 countries, including Thailand, Indonesia and Brazil, where motorcycles are manufactured by its subsidiaries, joint venture firms and licensees. Some of the components used in the production of these vehicles are supplied locally.

The Company exports automobile components to 15 countries, including China, the United States and India, where automobiles are manufactured by its subsidiaries, joint venture firms and licensees. Some of the components used in the production of these vehicles are supplied locally.

The Company also exports power product components to four countries, including India, China and France, where power products are manufactured by its subsidiaries, joint venture firms and licensees. Some of the components used in the production of these products are supplied locally.

## **Service and Parts Related Operations Overseas**

Honda provides its overseas operations, joint venture firms, independent distributors and licensees with spare parts and necessary technical information, which they in turn supply to wholesale or retail dealers, either directly or through one or more spare parts distributors.

## **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 42% of Honda's total purchases of raw materials.

No single 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, 2015.

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 Motorcycle and Power product businesses 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 have had, and are expected to continue to have, material effects on Honda's business. Honda has incurred significant compliance and other costs in connection with such regulations and will incur future compliance and other costs for new and upcoming regulations. Relevant environmental and safety regulations are described below.

## **Outline of Environmental and Safety Regulation for Automobiles**

### **1. Emissions**

#### **Japan**

In March 2008, to strengthen the enforcement of laws, the 2009 Exhaust Emission Standards were created after the passage of long-term regulation. Long-term targets for gasoline vehicles remained unchanged except those for direct injection gasoline vehicles, which were also required to meet the particulate matter (PM) standard. New long-term emissions targets for diesel vehicles were lowered by more than 60% from the 2005 level of nitrogen oxides (NOx) and PM standards.

In 2010, the Central Environmental Council in the Ministry of Environment reviewed the current JC08 mode for emission testing and began to consider the introduction of the Worldwide harmonized Light vehicle Test Procedure (WLTP). In 2015, the Central Environmental Council of Ministry of Environment decided to introduce WLTP.

#### **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 regulation in the world.

In March 2009, the CARB finalized the Zero Emission Vehicle (ZEV) regulation to require 7,500 Fuel Cell Vehicles (FCV) in the entire industry instead of the previous requirement of 2,500 FCV. In addition, manufacturers were required to sell a significant number of Enhanced Advanced Technology Partial Zero Emission Vehicles (Enhanced AT-PZEV) in the market after the 2012 model year.

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

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

In September 2014, the CARB issued an Initial Statement Of Reasons for rulemaking (ISOR), proposing to amend the current LEV III regulation in order to align its standards further with the finalized federal Tier 3 regulation.

## **Europe**

In 2005, the European Union created new emission standards (Euro 5 and Euro 6) and comprehensive requirements for gasoline vehicles and diesel vehicles. Euro 5 was implemented in September 2009. Emission limits for gasoline vehicles and diesel vehicles were further lowered compared to the Euro 4 level for hydrocarbons (HC), NOx and PM. PM mass emission standards shall apply only to vehicles with direct injection engines.

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

The Euro 6 regulation was implemented in September 2014. Emission limits for diesel vehicles will be lowered even more than the Euro 5 levels for NOx and THC plus NOx. Additionally, Euro 6 required limits on particle numbers from gasoline vehicles with direct injection engines. The required ethanol density of test fuel will also be increased, starting from September 2016.

The European Commission proposed the implementation of new WLTP in September 2017.

The European Commission also proposed the implementation of the Real Driving Emissions (RDE) monitoring phase to be starting from January 2016.

## **Russia**

The Euro 4 regulation has been in effect from January 2010. Additionally, the Euro 5 regulation was implemented in January 2014.

## **China**

China adopted Step 3 and Step 4 emission regulations for light-duty vehicles in 2005. These regulations are similar to European regulations (such as Euro 3 and Euro 4). Step 3 was implemented in 2007 and Step 4 was implemented in July 2010. In addition, China has promulgated rules to implement Step 5 emission regulations in 2018, based on Euro 5.

In the city of Beijing, Step 4 was implemented in March 2008 and Step 5 was implemented in February 2013. In addition, the city of Beijing is considering the introduction of Step 6 emission regulations in 2017.

## **Other Regions**

Several other Asian countries have adopted regulations which are similar to the European regulations (such as Euro 2 and Euro 3). Some of these countries are considering the introduction of Euro 4, Euro 5 and Euro 6.

Australia implemented Euro 5-equivalent regulations in November 2013. In addition, Australia introduced Euro 6-equivalent regulations from July 2017.

## **2. Fuel Economy / CO<sub>2</sub>**

### **Japan**

In 2005, discussions about the “POST-2010” standard took place among the applicable ministries and industries. In February 2007, the final “POST-2010” target, or the “2015 standard”, was announced. Fuel consumption will be reduced by 29.2% compared to the 2010 target for passenger cars.

In June 2010, the Ministry of Land, Infrastructure and Transport (MLIT) and the Ministry of Economy, Trade and Industry (METI) set out a committee, respectively, and jointly 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.

Fuel specifications for E10 fuel, which is gasoline blended with 10% ethanol, were revised and included in the April 2012 announcement setting forth the details of safety standards under the Road Transport Vehicle Law. Ethanol blended fuel is a “biomass fuel”. Biomass fuel is regarded as an effective countermeasure for CO<sub>2</sub> reduction. CO<sub>2</sub> emissions after burning ethanol fuel produced with biomass resources (such as plants or wood) are not counted as CO<sub>2</sub> emissions under the Kyoto Protocol.

In 2015, MLIT and METI are examining the new fuel economy standards for small commercial vehicles.

### **The United States**

The Federal Motor Vehicle Information and Cost Savings Act requires automobile manufacturers to comply with the CAFE standards. Under the CAFE standards, manufacturers are subject to substantial penalties if automobiles produced by them in any model year do not meet the average standards for each category.

In March 2009, the National Highway Traffic Safety Administration (NHTSA) issued the CAFE regulation standard for passenger cars and light trucks for the 2011 model year. The CAFE standard calculation of passenger cars and light trucks for the 2011 model year use a footprint prescribed in the CAFE regulation issued in 2006. The industry-wide combined average for the 2011 model year was estimated to be 27.3 mpg.

The EPA and the NHTSA jointly finalized the U.S. federal Green House Gas (GHG) regulation from the 2012 model year in accordance with President Obama’s announcement. The standard for the 2016 model year is 250 g-CO<sub>2</sub>/mile, or a 35.5 mpg industry average. In addition, a manufacturer is also deemed to comply with CARB GHG regulation if the manufacturer complies with EPA-GHG, based on an agreement among the White House, the CARB and the industry.

In March 2008, the EPA denied California's GHG regulation waiver request. On January 26, 2009, President Obama announced that he had directed the EPA to review California's waiver request. The EPA approved the waiver on July 8, 2009 because the CARB promised that a manufacturer was also deemed to comply with CARB GHG regulation if the manufacturer complied with EPA-GHG from the 2012 through 2016 model years.

On May 21, 2010, President Obama ordered the NHTSA and the EPA to extend the National Program for cars and light-duty trucks to the 2017 model year and beyond with the support of the CARB. On October 1, 2010, the NHTSA, the EPA, and the CARB gave the notice of their intent to conduct joint rulemaking to establish 2017 and later model year fuel economy and greenhouse gas standards. The NHTSA and EPA issued a regulation on August 2012 regarding GHG / CAFE regulations from the 2017 through 2025 model years. The standard for the 2025 model year is 163 g-CO<sub>2</sub>/mile or a 54.5 mpg industry average. The CARB also issued a regulation that is almost equivalent to the EPA's GHG regulations on August 2012. On December 2012, the CARB amended its GHG regulation so that a manufacturer is also deemed to comply with CARB GHG regulations if it complies with EPA-GHG from the 2017 through 2025 model years.

## **Europe**

In 2008, the European parliament adopted CO<sub>2</sub> regulations in response to concerns related to possible global climate changes. The adopted CO<sub>2</sub> regulations were published by the Official Journal in June 2009.

Pursuant to the CO<sub>2</sub> regulations, the European Commission set a more stringent target of 130 grams of carbon dioxide per kilometer for new passenger cars offered for sale in the EU from 2012. In addition, the CO<sub>2</sub> regulations provided manufacturers with the necessary incentive to reduce the CO<sub>2</sub> emissions of their vehicles by imposing an excess emissions premium if their average emission levels are above the limit value curve. This premium is based on the number of grams per kilometer (g/km) that an average vehicle sold by the manufacturer exceeding the limit imposed by the curve, multiplied by the number of vehicles sold by the manufacturer.

In 2014, a new regulation was issued, requiring more stringent regulation that targets 95 g/km of CO<sub>2</sub> for 2020.

The European Commission is planning to replace the current European type-approval procedure for fuel consumption and CO<sub>2</sub> emissions of cars based on NEDC with new World Light duty Test Cycle (WLTC) and WLTP in 2017.

## **China**

China adopted a fuel consumption regulation for passenger vehicles in 2004. Step 1 of this regulation was implemented in 2005, Step 2 was implemented in 2008 and Step 3 was implemented in 2012. In addition, China will implement Step 4 in 2016.

## **Other Regions**

India has promulgated rules to introduce fuel economy / CO<sub>2</sub> regulations in 2015 and 2020 in a phased manner.

Australia is considering introducing fuel economy / CO<sub>2</sub> regulations.

Taiwan introduced corporate average fuel consumption regulations.

Mexico finalized rules in June 2013 to introduce fuel economy / CO<sub>2</sub> regulations for the 2014 through 2016 model years.

### **3. Recycling / End-of-Life Vehicles (ELV) / REACH**

#### **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. Currently, 73 substances are in the SVHC list. 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. Currently, 14 substances require authorization.

#### **Other Regions**

Taiwan and Korea implemented automobile recycling laws on January 1, 2008, following the regulations established by the European Union and Japan. Turkey also implemented automobile recycling laws on December 12, 2010, following the regulations established by the European Union. In addition, China, Vietnam, India and Russia each have a plan to implement automobile recycling laws in the near future.

### **4. Safety**

#### **Japan**

In November 2007, the MLIT issued safety standards, which are applicable from July 1, 2012, for vehicles which use high voltage electric power such as electric vehicles or hybrid electric vehicles, to avoid electric shocks during normal operations and post-crash. Furthermore, in 2011, they have adopted Economic Commission for Europe (ECE) R100, which was amended to incorporate the Japanese electrical safety standard.

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 aims at reaching an agreement among the contracting parties by 2015.

In January 2010, the MLIT started preparing a guideline for noise measurements regarding the danger of hybrid vehicles remaining silent and also started studying how to regulate this.

In March 2010, in a session of the World Forum for Harmonization of Vehicle Regulations (WP29) of the United Nations Economic Commission for Europe, Japan proposed the establishment of “a mutual certification system of international vehicle type certifications”, which was agreed upon.



In March 2010, an accident in the United States caused by sudden unintended acceleration prompted the MLIT to consider introducing a “brake-override system”.

In May 2011, the MLIT introduced a pedestrian leg protection standard, adopting, for the first time in the world, a flexible leg impactor that features an improved biomechanism. The impactor has been made to match more similarly to the human body structure and its characteristics.

In August 2013, the MLIT adopted UN ECE R121, which regulates the location and identification of controls, tell-tales and indicators.

In November 2013, the MLIT adopted UN ECE R125, which regulates the front visibility of the motor vehicle driver.

In January 2015, the MLIT adopted UN ECE R21, which regulates the interior fittings.

In January 2015, the MLIT adopted UN ECE R127, which regulates the pedestrian safety performance.

### **The United States**

In June 2008, the NHTSA issued a final rule to revise some performance requirements and phase-in compliance schedules in upgraded side impact occupant protection standards. For both the moving deformable barrier test and the oblique side pole impact test, manufacturers had to comply with the revised requirements for 20% of all vehicles produced by 2010, 40% by 2011, 60% by 2012, 80% by 2013 and 100% by 2014.

In May 2009, the NHTSA issued a final rule to upgrade the vehicle roof crush standard. The rule newly introduces the “Two-sided Roof Test,” which imposes strength tests for both sides of the vehicle roof and increases the maximum applied load. For vehicles with a gross vehicle weight rating (GVWR) of 2,722 kg or less, manufacturers must comply with the upgraded requirements for 25% of all vehicles produced by 2012, 50% by 2013, 75% by 2014, and 100% by 2015. For heavier vehicles, manufacturers must comply with the standards on and after September 2016.

In January 2011, the NHTSA issued a final rule to prevent the ejection of occupants in rollover accidents. The rule requires “ejection mitigation countermeasure” (e.g. advanced glazing or head protection side airbag) equipment which meet with performance requirements. Manufacturers must comply with the new requirements for 25% of all vehicles produced by 2013, 50% by 2014, 75% by 2015, 100% (with carryover credit) by 2016, and all vehicles by 2017.

In April 2012, the NHTSA issued a proposed regulation that mandates installation of a brake-throttle override system. This rule was proposed to take proper measures against the following problem: a vehicle cannot be effectively decelerated/stopped in the event that the accelerator pedal cannot return to its stationary position even after the foot is taken off the accelerator pedal, because of the floor mat being caught in the accelerator pedal or any failure in the accelerator pedal. Manufacturers must comply with the new requirements within two years from September 1 of the date of publication of the final rule.

In December 2012, the NHTSA issued a proposed regulation that mandates installation of an event data recorder (EDR) in vehicles. The purpose of this regulation is to allow for effective collision research as well as to share important data for the performance analysis of safety devices (e.g. advanced restraint devices) through the mandatory installation of EDRs. On or after September 2014, the NHTSA plans to require manufacturers to install EDRs which comply with specified performance requirements.

In January 2013, the NHTSA issued a proposed regulation that mandates installation of an approaching vehicle audible system. This regulation was established to reduce the number of collision accidents by letting pedestrians and bicycle riders be aware of approaching hybrid vehicles on electric drive or electric vehicles by sound. Manufacturers must comply with the new requirements for 30% of all vehicles produced by 2015, 60% by 2016, 90% by 2017, and all vehicles by 2018.

In April, 2013, the NHTSA issued the first phase of these guidelines. The Phase 1 Guidelines cover original equipment (OE) in-vehicle (i.e., integrated) electronic devices that are operated by the driver through visual-manual means (i.e., the driver looks at a device, manipulates a device-related control with his or her hand, and/or watches for visual feedback from the device). The Phase 2 Guidelines will apply to portable and aftermarket devices that are operated through visual-manual means and will be based on the same general principles as the Phase 1 Guidelines.

In March 2014, the NHTSA issued a final rule for FMVSS No. 111, which requires that rear visibility technology be installed in all new vehicles weighing under 10,000 pounds. The purpose is to reduce death and injury resulting from incidents when the driver is backing up. Manufacturers must comply with the new requirements for 10% of all vehicles produced from May 2016 to April 2017, 40% from May 2017 to April 2018, and all vehicles on and after May 2018.

## **Europe**

In February 2011, the United Nations issued a revised ECE regulation relating to the installation of lighting devices, requiring automatic switching of dipped-beam headlamps. For M1 and N1 vehicles, the dipped-beam headlamps shall be switched on and off automatically relative to the ambient light conditions, if a vehicle is equipped with daytime running lamps on and after January 30, 2015.

Legislation regarding a new system called “eCall” is under consideration in the EU and already implemented in the Customs Union, which is organized by Russia, Kazakhstan and Belarus. eCall is a system that can automatically transmit vehicle status (e.g., Supplemental Restraint System (SRS) deployment, location, direction and other information) to conventional infrastructures simultaneously with voice messages when accidents occur. Some relevant draft standards have been published in the EU. The effective date of the EU eCall for new vehicle types is scheduled for March 31, 2018. Final standards have already been published in the Customs Union. The effective date of eCall for the Customs Union (ERA-GLONASS) is on and after January 1, 2015 for new vehicle types and on and after January 1, 2017 for all vehicles.

## **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 which take into account the distinctive characteristics of the Chinese market environment and the rules differ from the latest UNECE standards. Future safety regulations are described as follows:

Newly published GB standards (Chinese national standards issued by the Standardization Administration of China) in 2014:

### > General safety:

- + Identification for passenger cars and their parts
- + Requirements and measurement methods for forward visibility for drivers of motor vehicles

### > Passive safety:

- + The protection of the occupants in the event of a frontal collision for motor vehicles

Newly established GB standards (not yet published);

- + Amendment to Prescription for installation of the external lighting and light-signaling devices for motor vehicles and their trailers
- + Amendment to Rear-marking plates for vehicles and their trailers
- + Photometric characteristics of front fog lamps for motor vehicles
- + Photometric characteristics of headlamps emitting symmetric passing beam and/or driving beam for motor vehicles



- + Photometric characteristics of devices for the illumination of rear registration plates of motor vehicles and their trailers
- + Symbols for controls, indicators and tell-tales on motor vehicles
- + Light-duty vehicles-towing attachments

GB standards under development;

- + Test methods and requirements for the misuse of automotive airbag systems
- + Performance requirements and test methods of tire pressure monitoring systems for passenger cars

## **5. New Car Assessment Program (NCAP)**

Programs that provide customers with assessments of car safety functions and promote the development of car safety by automobile manufacturers are conducted in countries such as the United States, Japan, Australia, the EU, Korea, China and Malaysia. The principal items assessed in these programs are passenger protection and braking power, which are typically assessed with stricter standards or criteria than those required by statute.

### **Outline of Environmental and Safety Regulation for Motorcycles**

#### **1. Emissions**

##### **Japan**

Japan has emissions regulations for motorcycles applicable to all classes of engine displacement. Some aspects of these requirements, such as standards for hydro-carbon levels and durability, are stricter than the current European regulations, namely the Euro 3 regulations.

Japan is planning to implement Phase 3 emission requirements, which are similar to current standards because standards for hydro-carbon level are stricter than the next European regulations, namely the Euro 4 regulations. The Phase 3 emission will be issued by October 2016, and introduce simultaneous application of the fuel evaporative gas regulation as well as mandatory installation of the On-Board Diagnostics (OBD) system.

##### **The United States**

Emissions regulations regarding off-road motorcycles and ATVs were introduced in 2006. In addition, the EPA adopted the current California emissions standards regarding on-road motorcycles on a national basis, two years behind the schedule of California. The EPA regulations include fuel permeation requirements rather than traditional evaporative emission standards. California issued new evaporative emission standards for off-road highway vehicle (ORHV) involving diurnal test and tip test. It will apply from the 2018 model year.

The EPA emission standard has strengthened the class III HC + NO<sub>x</sub> limit value to 0.8 g/km as of 2010 model year vehicles. As for greenhouse gases, reporting is mandated for each emission gas (CO<sub>2</sub> from 2011 model year, CH<sub>4</sub> from 2012 model year and N<sub>2</sub>O from 2013 model year, respectively).

##### **Europe**

The EU has issued regulations to reform the Whole Vehicle Type Approval (WVTA) scheme in order to further enforce exhaust emissions following the Euro 4 and Euro 5 steps. Euro 4 requirements will apply to new type approved vehicles from January 2016 and will apply to all vehicles registered from January 2017. Euro 5 requirements will apply to new type approved vehicles from January 2020 and will apply to all vehicles registered from January 2021. The new requirements introduce not only mode emission gas restrictions but also evaporative emission, durability and OBD requirements. As for L1e category vehicles (mopeds), the Euro 4 requirements will apply to new type approved vehicles from 2017 and will apply to all vehicles registered from 2018 based on the WVTA amendment.

## **Other Regions**

Other countries, mainly in Asia, have implemented tighter emissions regulations based on European regulations.

Japan, China, Korea, and Singapore are considering new exhaust emission standards based on the next European WVTA.

In Brazil, the Worldwide-harmonized Motorcycle Test Cycle (WMTC) was introduced. The WMTC became effective from the beginning of 2014. Brazil introduced the WMTC durability requirement as of January 2014 and will introduce stricter emission limit and evaporative gas restrictions as of January 2016.

India has issued a new emission regulation called Bharat Stage IV (BS IV). It will apply to new motorcycles from April 2016, and will apply to all motorcycles registered from April 2017. India is also considering a BS V regulation, which will apply from 2020.

## **2. Recycling / REACH**

### **Europe**

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

### **Other Regions**

Vietnam and India each have a plan to implement motorcycle recycling laws in the near future.

## **3. Safety**

### **Japan**

In November 2007, the MLIT issued safety standards which are applicable from July 1, 2012, for vehicles which use high voltage electric power such as electric vehicles or hybrid electric vehicles, to avoid electric shocks during normal operations and accidents. Further, in 2011, it adopted ECE R100, which was amended to incorporate the Japanese electrical safety standard.

The Japan Automobile Standards Internationalization Center (JASIC), which is organized by the MLIT and 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 aims to reach an agreement among the contracting parties by 2015.

In February 2013, the MLIT established a homologation system for ultra-compact mobility vehicles. These are vehicles which are easy to maneuver in a small space compared to automobiles, have superior environmental performance and can be utilized as a means of simple mobility for 1 or 2 passengers in a regional area. The system permits ultra-compact mobility vehicles to be run on public roads by adding features pertaining to such vehicles and relaxing certain standards without degrading the safety or environmental performances of the vehicles.

Japan has implemented the EMC requirement (UNECE R10) as of August 1, 2011. The amended version (R10.04) will become applicable to new type vehicles from August 1, 2016 and to all vehicles from October 28, 2016.

Japan is also planning to adopt requirements for lighting devices (UN ECE R50) and symmetry front beams (UNECE R113) in 2015 and issued new standards for control/tell-tales (UNECE R60) applying to all motorcycles from July 1, 2017, and also issued new standards for advanced brake system (Anti-lock Brake System/Combined Brake System) applying to new type motorcycles from October 1, 2018, and to all motorcycles from October 1, 2021.

## **The United States**

The NHTSA adopted the global technical regulation for braking systems (GTR 3) into the federal standard (FMVSS 122) as part of standard harmonization activities. The new standard will be applicable to the vehicles produced on and after September 1, 2014.

The NHTSA amended the federal standard for lighting devices (FMVSS 108) to change visibility and other requirements, which became effective as of December 2012.

## **Europe**

The EU has issued regulations to change the WVTA scheme in order to further enforce safety. The new safety regulations require advanced brake systems and functional safety and electrical safety requirements. The new EU WVTA (EU Regulation No. 168/2013) was published on March 2, 2013. This new system will become applicable to new type motorcycles from January 2016 and new type mopeds from January 2017.

The EU Commission finalized Delegated Regulations concerning environmental and propulsion unit performance (EU Regulation No. 134/2014), vehicle functional safety (EU Regulation No. 3/2014), vehicle construction and general requirements (EU Regulation No. 44/2014). The Implementing Regulation (EU Regulation No. 901/2014) was published on July 18, 2014 and the regulations established the new EU WVTA system.

The new WVTA system requires motorcycle manufacturers to make vehicle repair and maintenance information available through their websites.

## **Other regions**

The Brazilian government issued a new regulation regarding anti-theft devices, which requires installations of an immobilizer and a vehicle tracking system on vehicles and motorcycles sold or registered from August 1, 2009. However, this regulation has not been implemented yet because the Prosecutors Office claimed it was unconstitutional and asked the courts to overturn it. Several amendments are scheduled to go into effect on the effective date (currently set for March 2016) in accordance with the phase-in application schedule, but the date of the actual implementation of this regulation is still unclear because of a court decision holding this regulation to be unconstitutional. Brazil issued a new standard concerning motorcycle braking based on the UN ECE Brake regulation (R78.03) as well as a new regulation mandating ABS/CBS installation.

The Gulf Cooperation Council (GCC) started the operation of a motorcycle certification system in July 2014.

Many Asian countries, such as India, Thailand, Indonesia, Malaysia, Korea and Vietnam, are introducing various regulations, regarding lighting, braking, and anti-theft, based on UN R (ECE) regulations.

## **Outline of Environmental and Safety Regulation for Power Products**

### **1. Emissions**

#### **The United States**

The EPA introduced more stringent exhaust standards and new evaporative emission standards for fuel tanks and fuel lines used in small non-road engines. The regulations applied starting in the 2011 model year for Class II engines (above 225 cc), in the 2012 model year for Class I engines (less than 225 cc and used in non-handheld applications) and generally in 2010 for handheld products. The EPA also adopted a more stringent level of emission standards for outboard and personal watercraft engines starting with the 2010 model year. This new regulation includes standards to control evaporative emissions for all vessels using marine spark-ignition engines.

## **Canada**

The Canadian federal government has introduced emissions regulations generally equivalent to the U.S. EPA regulations for outboard and personal watercraft engines from the 2012 model year. New regulations plan to include controls for evaporative emissions aligned with the EPA regulations.

## **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 has started from January 1, 2014. The phase 3 regulation is under discussion.

## **Europe**

European Committee started to consider the stage 3 regulation. Its requirement will follow U.S. EPA phase 3 and the effective date will be 2018 or 2019.

## **Japan**

The Japan Land Engine Manufacturers Association (LEMA) has implemented Phase 3 voluntary exhaust emission regulation from January 1, 2014. The requirements are consistent with U.S. EPA Phase 3 regulation.

## **India**

The Ministry of Environment issued a revised regulation for emission/noise standards applicable to gasoline/kerosene engine generators. The exhaust emission limits are very stringent. In particular, the CO level limit is less than half the limit allowed by U.S. EPA Phase 3. The effective date is June 2015.

## **2. Recycling /RoHS / WEEE / REACH**

### **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) was wholly revised and most power products will be within its scope after 2019.

### **Other regions**

Turkey and several Asian countries have adopted regulations which are similar to the European regulations (such as RoHS and WEEE).

## **3. Safety**

### **Japan**

The Institute of Agricultural Machinery amended the safety standard of backward speed requirements for walk-behind equipment from 3.6 km/h to 1.8 km/h, and the interpretation of splash protection guard requirements for brush cutters. New models have had to comply with the standard from April 2010 and all models will need to comply with it from April 2015.

### **The United States**

Based on the “Consumer Product Safety Improvement Act of 2008”, walk-behind lawn mowers have had to comply with certificate requirements from November 11, 2008. The CPSC has enhanced the recall system by this Act.

### **Europe**

The Machinery Directive was changed and a new directive has been effective from December 29, 2009. The main changes were to clarify the scope of the directive (for example, whether it covered partly completed

machinery, such as engine units), add a concrete description of market surveys and create an obligation to establish a penalty description for member states.

## **China**

The General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) has issued a draft safety regulation for spark-ignition engines including a wide variety of requirements such as machinery safety, thermal protection, electrical safety, and others. It is expected to come into force in 2014.

### ***Preparing for the Future***

Honda aims to achieve global growth by further encouraging and strengthening innovation as well as creating quality products that please the customers and exceed their expectations.

Honda will focus all its energies on the tasks set out below as it pursues the vision toward 2020 of “providing good products to customers with speed, affordability and low CO<sub>2</sub> emissions”.

#### **1. Product Quality**

Honda will strive to improve its product quality by verification within each development, purchasing, production, sales and service department, along with integrated verification through coordination among those departments.

#### **2. Research and Development**

Honda will continue to be innovative in advanced technology and products, aiming to create and introduce new value-added products to quickly respond to specific needs in various markets around the world, in addition to its efforts to develop the most effective safety and environmental technologies. Honda will also continue its efforts to conduct research on experimental technologies for the future.

#### **3. Production Efficiency**

Honda will strengthen its production systems at its global production bases and supply high-quality products flexibly and efficiently, with the aim of meeting the needs of its customers in each region. Honda will work at improving its global supply chain by devising more effective business continuity plans in order to respond to various risks including but not limited to natural disasters.

#### **4. Sales Efficiency**

Honda will remain proactive in its efforts to expand product lines and the innovative use of IT to show its continued commitment to different customers throughout the world by upgrading its sales and service structure.

#### **5. Safety Technologies**

Honda is working to develop safety technologies that enhance accident prediction and prevention, technologies to help reduce the risk of injuries to passengers and pedestrians from car accidents and technologies that enhance compatibility between large and small vehicles, as well as expand its lineup of products incorporating such technologies. Honda will reinforce and continue to advance its contribution to traffic safety in Japan and motorized societies abroad. Honda also intends to remain active in a variety of traffic safety programs, including advanced driving and motorcycling training programs provided by local dealerships.

#### **6. The Environment**

Honda will step up its efforts to create better, cleaner and more fuel-efficient engine technologies and to further improve recyclables throughout its product lines as well as further promote the development of fuel cells. Honda has now set a target to reduce CO<sub>2</sub> emissions from its global products by 30% by 2020 compared to year

2000 levels. Honda will strengthen its efforts to realize reductions in CO<sub>2</sub> emissions through its entire corporate activities including production and its supply chain. Furthermore, Honda will strengthen its efforts in advancing technologies in the area of total energy management, to reduce CO<sub>2</sub> emissions related to mobility and people's everyday lives.

#### 7. Continuing to Enhance Honda's Social Reputation and Communication with the Community

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

Through these company-wide activities, Honda will strive to be a company that its shareholders, investors, customers and society want it to exist.

#### C. Organizational Structure

As of March 31, 2015, the Company had 91 Japanese subsidiaries and 281 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 Engineering Co., Ltd. . . . .	Japan	Manufacturing and Sales of machine tools, equipment and production techniques	100.0
Yachiyo Industry Co., Ltd. . . . .	Japan	Manufacturing	50.5
Honda Finance Co., Ltd. . . . .	Japan	Finance	100.0
American Honda Motor Co., Inc. . . . .	U.S.A.	Sales	100.0
Honda Aero., Inc. . . . .	U.S.A.	Manufacturing	100.0
Honda North America, Inc. . . . .	U.S.A.	Coordination of Subsidiaries Operation	100.0
Honda of America Mfg., Inc. . . . .	U.S.A.	Manufacturing	100.0
American Honda Finance Corporation . . . . .	U.S.A.	Finance	100.0
Honda Manufacturing of Alabama, LLC . . . . .	U.S.A.	Manufacturing	100.0
Honda Manufacturing of Indiana, LLC . . . . .	U.S.A.	Manufacturing	100.0
Honda Transmission Mfg. of America, Inc. . . . .	U.S.A.	Manufacturing	100.0
Honda R&D Americas, Inc. . . . .	U.S.A.	Research & Development	100.0
Honda Canada Inc. . . . .	Canada	Manufacturing and Sales	100.0
Honda Canada Finance Inc. . . . .	Canada	Finance	100.0
Honda de Mexico, S.A. de C.V. . . . .	Mexico	Manufacturing and Sales	100.0
Honda Motor Europe Limited . . . . .	U.K.	Coordination of Subsidiaries Operation and Sales	100.0
Honda of the U.K. Manufacturing Ltd. . . . .	U.K.	Manufacturing	100.0
Honda Finance Europe plc . . . . .	U.K.	Finance	100.0
Honda Bank GmbH . . . . .	Germany	Finance	100.0
Honda Turkiye A.S. . . . .	Turkey	Manufacturing and Sales	100.0
Honda Motor (China) Investment Co., Ltd. . . . .	China	Coordination of Subsidiaries Operation and Sales	100.0
Honda Auto Parts Manufacturing Co., Ltd. . . . .	China	Manufacturing	100.0

<u>Company</u>	<u>Country of Incorporation</u>	<u>Function</u>	<u>Percentage Ownership and Voting Interest</u>
Honda Automobile (China) Co., Ltd. ....	China	Manufacturing	65.0
Honda Motorcycle & Scooter India (Private) Ltd. ..	India	Manufacturing and Sales	100.0
Honda Cars India Limited .....	India	Manufacturing and Sales	100.0
P.T. Honda Precision Parts Manufacturing .....	Indonesia	Manufacturing	100.0
P.T. Honda Prospect Motor .....	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd .....	Malaysia	Manufacturing and Sales	51.0
Honda Taiwan Co., Ltd. ....	Taiwan	Sales	100.0
Asian Honda Motor Co., Ltd. ....	Thailand	Coordination of Subsidiaries Operation and Sales	100.0
Honda Leasing (Thailand) Co., Ltd. ....	Thailand	Finance	100.0
Honda Automobile (Thailand) Co., Ltd. ....	Thailand	Manufacturing and Sales	89.0
Thai Honda Manufacturing Co., Ltd. ....	Thailand	Manufacturing	83.0
A.P. Honda Co., Ltd. ....	Thailand	Sales	61.0
Honda Vietnam Co., Ltd. ....	Vietnam	Manufacturing and Sales	70.0
Honda Motor de Argentina S.A. ....	Argentina	Manufacturing and Sales	100.0
Honda South America Ltda. ....	Brazil	Coordination of Subsidiaries Operation	100.0
Banco Honda S.A. ....	Brazil	Finance	100.0
Honda Automoveis do Brasil Ltda. ....	Brazil	Manufacturing and Sales	100.0
Moto Honda da Amazonia Ltda. ....	Brazil	Manufacturing and Sales	100.0
Honda Australia Pty. Ltd. ....	Australia	Sales	100.0

#### *D. Property, Plants and Equipment*

The following table sets out information, as of March 31, 2015, 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>
Sayama, Saitama, Japan .....	4,911	Automobiles
Naka-ku, Hamamatsu, Shizuoka, Japan .....	2,233	Power products and transmissions
Suzuka, Mie, Japan .....	6,275	Automobiles
Ozu-machi, Kikuchi-gun, Kumamoto, Japan .....	2,569	Motorcycles, all-terrain vehicles, power products and engines
Yokkaichi, Mie, Japan .....	626	Automobiles
Burlington, North Carolina, U.S.A. ....	69	Aero engines
Marysville, Ohio, U.S.A. ....	4,920	Automobiles
Anna, Ohio, U.S.A. ....	2,478	Engines
East Liberty, Ohio, U.S.A. ....	2,060	Automobiles
Lincoln, Alabama, U.S.A. ....	4,869	Automobiles and engines
Greensburg, Indiana, U.S.A. ....	2,208	Automobiles
Alliston, Canada .....	4,100	Automobiles and engines
El Salto, Mexico .....	2,472	Motorcycles and automobiles
Celaya, Mexico .....	3,644	Automobiles
Swindon, U.K. ....	2,760	Automobiles and engines
Gebze, Turkey .....	746	Motorcycles and automobiles
Guangzhou, China .....	932	Automobiles
Gurgaon, India .....	3,436	Motorcycles
Greater Noida, India .....	2,305	Automobiles



<u>Location</u>	<u>Number of Employees</u>	<u>Principal Products Manufactured</u>
Alwar, India . . . . .	2,223	Motorcycles and automobiles
Narasapura, India . . . . .	1,355	Motorcycles
Karawang, Indonesia . . . . .	2,305	Automobiles and engines
Melaka, Malaysia . . . . .	2,353	Automobiles
Ayutthaya, Thailand . . . . .	3,928	Automobiles
Bangkok, Thailand . . . . .	3,581	Motorcycles and power products
Phuc Yen, Vietnam . . . . .	4,005	Motorcycles and automobiles
Duy Tien, Vietnam . . . . .	233	Motorcycles
Buenos Aires, Argentina . . . . .	1,184	Motorcycles and automobiles
Sumare, Brazil . . . . .	3,343	Automobiles
Manaus, Brazil . . . . .	7,149	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, 2015, the Company's property, with a net book value of approximately ¥76.0 billion, was subject to specific mortgages securing indebtedness.

### ***Capital Expenditures***

Capital expenditures in the fiscal year ended March 31, 2015 were applied to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

Total capital expenditures for the year amounted to ¥2,334.9 billion, increased by ¥378.2 billion from the previous year. Also, total capital expenditures, excluding equipment on operating leases, for the year amounted to ¥653.8 billion, decreased by ¥92.2 billion from the previous year. Spending by business segment is shown below.

	<b>Fiscal years ended March 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>Increase (Decrease)</b>
	<b>Yen (millions)</b>		
Motorcycle Business . . . . .	¥ 55,394	¥ 68,171	¥ 12,777
Automobile Business . . . . .	673,038	573,312	(99,726)
Financial Services Business . . . . .	1,211,152	1,681,610	470,458
Financial Services Business (Excluding Equipment on Operating Leases) . . .	473	432	(41)
Power Product and Other Businesses . . . . .	17,146	11,896	(5,250)
Total . . . . .	¥1,956,730	¥2,334,989	¥378,259
Total (Excluding Equipment on Operating Leases) . . . . .	¥ 746,051	¥ 653,811	¥(92,240)

Intangible assets are not included in the table above.

In Motorcycle business, we made capital expenditures of ¥68,171 million in the fiscal year ended March 31, 2015. 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 ¥573,312 million in the fiscal year ended March 31, 2015. 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 ¥432 million in the fiscal year ended March 31, 2015, while capital expenditures for equipment on operating leases were ¥1,681,178 million. Capital expenditures in Power products and other businesses in the fiscal year ended March 31, 2015, totaling ¥11,896 million, were deployed to upgrade, streamline, and modernize manufacturing facilities for power products, and to improve R&D facilities for power products.

*Plans after fiscal 2015*

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, 2016 are shown below.

	<b>Fiscal year ending March 31, 2016</b>
	<b>Yen (millions)</b>
Motorcycle Business .....	¥ 68,900
Automobile Business .....	585,400
Financial Services Business .....	500
Power Product and Other Businesses .....	15,200
Total .....	<u>¥670,000</u>

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

Intangible assets are not included in the table above.

***Item 4A. Unresolved Staff Comments***

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

***Item 5. Operating and Financial Review and Prospects***

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

In the fiscal year ended March 31, 2015, we changed the basis of the accounting principles used to prepare our consolidated financial statements from U.S. GAAP to IFRS. Accordingly, the consolidated financial statements of the Company in this Annual Report have been prepared in accordance with IFRS, as issued by IASB. An explanation of how the transition to IFRS has affected our consolidated financial statements is provided in note “(31) Explanation of Transition to IFRS” to the accompanying consolidated financial statements.

***A. Operating Results***

***Overview***

**Business Environment**

With respect to the economic environment, the United States experienced a gradual recovery in business conditions, mainly due to an improving jobs market, along with firm growth in housing investment and personal consumption. In Europe, economic activity returned to a recovery path, mainly due to gradual improvement in

employment conditions. In the Asian economies, India saw an economic upturn, while China grew at a more gradual pace. Indonesia experienced a slower pace of expansion, while Thailand's economy weakened. In Japan, economic performance was sluggish, mainly due to weak personal consumption, despite an improving employment picture.

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

## **Overview of Fiscal Year 2015 Operating Performance**

Honda's consolidated sales revenue for the fiscal year ended March 31, 2015 increased from the fiscal year ended March 31, 2014, due mainly to increased sales revenue in Motorcycle business operations as well as favorable foreign currency translation effects. Operating profit decreased from the previous fiscal year, due mainly to an increase in selling, general and administrative expenses including product warranty expenses, which was partially offset by continuing cost reduction as well as positive foreign currency translation effects.

### **Motorcycle Business**

Honda's consolidated unit sales of motorcycles and all-terrain vehicles (ATVs) in fiscal year 2015 totaled 10,725 thousand units, up 3.8% from the previous fiscal year, largely influenced by an increase in consolidated unit sales in India and Vietnam.

### **Automobile Business**

Honda's consolidated unit sales of automobiles totaled 3,513 thousand units in fiscal year 2015, down 0.5% from the previous fiscal year, due mainly to a unit sales decline in Japan and Thailand, where market conditions were unfavorable. This was despite an increase in unit sales, primarily in Indonesia and India, due to the launch of new automobile models.

### **Power Product and Other Businesses**

Honda's consolidated unit sales of power products totaled 5,983 thousand units in fiscal year 2015, down 0.6% from the previous fiscal year, due mainly to a decrease in sales, primarily in Asia.

## ***Fiscal Year 2015 Compared with Fiscal Year 2014***

### **Sales Revenue**

Honda's consolidated sales revenue for the fiscal year ended March 31, 2015, increased by ¥822.0 billion, or 6.6%, to ¥13,328.0 billion from the fiscal year ended March 31, 2014, due mainly to increased sales revenue in the Motorcycle business operations as well as positive foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥67.3 billion, or 0.5%, compared to the increase as reported of ¥822.0 billion, which includes positive foreign currency translation effects.

### **Operating Costs and Expenses**

Operating costs and expenses increased by ¥975.2 billion, or 8.3%, to ¥12,657.4 billion from the previous fiscal year. Cost of sales increased by ¥740.2 billion, or 7.7%, to ¥10,330.7 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased consolidated unit sales in the Motorcycle business, and negative foreign currency effects. Selling, general and administrative expenses increased by ¥227.2 billion, or 15.2%, to ¥1,720.5 billion from the previous fiscal year, due mainly to increased product warranty expenses. Product warranty expenses include expenses related to airbag inflators. Research and development expenses increased by ¥7.7 billion, or 1.3%, to ¥606.1 billion from the previous fiscal year.

## **Operating Profit**

Operating profit decreased by ¥153.2 billion, or 18.6%, to ¥670.6 billion from the previous fiscal year, due mainly to an increase in selling, general and administrative expenses including product warranty expenses, which was partially offset by continuing cost reduction as well as positive foreign currency translation effects. Honda estimates that by excluding positive foreign currency effects of approximately ¥80.5 billion, operating profit would have decreased by approximately ¥233.7 billion.

With respect to the discussion above of the changes, management identified factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. “Foreign currency effects” consist of “translation adjustments”, which come from the translation of the currency of foreign subsidiaries’ financial statements into Japanese yen, and “foreign currency adjustments”, which result from foreign-currency-denominated sales. With respect to “foreign currency adjustments”, management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Euro, Japanese yen and others at the level of the Company and its material consolidated subsidiaries.

## **Profit before Income Taxes**

Profit before income taxes decreased by ¥127.6 billion, or 13.7%, to ¥806.2 billion. The main factors behind this decrease, 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 ¥34.8 billion, due mainly to a recognition of impairment loss on certain investments in affiliates and a decrease in profit attributable to decreased sales revenue at affiliates and joint ventures in Asia.

Finance income and finance costs had a positive impact of ¥60.4 billion, due mainly to an increase in gains on foreign exchange. 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 ¥22.8 billion, or 8.5%, to ¥245.1 billion from the previous fiscal year. The average effective tax rate increased 1.7 percentage points to 30.4% 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 ¥104.8 billion, or 15.7%, to ¥561.0 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 ¥115.2 billion, or 18.5%, to ¥509.4 billion from the previous fiscal year.

## **Profit for the Year Attributable to Non-controlling Interests**

Profit for the year attributable to non-controlling interests increased by ¥10.4 billion, or 25.4%, to ¥51.6 billion from the previous fiscal year, due mainly to an increase in profit for the year of the subsidiaries in Asia which have non-controlling interests.

## **Business Segments**

### **Motorcycle Business**

Honda's consolidated unit sales of motorcycles and all-terrain vehicles (ATVs) totaled 10,725 thousand units, increased by 3.8% from the previous fiscal year, due mainly to an increase in consolidated unit sales in Asia.

Sales revenue from external customers increased by ¥157.4 billion, or 9.3%, to ¥1,846.6 billion from the previous fiscal year, due mainly to increased consolidated unit sales and positive foreign currency translation effects. The impact of price changes was immaterial. 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 ¥70.8 billion, or 4.2%, compared to the increase as reported of ¥157.4 billion, which includes positive foreign currency translation effects.

Operating costs and expenses increased by ¥142.1 billion, or 9.4%, to ¥1,654.5 billion from the previous fiscal year. Cost of sales increased by ¥114.4 billion, or 9.3%, to ¥1,342.8 billion, due mainly to an increase in costs attributable to increased consolidated unit sales and negative foreign currency effects. Selling, general and administrative expenses increased by ¥20.3 billion, or 9.5%, to ¥233.8 billion, due mainly to an increase in selling expenses attributable to increased consolidated unit sales and negative foreign currency effects. Research and development expenses increased by ¥7.3 billion, or 10.5%, to ¥77.7 billion.

Operating profit increased by ¥15.2 billion, or 8.6%, to ¥192.1 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

### ***Japan***

Total industry demand for motorcycles in Japan\* was approximately 420 thousand units in fiscal year 2015, a decrease of approximately 12% from the previous fiscal year.

Honda's consolidated unit sales in Japan in fiscal year 2015 totaled 199 thousand units, down 11.9% from the previous fiscal year, despite the positive effects derived from the launch of the *TACT* 50cc scooter and other models, which was more than offset by a decline in unit sales of other scooter models.

\* Source: JAMA (Japan Automobile Manufacturers Association)

### ***North America***

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States\*, the principal market within North America, increased around 3% from the previous year to approximately 710 thousand units in calendar year 2014.

Honda's consolidated unit sales in North America increased 2.9% from the previous fiscal year to 286 thousand units in fiscal year 2015. This was mainly due to steady sales of the *GROM* sports motorcycle, along with the introduction of the *CBR650F*, *CB300* and *CBR300*, primarily in the United States.

\* Source: MIC (Motorcycle Industry Council)

### ***Europe***

Total demand for motorcycles in Europe\* increased around 7% from the previous year to approximately 740 thousand units in calendar year 2014.

Honda's consolidated unit sales in Europe increased 15.1% from the previous fiscal year to 191 thousand units in fiscal year 2015, mostly as a result of the introduction of the *CB650F*, *CBR650F* and full model changes of the *NC* series.

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

### **Asia**

Total demand for motorcycles in Asia\* increased around 1% from the previous year to approximately 41,600 thousand units in calendar year 2014.

Looking at market conditions by country, in calendar year 2014, demand in India increased about 12% from the previous year to approximately 16,020 thousand units, due mainly to an expansion of the scooter category. Demand in China decreased around 8% from the previous year to approximately 10,650 thousand units. Demand in Indonesia increased around 2% from the previous year to approximately 7,860 thousand units. Vietnam saw demand decline around 3% from the previous year to approximately 2,710 thousand units. Demand in Thailand declined around 15% from the previous year to approximately 1,700 thousand units.

Honda's consolidated unit sales in Asia increased 7.9% from the previous fiscal year to 8,478 thousand units in fiscal year 2015. This was due in part to increased sales of scooter models centered on the *ACTIVA* scooter along with brisk sales of the *CB Shine* and *DREAM Yuga* small motorcycles in India. Another contributing factor was strong sales of the *Wave* series in Vietnam.

Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is a joint venture accounted for using the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2015 increased around 3% from the previous fiscal year to approximately 4,890 thousand units. This was due mainly to strong sales of scooter models amid lackluster market conditions.

\* Based on Honda research. Only includes the following 8 countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

### **Other Regions**

Total demand for motorcycles in Brazil\*, the principal market within Other Regions, declined about 10% from the previous year to approximately 1,430 thousand units in calendar year 2014, mainly due to a continuation of stricter lending standards for retail loans and a decline in consumer sentiment in line with deteriorating economic conditions.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales decreased 12.9% from the previous fiscal year to 1,571 thousand units in fiscal year 2015. This was largely attributable to lower unit sales in Brazil and Argentina, primarily due to a decline in consumer sentiment reflecting harsh economic conditions.

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

### **Automobile Business**

Honda's consolidated unit sales of automobiles totaled 3,513 thousand units, decreased by 0.5% from the previous fiscal year, due mainly to a decrease in consolidated unit sales in Japan, which was partially offset by increase in Asia.

Sales revenue from external customers increased by ¥424.5 billion, or 4.6%, to ¥9,603.3 billion from the previous fiscal year, due mainly to positive foreign currency translation effects. The impact of price changes was

immaterial. 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 ¥107.9 billion, or 1.2%, compared to the increase as reported of ¥424.5 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥508.5 billion, or 5.5%, to ¥9,757.8 billion from the previous fiscal year.

Operating costs and expenses increased by ¥689.9 billion, or 7.9%, to ¥9,478.1 billion from the previous fiscal year. Cost of sales increased by ¥491.9 billion, or 6.9%, to ¥7,641.8 billion, due mainly to negative foreign currency effects. Selling, general and administrative expenses increased by ¥197.4 billion, or 17.3%, to ¥1,337.7 billion, due mainly to increased product warranty expenses and negative foreign currency effects. Product warranty expenses include expenses related to airbag inflators. Research and development expenses totaled to ¥498.4 billion basically unchanged from the previous fiscal year.

Operating profit decreased by ¥181.4 billion, or 39.3%, to ¥279.7 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses including product warranty expenses, which was partially offset by continuing cost reduction and positive foreign currency effect.

Proportion of retail unit sales by vehicle category:

	Fiscal year ended March 31,	
	2014	2015
Passenger cars: <i>Accord, Accord Hybrid, Amaze, Brio, Brio Amaze, Brio Satya, City, Civic, Civic Tourer, CRIDER, CR-Z, Fit/Jazz, Fit/Jazz Hybrid, Fit Shuttle, Fit Shuttle Hybrid, FREED, FREED Hybrid, FREED SPIKE, FREED SPIKE Hybrid, GRACE Hybrid, Honda MOBILIO, Insight, JADE, JADE Hybrid, LEGEND Hybrid, Spirior, Stream, Acura ILX, Acura RLX, Acura TLX</i>	58%	58%
Light trucks: <i>Crosstour, CR-V, Elysion, Odyssey, Pilot, Ridgeline, Step WGN, VEZEL/HR-V, VEZEL Hybrid, XR-V, Acura MDX, Acura RDX</i>	32%	33%
Mini vehicles: <i>Acty, Life, N-Box, N-Box +, N-Box SLASH, N-ONE, N-WGN, Vamos</i>	10%	9%

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 40% higher, our passenger cars category was approximately 10% lower and our mini vehicles category was approximately 50% lower than total weighted average contribution margin for the fiscal year ended March 31, 2015. 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\*<sup>1</sup> decreased around 7% from the previous fiscal year to approximately 5,290 thousand units in fiscal year 2015. This was greatly influenced by the impact of an increase in Japan's consumption tax rate in April 2014 and a fall-back from a spike in demand prior to the increase.

Honda's consolidated unit sales in Japan decreased 11.7% from the previous fiscal year to 696 thousand units\*<sup>2</sup> in fiscal year 2015. The main reasons for the decline were weak demand due to Japan's consumption tax rate increase and the fall-back from a spike in demand prior to the increase, along with intensified competition in the mini-vehicle segment. This was despite the introduction of new automobile models such as *GRACE* and solid sales of the *VEZEL* and *N-WGN* models.

Honda's unit production of automobiles in fiscal year 2015 decreased 7.4% from the previous fiscal year to 868 thousand units. This was mainly due to the negative effects of a decline in unit sales.

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

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

## **North America**

Total industry demand for automobiles in the United States\*, the principal market within North America, rose around 6% from the previous year to approximately 16,520 thousand units in calendar year 2014. This was mainly attributable to stable economic conditions including the positive effects of an improvement in employment conditions and a continued increase in personal consumption, as well as an increase in light truck sales as a result of lower gasoline prices.

Under these conditions, Honda's consolidated unit sales in North America decreased 0.2% from the previous fiscal year to 1,750 thousand units in fiscal year 2015. This decline was mainly caused by the negative effects of intensified competition in the passenger car segment and the U.S. West Coast port strikes, which more than offset the positive impact of the *Acura TLX* launch and a full model change of the *Fit* model.

Honda manufactured 1,810 thousand units in fiscal year 2015, up 1.8% from the previous fiscal year. This increase mainly reflected an increase in unit production at Honda's new Celaya plant in Mexico, despite the negative effect from the U.S. West Coast port strikes.

\* Source: Autodata

## **Europe**

Total demand for automobiles in Europe\* increased about 5% from the previous year to approximately 13,000 thousand units in calendar year 2014. Expansion in the market as a whole was driven by an upturn in economic conditions.

Honda's consolidated unit sales in Europe decreased 5.8% from the previous fiscal year to 161 thousand units in fiscal year 2015. This was mainly due to a decline in unit sales of the *JAZZ*.

Unit output at Honda's U.K. plant in fiscal year 2015 declined 14.2% from the previous fiscal year to 115 thousand units.

\* Source: ACEA (Association des Constructeurs Europeens d'Automobiles (the European Automobile Manufacturer's Association)) New passenger car registrations cover 28 EU countries and three EFTA countries, excluding Russia.



## **Asia**

Total demand for automobiles in Asia decreased around 4% from the previous year to approximately 6,860 thousand units\*<sup>1</sup> in calendar year 2014. This was mainly caused by a weak economy in Thailand, despite a recovery in demand in India due to improving economic conditions in the country. Total demand for automobiles in China increased about 7% from the previous year to approximately 23,490 thousand units\*<sup>2</sup> in calendar year 2014.

Honda's consolidated unit sales in Asia outside Japan increased 20.0% from the previous fiscal year to 637 thousand units in fiscal year 2015. This increase was mainly attributable to the launch of the *Honda MOBILIO* and *HR-V* in Indonesia, along with the full model change of the *CITY* model, the addition of a diesel engine model to the *CITY* and the introduction of the *Honda MOBILIO* in India.

Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China increased 1.1% from the previous fiscal year to 789 thousand units in fiscal year 2015. The increase was mainly attributable to a full model change of the *Fit* and introduction of the *VEZEL* and *XR-V* models.

Honda's unit production by consolidated subsidiaries in Asia increased 18.5% from the previous fiscal year to 697 thousand units\*<sup>3</sup> in fiscal year 2015.

Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd. increased 0.2% from the previous fiscal year to 810 thousand units in fiscal year 2015.

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

\*<sup>2</sup> Source: CAAM (China Association of Automobile Manufacturers)

\*<sup>3</sup> The total includes the following nine countries: China, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

## **Other Regions**

Total industry demand for automobiles in Brazil\*, the principal market within Other Regions, decreased around 7% from the previous year to approximately 3,330 thousand units in calendar year 2014.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales decreased 5.9% from the previous fiscal year to 269 thousand units in fiscal year 2015. This result was due to a decrease in sales mainly in Argentina, which was partly offset by increased sales in Brazil due to the introduction of the *HR-V*.

Unit production at Honda's plant in Brazil increased 1.0% from the previous fiscal year to 134 thousand units in fiscal year 2015.

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\* Source: ANFAVEA (Associação Nacional dos Fabricantes de Veículos Automotores (the Brazilian Automobile Association)) 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, Thailand and other countries.



Total amount of receivables from financial services and equipment on operating leases of finance subsidiaries on March 31, 2015 increased by ¥1,240.3 billion, or 15.9%, to ¥9,018.9 billion from the March 31, 2014. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2015 would have increased by approximately ¥257.8 billion, or 3.3%, compared to the increase as reported of ¥1,240.3 billion, which includes positive foreign currency translation effects.

Sales revenue from external customers increased by ¥229.5 billion, or 17.3%, to ¥1,555.5 billion from the previous fiscal year, due mainly to an increase in operating lease revenues and 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 ¥106.5 billion, or 8.0%, compared to the increase as reported of ¥229.5 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥230.1 billion, or 17.2%, to ¥1,567.9 billion from the previous fiscal year.

Operating costs and expenses increased by ¥210.3 billion, or 18.2%, to ¥1,365.3 billion from the previous fiscal year. Cost of sales increased by ¥203.0 billion, or 19.0%, to ¥1,271.8 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased operating lease revenues and negative foreign currency effects. Selling, general and administrative expenses increased by ¥7.2 billion, or 8.4%, to ¥93.4 billion from the previous fiscal year.

Operating profit increased by ¥19.8 billion, or 10.9%, to ¥202.5 billion from the previous fiscal year, due mainly to increased sales revenue and positive foreign currency effects.

### **Power Product and Other Businesses**

Honda's consolidated unit sales of power products totaled 5,983 thousand units, decreased by 0.6% from the previous fiscal year, due mainly to a decrease in consolidated unit sales in Asia, which was partially offset by an increase in Europe.

Sales revenue from external customers increased by ¥10.4 billion, or 3.4%, to ¥322.5 billion from the previous fiscal year, due mainly to positive foreign currency translation effects, which was partially offset by a decreased consolidated unit sales in Power product 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 ¥2.0 billion, or 0.7%, compared to the increase as reported of ¥10.4 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥9.0 billion, or 2.7%, to ¥346.9 billion from the previous fiscal year.

Operating costs and expenses increased by ¥16.0 billion, or 4.8%, to ¥350.7 billion from the previous fiscal year. Cost of sales increased by ¥13.9 billion, or 5.5%, to ¥265.4 billion, due mainly to negative foreign currency effects. Selling, general and administrative expenses increased by ¥2.1 billion, or 4.1%, to ¥55.4 billion. Research and development expenses totaled to ¥29.9 billion basically unchanged from the previous fiscal year.

Operating loss was ¥3.8 billion, a decrease of ¥6.9 billion from the previous fiscal year, due mainly to an increase in operating costs and expenses in Other businesses and negative foreign currency effects.

### **Japan**

Honda's consolidated unit sales in Power product business in Japan increased 7.6% from the previous fiscal year to 338 thousand units in fiscal year 2015. This was mainly due to an increase in sales of OEM\* engines which outweighed a decline in sales of portable power generators.

\* OEM (Original Equipment Manufacturer): refers to the manufacturers of products and components sold under a third-party brand.

### ***North America***

Honda's consolidated unit sales in North America in fiscal year 2015 decreased 0.5% from the previous fiscal year to 2,705 thousand units. This was mainly attributable to a decrease in sales of OEM engines and portable power generators, despite an increase in sales of snow throwers.

### ***Europe***

Honda's consolidated unit sales in Europe increased 5.8% from the previous fiscal year to 1,091 thousand units in fiscal year 2015. This was mostly due to an increase in sales of OEM engines and lawn mowers.

### ***Asia***

Honda's consolidated unit sales in Asia decreased 6.9% from the previous fiscal year to 1,382 thousand units in fiscal year 2015. The main reasons were a decrease in sales of OEM engines and water pumps.

### ***Other Regions***

Honda's consolidated unit sales in Other Regions (including South America, the Middle East, Africa, Oceania and other areas) decreased 0.4% from the previous fiscal year to 467 thousand units in fiscal year 2015. This was mainly due to a decrease in sales of water pumps and OEM engines in South America.

## **Geographical Information**

### ***Japan***

In Japan, sales revenue from domestic and export sales decreased by ¥282.7 billion, or 6.7%, to ¥3,930.9 billion from the previous fiscal year, due mainly to a decrease in sales revenue in the Automobile business. Operating profit decreased by ¥35.6 billion, or 14.5%, to ¥210.1 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses including product warranty expenses and a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by positive foreign currency effects.

### ***North America***

In North America, which mainly consists of the United States, sales revenue increased by ¥638.4 billion, or 9.7%, to ¥7,200.8 billion from the previous fiscal year, due mainly to positive foreign currency translation effects, which was partially offset by a decrease in sales revenue in the Automobile business. Operating profit decreased by ¥154.1 billion, or 45.9%, to ¥181.5 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses including product warranty expenses and a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by continuing cost reduction and positive foreign currency effects.

### ***Europe***

In Europe, sales revenue decreased by ¥57.6 billion, or 7.4%, to ¥723.9 billion from the previous fiscal year, due mainly to a decrease in sales revenue in the Automobile business, which was partially offset by an increase in sales revenue in the Motorcycle business and positive foreign currency translation effects. Operating loss was ¥22.6 billion, an improvement of ¥11.2 billion from the previous fiscal year, due mainly to effect of impairment loss recognized in the previous fiscal year, which was partially offset by negative foreign currency effects.

### ***Asia***

In Asia, sales revenue increased by ¥438.1 billion, or 15.2%, to ¥3,328.5 billion from the previous fiscal year, due mainly to an increase in sales revenue in the Automobile business and Motorcycle business and

positive foreign currency translation effects. Operating profit increased by ¥46.8 billion, or 20.2%, to ¥278.8 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue and model mix, continuing cost reduction and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

### ***Other Regions***

In Other Regions, sales revenue decreased by ¥62.1 billion, or 6.1%, to ¥950.3 billion from the previous fiscal year, due mainly to a decrease in sales revenue in the Automobile business and Motorcycle business and negative foreign currency translation effects. Operating profit increased by ¥2.0 billion, or 5.5%, to ¥40.1 billion from the previous fiscal year, due mainly to continuing cost reduction, which was partially offset by increased selling, general and administrative expenses and negative foreign currency effects.

## **Significant Factors Affecting Our Results of Operations**

### ***Loss related to airbag inflators***

Honda provides warranty programs mainly in North America and Japan, with regard to the product recalls and SIC (Safety Improvement Campaign) related to airbag inflators. Provisions made for the above warranty programs issued are ¥120.0 billion during the fiscal year ended March 31, 2015. The main market actions are explained below.

In June 2014, Honda recalled and conducted a SIC on certain vehicles due to a problem where the internal pressure of the inflator rises abnormally at the time of airbag deployment on the driver's side and passenger's side, causing damage to the container and spraying metal fragments inside of the cars. In December 2014, Honda expanded the scope of the recalls, and also decided to expand the scope of these market actions based on an agreement between our supplier and the U.S. National Highway Traffic Safety Administration since May 2015, which is reflected in the fiscal year ended March 31, 2015. The vehicle models involved are *Accord*, *City*, *Civic*, *CR-V*, *Element*, *Fit/Jazz*, *Honda Mobilio*, *Odyssey*, *Pilot*, *Ridgeline*, *Stream*, *Acura MDX*, *Acura TL/CL* and others. The number of vehicles subject to the recalls is approximately 9,050 thousand units for the driver's side and approximately 9,190 thousand units for the passenger's side.

## **Application of Critical Accounting Policies**

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

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

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

### **Product Warranty**

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

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

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

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

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

The changes in the provision for those product warranties and sales revenue for the years ended March 31, 2014 and 2015 are as follows:

	<u>Yen (millions)</u>	
	<u>2014</u>	<u>2015</u>
Provisions for product warranties		
Balance at beginning of year	¥ 212,824	¥ 274,231
Provision*	168,994	295,035
Charge-offs	(104,396)	(156,787)
Reversal	(13,210)	(12,171)
Exchange differences on translating foreign operations	10,019	21,215
Balance at end of year	<u>¥ 274,231</u>	<u>¥ 421,523</u>
Sales revenue	¥12,506,091	¥13,328,099

\* Provisions for product warranties issued during the period for the years ended March 31, 2014 and 2015 are ¥168.9 billion and ¥295.0 billion, respectively, due mainly to the future warranty costs for product recalls in the Automobile business.

### **Credit Losses**

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

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

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

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

The allowance for credit losses is management's estimate of probable losses incurred on receivables from financial services. Estimated losses on past due operating lease rental payments are also recognized with an allowance for credit losses. Our finance subsidiaries evaluate these estimates, at minimum, on a quarterly basis.

Consumer finance receivables are collectively evaluated for impairment. Delinquencies and losses are continuously monitored and this historical experience provides the primary basis for estimating the allowance. Various methodologies are utilized when estimating the allowance for credit losses including models that incorporate vintage loss and delinquency migration analysis. The models take into consideration attributes of the portfolio including loan-to-value ratios, internal and external credit scores, and collateral types. Economic factors such as used vehicle prices, unemployment rates, and consumer debt service burdens are also incorporated when estimating losses. Estimated losses on operating leases expected to terminate early due to lessee defaults are also determined collectively, consistent with the methodologies used for consumer finance receivables.

Dealer finance receivables are individually evaluated for impairment when specifically identified as impaired. Dealer finance receivables are considered to be impaired when it is probable that our finance subsidiaries will be unable to collect all amounts due according to the original terms of the loan. The determination of whether dealer finance receivables are impaired is based on evaluations of dealerships' payment history, financial condition and cash flows, and their ability to perform under the terms of the loans. Dealer finance receivables that have not been specifically identified as impaired are collectively evaluated for impairment.

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

As an example of the sensitivity of the allowance calculation, the following scenario demonstrates the impact that a deviation in one of the primary factors estimated as a part of our allowance calculation would have on the provision and allowance for credit losses. If we had experienced a 10% increase in net charge-offs during fiscal year 2015, the provision for fiscal year 2015 and the allowance balance at the end of fiscal year 2015 would have increased by approximately ¥4.3 billion and ¥2.5 billion, respectively. Note that this sensitivity analysis may be asymmetric and is specific to the base conditions in fiscal year 2015.

*Additional Narrative of the Change in Credit Loss*

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

	Yen (millions)			
	Retail	Finance lease	Wholesale	Total
<b>For the year ended March 31, 2014</b>				
Allowance for credit losses				
Balance at beginning of year	¥ 18,528	¥ 788	¥ 1,278	¥ 20,594
Provision	18,688	311	1,165	20,164
Charge-offs	(25,610)	(574)	(112)	(26,296)
Recoveries	9,681	94	11	9,786
Exchange differences on translating foreign operations	683	17	252	952
Balance at end of year	¥ 21,970	¥ 636	¥ 2,594	¥ 25,200
Ending balance of receivables from financial services	¥4,563,700	¥330,087	¥496,899	¥5,390,686
Average balance of receivables from financial services	¥4,180,635	¥347,768	¥465,456	¥4,993,859
Net charge-offs as a % of average balance of receivables from financial services	0.38%	0.14%	0.02%	0.33%
Allowance as a % of ending balance of receivables from financial services	0.48%	0.19%	0.52%	0.47%

	Yen (millions)			
	Retail	Finance lease	Wholesale	Total
<b>For the year ended March 31, 2015</b>				
Allowance for credit losses				
Balance at beginning of year	¥ 21,970	¥ 636	¥ 2,594	¥ 25,200
Provision	18,213	349	(202)	18,360
Charge-offs	(26,673)	(620)	(385)	(27,678)
Recoveries	9,101	131	27	9,259
Exchange differences on translating foreign operations	38	3	(144)	(103)
Balance at end of year	¥ 22,649	¥ 499	¥ 1,890	¥ 25,038
Ending balance of receivables from financial services	¥4,901,918	¥260,543	¥556,735	¥5,719,196
Average balance of receivables from financial services	¥4,732,809	¥295,315	¥526,817	¥5,554,941
Net charge-offs as a % of average balance of receivables from financial services	0.37%	0.17%	0.07%	0.33%
Allowance as a % of ending balance of receivables from financial services	0.46%	0.19%	0.34%	0.44%

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

	Yen (millions)	
	2014	2015
Provision for credit losses on past due lease payments under operating leases	¥1,704	¥1,869
Impairment losses on operating leases due to early termination	¥3,304	¥4,077

***Fiscal Year 2015 Compared with Fiscal Year 2014***

The provision for credit losses on receivables from financial services for the fiscal year ended March 31, 2015 decreased by ¥1.8 billion, or 8.9%, from the fiscal year ended March 31, 2014. This decline was primarily attributable to the decline in retail loan acquisition volumes during the fiscal year 2015 in our North American



finance subsidiaries. The increase in net charge-offs of receivables from financial services for the fiscal year ended March 31, 2015 of ¥1.9 billion, or 11.6%, from the fiscal year ended March 31, 2014 was primarily due to foreign currency translation effects. Impairment losses on operating leases due to early termination for the fiscal year ended March 31, 2015 increased by ¥0.7 billion, or 23.4%, from the fiscal year ended March 31, 2014 due to the growth in equipment on operating leases in our North American finance subsidiaries and foreign currency translation effects.

### **Losses on Lease Residual Values**

Our finance subsidiaries in North America determine contractual residual values of lease vehicles at lease inception based on expectations of end of term used vehicle values, taking into consideration external industry data and our own historical experience. Lease customers have the option at the end of the lease term to return the vehicle to the dealer or to buy the vehicle for the contractual residual value (or if purchased prior to lease maturity, for the outstanding contractual balance). Returned lease vehicles can be purchased by the grounding dealer for the contractual residual value (or if purchased prior to lease maturity, for the outstanding contractual balance) or a market based price. Returned lease vehicles that are not purchased by the grounding dealers are sold through online and physical auctions. We are exposed to risk of loss on the disposition of returned lease vehicles when the proceeds from the sale of the vehicles are less than the contractual residual values at the end of the lease term.

We assess our estimates for end of term market values of lease vehicles, at minimum, on a quarterly basis. The primary factors affecting the estimates are the percentage of leased vehicles that we expect to be returned by the lessee at the end of lease term and the expected loss severity. Factors considered in this evaluation include, among other factors, economic conditions, historical trends, and market information on new and used vehicles. For operating leases, adjustments to estimated residual values are made on a straight-line basis over the remaining term of the lease and are included as depreciation expense. For finance leases, if there is an objective evidence that recognition of losses on lease residual values is needed, downward adjustments for declines in estimated residual values are recognized as a loss on lease residual values in the period in which the estimate changed.

We also review our equipment on operating leases for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. If impairment conditions are met, impairment losses are measured by the amount carrying values exceed their recoverable amounts. There were no events or circumstances that indicated that the carrying values of our operating leases would not be recoverable during the fiscal years ended March 31, 2014 and 2015.

We believe that our estimated losses on lease residual values and impairment losses are a “critical accounting estimate” because it is highly susceptible to market volatility and requires us to make assumptions about future economic trends and lease residual values, which are inherently uncertain. We believe that the assumptions used are appropriate. However actual losses incurred may differ from original estimates as a result of actual results varying from those assumed in our estimates.

If future auction values for all Honda and Acura vehicles in our North American operating lease portfolio as of March 31, 2015 were to decrease by approximately ¥10,000 per unit from our present estimates, holding all other assumptions constant, the total impact would be an increase in depreciation expense by approximately ¥5.0 billion, which would be recognized over the remaining lease terms. Similarly, if future return rates for our existing portfolio of all Honda and Acura vehicles were to increase by one percentage point from our present estimates, the total impact would be an increase in depreciation expense by approximately ¥0.7 billion, which would be recognized over the remaining lease terms. With the same prerequisites shown above, if future auction values in our North American finance lease portfolio were to decrease by approximately ¥10,000 per unit from our present estimates, the total impact would be an increase in losses on lease residual values by approximately ¥0.1 billion, and if future return rates were to increase by one percentage point from our present estimates, the



total impact would be slight. Note that this sensitivity analysis may be asymmetric and is specific to the base conditions in fiscal year 2015. Also, declines in auction values are likely to have a negative effect on return rates which could affect the sensitivities.

### **Post-employment Benefits**

We have various pension plans covering substantially all of our employees in Japan and certain employees in foreign countries. Defined benefit obligations and defined benefit costs are based on assumptions of many factors, including the discount rate and the rate of salary increase. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds that is consistent with the currency and estimated term of the post-employment benefit obligations. The rate of salary increase reflects our actual experience as well as near-term outlook. Our assumed discount rate and rate of salary increase for Japanese plans as of March 31, 2015 were 1.0% and 2.1%, respectively. Our assumed discount rate and rate of salary increase for foreign plans as of March 31, 2015 were 3.4 - 3.9% and 2.5 - 3.6%, respectively.

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

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

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

### **Deferred Tax Assets**

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

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

Based upon the level of historical taxable profit and projections for future taxable profit over the periods for which the deferred tax assets are deductible, we believe it is probable that we will utilize the benefits of these deferred tax assets as of April 1, 2013 and March 31, 2014 and 2015. Uncertainty of estimates of future taxable profit could increase due to changes in the economic environment surrounding us, effects by market conditions, effects of currency fluctuations or other factors.

### **New Accounting Pronouncements Not Yet Adopted**

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

## *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.

Honda meets its working capital requirements primarily through cash generated by operations and bank loans. 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 ¥592.6 billion as of March 31, 2015. 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, commercial paper and corporate bonds. The year-end balance of liabilities associated with these finance subsidiaries' funding for Financial services business was ¥6,649.8 billion as of March 31, 2015.

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

### **Cash Flows**

#### ***Fiscal Year 2015 Compared with Fiscal Year 2014***

Consolidated cash and cash equivalents on March 31, 2015 increased by ¥278.1 billion from March 31, 2014, to ¥1,471.7 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 ¥1,020.4 billion of cash inflows. Cash inflows from operating activities increased by ¥571.2 billion compared with the previous fiscal year, due mainly to an increase in cash received due to increased unit sales in Motorcycle business and increase in collections of receivables from financial services, which was partially offset by increased payments for parts, raw materials and equipment on operating leases.

Net cash used in investing activities amounted to ¥840.4 billion of cash outflows. Cash outflows from investing activities decreased by ¥80.5 billion compared with the previous fiscal year, due mainly to a decrease in payments for additions to property, plant and equipment.

Net cash provided by financing activities amounted to ¥12.4 billion of cash inflows. Cash inflows from financing activities decreased by ¥342.9 billion compared with the previous fiscal year, due mainly to a decrease in cash inflows from financing liabilities and an increase in dividends paid.

### **Liquidity**

The ¥1,471.7 billion in cash and cash equivalents as of March 31, 2015 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, 2015 corresponds to approximately 1.3 months of sales revenue, and Honda believes it has sufficient liquidity for its business operations.

At the same time, Honda is aware of the possibility that various factors, such as recession-induced market contraction and financial and foreign exchange market volatility, may adversely affect liquidity. For this reason, finance subsidiaries that carry total short-term borrowings of ¥1,690.9 billion have committed lines of credit equivalent to ¥1,166.5 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, 2015 are mainly denominated in U.S. dollars, with the remainder denominated in Japanese yen and in other currencies. For further information regarding financing liabilities, see note "(15) Financing Liabilities" and "(25) Financial Risk Management" to the accompanying consolidated financial statements.

Honda's short- and long-term debt securities are rated by credit rating agencies, such as Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Rating and Investment Information, Inc. The following table shows the ratings of Honda's unsecured debt securities by Moody's, Standard & Poor's and Rating and Investment Information as of March 31, 2015.

	Credit ratings for	
	Short-term unsecured debt securities	Long-term unsecured debt securities
Moody's Investors Service . . . . .	P-1	A1
Standard & Poor's Rating Services . . . . .	A-1	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.

### *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. To attain this goal, Honda's main R&D divisions operate independently as subsidiaries, allowing engineers to pursue their tasks with significant freedom. Product-related R&D is spearheaded by Honda R&D Co., Ltd. in Japan; Honda R&D Americas, Inc. in the United States; and Honda R&D Asia Pacific Co., Ltd. in Thailand. R&D on production technologies centers around Honda Engineering Co., Ltd. in Japan and Honda Engineering North America, Inc. in the United States. All of these entities work in close associations with our other entities and businesses in their respective regions.

Total consolidated R&D expenditures incurred during the fiscal year 2014 and 2015 were ¥625.6 billion and ¥670.3 billion, respectively.

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

R&D activities by segment are as follows.

## Motorcycle Business

In the Motorcycle business segment, Honda is aiming to deliver appealing products in a timely manner that offer outstanding environmental performance and that will enable customers to experience the joy of ownership. To this end, we prioritized initiatives designed to bolster product appeal, strengthen cost competitiveness, quicken the pace of product and technology development, and respond to the demands of a low-carbon society.

Among major technological achievements, the *CB UNICORN160*, equipped with a single-cylinder 160cc air-cooled engine to realize enhanced fuel economy and power output, was launched in India. In Brazil, the *NXR160Bros* was launched, equipped with this engine.

In addition, the *eSP* engine series, a global engine for scooters that combines high fuel economy and a refreshing driving experience, was launched by mounting the 50cc water-cooled *eSP* engine on *Tact*, and the 110cc air-cooled *eSP* engine on *Dio110* for launch in Japan and *VISION* for launch in Vietnam.

Furthermore, the *Forza125* was launched with greater power output while maintaining high fuel economy by transforming the 125cc water-cooled *eSP* engine into a four-valve engine.

The *VFR800X* equipped with a DOHC V4 800cc water-cooled four-stroke engine, aimed to provide enjoyable handling and comfortable driving for both around town and long-distance touring, as well as the *GOLDWING F6C*, equipped with a horizontally-opposed six-cylinder 1800cc engine to add greater impact and presence to its design, were also launched.

R&D expenditures in this segment incurred during the fiscal year 2014 and 2015 were ¥72.3 billion and ¥73.7 billion, respectively.

In terms of major race results, Honda won the rider, constructor and team divisions to become a triple-crown champion in MotoGP-class motorcycle racing for the second consecutive year.

## Automobile Business

In the automobile business segment, Honda's aim is to become the premier manufacturer of interesting, cleverly designed cars that enable customers to experience the joy of driving. The overall strategic direction is to "create products that maximize the joy of customers, with speed, affordability and low CO<sub>2</sub>".

Among major technological achievements, Honda launched the *LEGEND* which features a V6 direct injection engine and three electric motors to deliver a combination of a refined and comfortable ride and outstanding environmental performance, equipped with the advanced driver-assistive system *Honda SENSING*, which can help the driver prevent or effectively respond to dangerous driving situations.

Furthermore, Honda launched the *GRACE*, which features the easy handling and excellent fuel economy of a compact vehicle in 5-number size category and spacious cabin within the compact body. Honda also launched the sport car, the *S660*, which adopts the mid-ship engine/rear-wheel drive layout and realizes a low center-of-gravity as well as the optimal front-rear weight balance, in order to realize the joy of driving that only Honda can create.

In North America, the *ACURA TLX* was launched equipped with a 2.4L engine mated to a new 8-speed dual-clutch transmission with torque converter and a 3.5L engine mated to a new 9-speed automatic transmission to realize high power output and fuel economy.

Honda announced the *Honda FCV CONCEPT*, which is a successor model to the *FCX Clarity*, with which Honda strives to achieve further improvement in performance and reduction in cost. This FCV can function as a small-sized mobile power plant that generates and provides electricity to the community in times of disaster or other events when combined with an external power feeding device, *Honda Power Exporter CONCEPT*.

R&D expenditures in this segment incurred during the fiscal year 2014 and 2015 were ¥524.3 billion and ¥567.3 billion, respectively.

### **Power Product and Other Businesses**

Under the slogan of “proposing new and useful ideas that will bring joy to customers worldwide”, the power product business pursues initiatives focused primarily on (1) creating new products and technologies for developed countries, and (2) developing products for expanding markets in the emerging countries.

Among major technological achievements, Honda launched the *Yukios e*, an electric-powered snow thrower with outstanding quietness and ease of use which are pursued through the adoption of a rechargeable battery and DC brushless motor for the power unit.

In addition, Honda released the *EU55is* electrical generator equipped with an electronic fuel injector and a large-capacity fuel tank that has achieved the longest continuous operating time among its class. The *EU55is* has improved its fuel efficiency by approximately 15% compared to previous models.

With regard to engine-powered water pump, Honda launched the *WL20XH* and *WL30XH*, equipped with a new power product engine, with four impeller wings that give improved performance in a wide range of uses such as water suction and discharge operations at a light load power output.

In the aviation engine business, one of Other businesses, for the *HF120* small jet engine, Honda received a Type Certification (TC) from the United States Federal Aviation Administration (FAA) in December 2013, and received a Production Certification (PC) in March 2015.

Furthermore, Honda received Provisional Type Certification (PTC) for the *HondaJet* equipped with the *HF120* engine in March 2015.

R&D expenditures in this segment incurred during the fiscal year 2014 and 2015 were ¥28.9 billion and ¥29.2 billion, respectively.

### ***Patents and Licenses***

As of March 31, 2015, Honda owned more than 21,000 patents in Japan and more than 25,000 patents abroad. Honda also had applications pending for more than 7,600 patents in Japan and for more than 15,200 patents abroad. While Honda considers that, in the aggregate, Honda’s patents are important, it does not consider any one of such patents, or any related group of them, to be of such importance that the expiration or termination thereof would materially affect Honda’s business.

### ***D. Trend Information***

See Item 5.A “Operating and Financial Review and Prospects” for information required by this item.

### E. 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 obligation as of March 31, 2015 was ¥138.9 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, 2015, we guaranteed ¥22.1 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 obligation to make future payments in the event of defaults is ¥22.1 billion. As of March 31, 2015, 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.

### F. Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations as of March 31, 2015:

#### Contractual Obligations

	As of March 31, 2015				
	Yen (millions)				
	Payments due by period				
	Total	Within 1 year	1-3 years	3-5 years	Thereafter
Financing liabilities . . . . .	¥6,988,633	¥2,910,762	¥2,747,498	¥1,159,255	¥171,118
Other financial liabilities . . . . .	181,407	97,779	35,381	33,092	15,155
Future minimum lease payments under non-cancelable operating leases . . . . .	93,538	21,178	26,808	14,104	31,448
Purchase and other commitments*1 . . . . .	131,843	87,185	28,915	14,922	821
Contributions to defined benefit pension plans*2 . . . . .	77,181	77,181	—	—	—
Total . . . . .	<u>¥7,472,602</u>	<u>¥3,194,085</u>	<u>¥2,838,602</u>	<u>¥1,221,373</u>	<u>¥218,542</u>

\*1 Honda had commitments for purchases of property, plant and equipment as of March 31, 2015.

\*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.

### G. Safe Harbor

All information disclosed under Item 5. E and F contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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

## ***Item 6. Directors, Senior Management and Employees***

### ***A. Directors and Senior Management***

Honda's articles of incorporation provide for a Board of Directors of not more than 15 Directors and for a Board of Corporate Auditors of not more than seven Corporate Auditors. Directors and Corporate Auditors are elected by resolutions of the general meetings of shareholders. The Corporate Auditors are nominated by the Board of Directors as candidates for election with approval by the Board of Corporate Auditors. The normal term of office of a Director is one year and that of a Corporate Auditor is four years. Directors and Corporate Auditors may serve any number of consecutive terms.

The Board of Directors appoints one President and Director and may appoint one Chairman of the Board of Directors and several Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors from among its members. The President represents the Company. In addition, the Board of Directors may appoint, pursuant to its resolutions, Directors who shall each represent the Company. Under the Company Law, a representative director individually has authority to represent the Company generally in the conduct of its affairs. The Board of Directors has the ultimate responsibility for the administration of the affairs of the Company.

Under the Company Law, the Corporate Auditors of the Company have the duty to audit the Director's execution of their duties. Corporate Auditors are not required to be certified public accountants, and may not at the same time be directors or employees of the Company or any of its subsidiaries. They are required to attend at meetings of the Board of Directors but are not entitled to vote. Corporate Auditors of the Company form the Board of Corporate Auditors, which must consist of at least three Corporate Auditors. Not less than half of the members of the Board of Corporate Auditors must be outside Corporate Auditors, each of whom meets all of the following independence requirements: (1) a person who has not been a director, accounting councilor, executive officer, manager or any other employee of the Company or any of its subsidiaries for ten years prior to the assumption of office; (2) if the relevant person assumed an office of corporate auditor of the Company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been a director, accounting councilor, 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 a certain relative of (a) a director, manager or any other important employee of the Company or (b) the natural person controlling the Company. Corporate Auditors are required to elect from among themselves at least one Full-time Corporate Auditor. Corporate Auditors also have a statutory duty to provide their report to the Board of Corporate Auditors, which must submit its audit report to the Representative Director each year. A Corporate Auditor 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. The Board of Corporate Auditors is empowered to establish audit principles, methods of investigation by Corporate Auditors of the status of the corporate affairs and assets of the Company and other matters concerning the performance of the Corporate Auditors' duties. In addition, the Company is required to appoint independent certified public accountants as accounting auditor. Such independent certified public accountants 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 the Representative 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 Corporate Auditor and the specified Director in charge.



The following table provides the names of all Directors and Corporate Auditors of the Company and the current positions held by such persons.

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Representative Directors</b>			
<b>Fumihiko Ike</b> (May 26, 1952)	<p>Chairman of Japan Automobile Manufacturers Association, Inc., appointed in May 2014 (presently held)</p> <p>Chairman and Director of the Company, appointed in April 2013 (presently held)</p> <p>Chief Operating Officer for IT Operations, appointed in April 2012</p> <p>Responsible for Government and Industrial Affairs, appointed in April 2012</p> <p>Senior Managing Officer and Director of the Company, appointed in April 2011</p> <p>Chief Operating Officer for Business Management Operations, appointed in April 2011</p> <p>Risk Management Officer, appointed in April 2011</p> <p>General Supervisor, Information Systems, appointed in April 2011</p> <p>Chief Operating Officer for Regional Operations (Asia &amp; Oceania), appointed in April 2008</p> <p>President and Director of Asian Honda Motor Co., Ltd., appointed in April 2008</p> <p>Managing Director of the Company, appointed in June 2007</p> <p>Chief Operating Officer for Business Management Operations, appointed in April 2006</p> <p>Director of the Company, appointed in June 2003</p> <p>Chief Operating Officer for Power Product Operations, appointed in April 2003</p> <p>Joined Honda Motor Co., Ltd. in February 1982</p>	*3	34,300

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Takahiro Hachigo</b> (May 19, 1959)	<p>President, Chief Executive Officer and Director of the Company, appointed in June 2015 (presently held)</p> <p>Senior Managing Officer of the Company, appointed in April 2015</p> <p>Managing Officer of the Company, appointed in April 2014</p> <p>Vice President of Honda Motor Technology (China) Co., Ltd., appointed in November 2013</p> <p>Representative of Development, Purchasing and Production (China), appointed in April 2013</p> <p>Vice President of Honda Motor (China) Investment Co., Ltd., appointed in April 2013</p> <p>Managing Officer of Honda R&amp;D Co., Ltd., appointed in September 2012</p> <p>President and Director of Honda R&amp;D Europe (U.K.) Ltd., appointed in September 2012</p> <p>Vice President and Director of Honda Motor Europe, Ltd., appointed in April 2012</p> <p>General Manager of Suzuka Factory for Production Operations, appointed in April 2011</p> <p>General Manager of Purchasing Division II for Purchasing Operations, appointed in April 2010</p> <p>Operating Officer of the Company, appointed in June 2008</p> <p>General Manager of Automobile Purchasing Division II for Purchasing Operations, appointed in April 2008</p> <p>Managing Operating Officer of Honda R&amp;D Co., Ltd., appointed in April 2007</p> <p>Operating Officer of Honda R&amp;D Co., Ltd., appointed in April 2006</p> <p>Joined Honda Motor Co., Ltd. in April 1982</p>	*3	25,900

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Tetsuo Iwamura</b> (May 30, 1951)	<p>Corporate Brand Officer, appointed in April 2014 (presently held)</p> <p>Chairman of American Honda Motor Co., Inc., appointed in April 2014</p> <p>Chief Operating Officer for Automobile Operations, appointed in April 2013</p> <p>Risk Management Officer, appointed in April 2013 (presently held)</p> <p>Director of the Company, appointed in June 2012 (presently held)</p> <p>Executive Vice President and Executive Officer of the Company, appointed in April 2012 (presently held)</p> <p>Senior Managing Officer of the Company, appointed in June 2011</p> <p>Senior Managing Officer and Director of the Company, appointed in April 2011</p> <p>Senior Managing Director of the Company, appointed in June 2008</p> <p>Chief Operating Officer for Regional Operations (North America), appointed in April 2007</p> <p>President and Director of Honda North America, Inc., appointed in April 2007</p> <p>President and Chief Executive Officer of American Honda Motor Co., Inc., appointed in April 2007</p> <p>Managing Director of the Company, appointed in June 2006</p> <p>Chief Operating Officer for Regional Operations (Latin America), appointed in April 2003</p> <p>President and Director of Honda South America Ltda., appointed in April 2003</p> <p>President and Director of Moto Honda da Amazonia Ltda., appointed in April 2003</p> <p>President and Director of Honda Automoveis do Brasil Ltda., appointed in April 2003</p> <p>Director of the Company, appointed in June 2000</p> <p>Chief Operating Officer for Parts Operations, appointed in April 2000</p> <p>Joined Honda Motor Co., Ltd. in April 1978</p>	*3	33,400

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Directors</b>			
<b>Koichi Fukuo</b> (April 17, 1955)	<p>Director of the Company, appointed in June 2015 (presently held)</p> <p>President, Chief Executive Officer and Representative Director of Honda R&amp;D Co., Ltd., appointed in April 2015 (presently held)</p> <p>Executive in Charge of Quality Innovation for Automobile Operations, appointed in November 2014</p> <p>Executive Vice President, Executive Officer and Director of Honda R&amp;D Co., Ltd., appointed in November 2014</p> <p>Senior Managing Officer of the Company, appointed in April 2014 (presently held)</p> <p>Executive in Charge of Drivetrains for Automobile Operations, appointed in April 2013</p> <p>Executive in Charge of Business Unit No.1 for Automobile Operations, appointed in April 2011</p> <p>Managing Officer of the Company, appointed in June 2010</p> <p>Operating Officer of the Company, appointed in June 2005</p> <p>General Manager of Quality, Certification and Regulation Compliance for Quality Innovation Center, appointed in April 2005</p> <p>General Manager of Automobile Purchasing Division II for Purchasing Operations, appointed in April 2002</p> <p>Joined Honda Motor Co., Ltd. in April 1978</p>	*3	30,300

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Yoshiyuki Matsumoto</b> (January 14, 1958)	<p>Director of the Company, appointed in June 2015 (presently held)</p> <p>Senior Managing Officer of the Company, appointed in April 2015 (presently held)</p> <p>Chief Operating Officer for Automobile Operations, appointed in April 2015 (presently held)</p> <p>Executive in Charge of Quality Innovation for Automobile Operations, appointed in April 2015 (presently held)</p> <p>Representative of Development, Purchasing and Production (Asia &amp; Oceania), appointed in April 2013</p> <p>Executive Vice President of Asian Honda Motor Co., Ltd., appointed in April 2013</p> <p>President and Chief Executive Officer of Honda Motor India Private Ltd., appointed in April 2013</p> <p>Managing Officer of the Company, appointed in April 2012</p> <p>Executive in Charge of Business Unit No.3 for Automobile Operations, appointed in April 2011</p> <p>General Manager of Suzuka Factory for Production Operations, appointed in April 2009</p> <p>Operating Officer of the Company, appointed in June 2006</p> <p>Responsible for Automobile Products for Automobile Operations, appointed in April 2006</p> <p>Executive Chief Engineer of Honda R&amp;D Co., Ltd., appointed in April 2003</p> <p>Joined Honda Motor Co., Ltd. in April 1981</p>	*3	29,900

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Yoshi Yamane</b> (September 28, 1958)	Director of the Company, appointed in June 2015 (presently held)  Senior Managing Officer of the Company, appointed in April 2015 (presently held)  Chief Production Officer, appointed in April 2015 (presently held)  Representative of Automobile Development, Purchasing and Production for Automobile Operations, appointed in April 2015 (presently held)  Head of Production for Automobile Operations, appointed in April 2015 (presently held)  Representative of Automobile Development, Purchasing and Production (Europe Region), appointed in April 2015 (presently held)  Managing Officer of the Company, appointed in April 2014  Head of Automobile Production for Regional Operations (Japan), appointed in April 2014  Head of Production Supervisory Unit of Automobile Production for Regional Operations (Japan), appointed in April 2014  Representative of Automobile Development, Purchasing and Production (Japan), appointed in April 2013  General Manager of Suzuka Factory of Automobile Production for Automobile Operations, appointed in April 2013  General Manager of Suzuka Factory for Production Operations, appointed in April 2012  Vice President of Honda Motor (China) Investment Co., Ltd., appointed in September 2010  Responsible for Production for Regional Operations (China), appointed in April 2009  Operating Officer of the Company, appointed in June 2008  Responsible for Production for Production Operations, appointed in June 2008  Large Project Leader of Corporate Project, Automobile Production Planning Office for Production Operations, appointed in April 2008  General Manager of Motorcycle Production Planning Office for Production Operations, appointed in April 2004  Joined Honda Engineering Co., Ltd. in October 1985	*3	25,700

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Masahiro Yoshida</b> (March 5, 1957)	<p>Managing Officer and Director of the Company, appointed in April 2013 (presently held)</p> <p>Compliance Officer, appointed in April 2012 (presently held)</p> <p>Operating Officer and Director of the Company, appointed in April 2011</p> <p>Director of the Company, appointed in June 2010</p> <p>Chief Operating Officer for Business Support Operations, appointed in April 2010 (presently held)</p> <p>General Manager of Hamamatsu Factory of Production Operations, appointed in April 2008</p> <p>Operating Officer of the Company, appointed in June 2007</p> <p>Responsible for Human Resources and Associate Relations, appointed in April 2007 (also General Manager of Human Resources Division for Business Support Operations as of April 2006)</p> <p>Joined Honda Motor Co., Ltd. in April 1979</p>	*3	28,400
<b>Kohei Takeuchi</b> (February 10, 1960)	<p>Managing Officer of the Company, appointed in April 2015 (presently held)</p> <p>Director of the Company, appointed in June 2013 (presently held)</p> <p>Chief Operating Officer for Business Management Operations, appointed in April 2013 (presently held)</p> <p>Operating Officer of the Company, appointed in April 2011</p> <p>General Manager of Accounting Division for Business Management Operations, appointed in April 2010</p> <p>Joined Honda Motor Co., Ltd. in April 1982</p>	*3	16,300



Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Nobuo Kuroyanagi</b> (December 18, 1941)	<p>Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), appointed in April 2012 (presently held)</p> <p>End of tenure as Director of BTMU in March 2012</p> <p>End of tenure as Director of Mitsubishi UFJ Financial Group, Inc. (MUFG) in June 2010</p> <p>Director of MUFG, appointed in April 2010</p> <p>Director of the Company, appointed in June 2009 (presently held)</p> <p>Chairman of BTMU, appointed in April 2008</p> <p>President and CEO of MUFG, appointed in October 2005</p>	*3	2,800
<b>Hideko Kunii</b> (December 13, 1947)	<p>Director of the Company, appointed in June 2014 (presently held)</p> <p>Outside Director of Tokyo Electric Power Company, Incorporated, appointed in June 2014 (presently held)</p> <p>General Manager of Gender Equality Promotion Office, Shibaura Institute of Technology, appointed in October 2013 (presently held)</p> <p>Deputy President, Shibaura Institute of Technology, appointed in April 2013 (presently held)</p> <p>End of tenure as Chairperson of Ricoh IT Solutions Co., Ltd. in March 2013</p> <p>End of tenure as Associate Director of Ricoh Co., Ltd. in March 2013</p> <p>Professor, Graduate School of Engineering Management, Shibaura Institute of Technology, appointed in April 2012 (presently held)</p> <p>Vice Chairperson of Japan Information Technology Service Industry Association, appointed in June 2011 (presently held)</p> <p>Member of Gender Equality Bureau Cabinet Office, appointed in August 2009 (presently held)</p> <p>Chairperson of Ricoh IT Solutions Co., Ltd., appointed in July 2009</p> <p>Outside Director of Innovation Network Corporation of Japan, appointed in July 2009 (presently held)</p> <p>Associate Director of Ricoh Co., Ltd., appointed in April 2009</p>	*3	200

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Takanobu Ito</b> (August 29, 1953)	<p>Director and Advisor of the Company, appointed in June 2015 (presently held)</p> <p>President, Chief Executive Officer and Director of the Company, appointed in April 2011</p> <p>Chief Operating Officer for Automobile Operations, appointed in April 2011</p> <p>President and Director of the Company, appointed in June 2009</p> <p>President and Director of Honda R&amp;D Co., Ltd., appointed in April 2009</p> <p>Senior Managing Director of the Company, appointed in June 2007</p> <p>Chief Operating Officer for Automobile Operations, appointed in April 2007</p> <p>Managing Officer of the Company, appointed in June 2005</p> <p>General Manager of Suzuka Factory for Production Operations, appointed in April 2005</p> <p>General Supervisor, Motor Sports, appointed in April 2004</p> <p>Managing Director of the Company, appointed in June 2003</p> <p>Responsible for Motor Sports, appointed in June 2003</p> <p>President and Director of Honda R&amp;D Co., Ltd., appointed in June 2003</p> <p>Senior Managing Director of Honda R&amp;D Co., Ltd., appointed in June 2001</p> <p>Director of the Company, appointed in June 2000</p> <p>Executive Vice President of Honda R&amp;D Americas, Inc., appointed in April 1998</p> <p>Joined Honda Motor Co., Ltd. in April 1978</p>	*3	33,300

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Shinji Aoyama</b> (December 25, 1963)	Director of the Company, appointed in June 2013 (presently held)	*3	12,600
	Chief Operating Officer for Motorcycle Operations, appointed in April 2013 (presently held)		
	Operating Officer of the Company, appointed in April 2012 (presently held)		
	General Manager of Motorcycle Business Planning Office for Motorcycle Operations, appointed in April 2011		
	Joined Honda Motor Co., Ltd. in April 1986		
<b>Noriya Kaihara</b> (August 4, 1961)	Chief Operating Officer for Customer Service Operations, appointed in April 2014 (presently held)	*3	8,900
	Head of Service Supervisory Unit for Automobile Operations, appointed in April 2014 (presently held)		
	Director of the Company, appointed in June 2013 (presently held)		
	Operating Officer of the Company, appointed in April 2013 (presently held)		
	Chief Quality Officer, appointed in April 2013 (presently held)		
	General Manager of Automobile Quality Assurance Division, appointed in April 2012		
	Joined Honda Motor Co., Ltd. in April 1984		
<b>Masayuki Igarashi</b> (July 6, 1963)	Director of the Company, appointed in June 2015 (presently held)	*3	3,000
	Operating Officer of the Company, appointed in April 2015 (presently held)		
	Chief Operating Officer for Power Product Operations, appointed in April 2015 (presently held)		
	Director of Asian Honda Motor Co., Ltd., appointed in April 2014		
	President of Honda Vietnam Co., Ltd., appointed in April 2012		
	General Manager of China Operation Office for Regional Operations (China) appointed in April 2009		
	Joined Honda Motor Co., Ltd. in April 1988		

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Corporate Auditors</b>			
<b>Masaya Yamashita</b> (April 5, 1953)	<p>Corporate Auditor of the Company (full-time), appointed in June 2012 (presently held)</p> <p>Managing Officer of the Company, appointed in June 2011</p> <p>Managing Officer and Director of the Company, appointed in April 2011</p> <p>Managing Director of the Company, appointed in June 2008</p> <p>Chief Operating Officer for Purchasing Operations, appointed in April 2008</p> <p>General Manager of Kumamoto Factory for Production Operations, appointed in April 2006</p> <p>Operating Officer of the Company, appointed in June 2005</p> <p>Director of the Company, appointed in June 2003</p> <p>General Manager of Automobile Purchasing Division 1 for Purchasing Operations, appointed in April 2002</p> <p>Joined Honda Motor Co., Ltd. in April 1977</p>	*4	30,700
<b>Kunio Endo</b> (August 23, 1957)	<p>Corporate Auditor of the Company (full-time), appointed in June 2013 (presently held)</p> <p>President and Director of American Honda Finance Corporation, appointed in November 2010</p> <p>President and Director of Honda Canada Finance Inc., appointed in November 2010</p> <p>Joined Honda Motor Co., Ltd. in April 1981</p>	*5	11,800
<b>Toshiaki Hiwatari</b> (August 4, 1945)	<p>Corporate Auditor of the Company, appointed in June 2012 (presently held)</p> <p>Registered with the Daiichi Tokyo Bar Association in September 2010</p> <p>Advisor Attorney to TMI Associates, appointed in September 2010 (presently held)</p> <p>Retired from office in June 2010</p> <p>Prosecutor General appointed in July 2008</p>	*4	1,100

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Hideo Takaura</b> (June 19, 1949)	<p>Corporate Auditor of the Company, appointed in June 2015 (presently held)</p> <p>Auditor of Innovation Network Corporation of Japan, appointed in July 2009 (presently held)</p> <p>Retired from PricewaterhouseCoopers Arata in June 2009</p> <p>Representative Partner of PricewaterhouseCoopers Arata, appointed in May 2009</p> <p>Chief Executive Officer of PricewaterhouseCoopers Arata, appointed in September 2006</p> <p>Retired from ChuoAoyama Audit Corporation (merged with Aoyama Audit Corporation) in August 2006</p> <p>Representative Partner of ChuoAoyama Audit Corporation (merged with Aoyama Audit Corporation), appointed in June 2003</p> <p>Vice Chairman of ChuoAoyama Audit Corporation (merged with Aoyama Audit Corporation), appointed in April 2000</p> <p>Resumed post of CEO of Aoyama Audit Corporation (associated with Price Waterhouse) in July 1999</p> <p>End of tenure as CEO of Aoyama Audit Corporation (associated with Price Waterhouse) in June 1996</p> <p>CEO of Aoyama Audit Corporation (associated with Price Waterhouse), appointed in July 1993</p> <p>Representative Partner of Aoyama Audit Corporation (associated with Price Waterhouse), appointed in July 1987</p> <p>Joined Aoyama Audit Corporation (associated with Price Waterhouse) in June 1983</p> <p>Registered as Japanese CPA in May 1977</p> <p>Joined Price Waterhouse Kyodo CPA Accounting Office (associated with Price Waterhouse) in April 1974</p>	*6	0

Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>Mayumi Tamura</b> (May 22, 1960)	<p>Corporate Auditor of the Company, appointed in June 2015 (presently held)</p> <p>Retired from Seiyu GK in January 2014</p> <p>Retired from Wal-Mart Japan Holdings GK in January 2014</p> <p>End of tenure as Chief Financial Officer of Seiyu GK in July 2013</p> <p>End of tenure as Chief Financial Officer of Wal-Mart Japan Holdings GK in July 2013</p> <p>Executive Officer and SVP, Seiyu GK, appointed in May 2010</p> <p>Chief Financial Officer of Seiyu GK, appointed in May 2010</p> <p>Executive Officer and SVP, Wal-Mart Japan Holdings GK, appointed in May 2010</p> <p>Chief Financial Officer of Wal-Mart Japan Holdings GK, appointed in May 2010</p> <p>Transferred to Wal-Mart Japan Holdings GK in May 2010</p> <p>Executive Officer and SVP, The Seiyu, Ltd. (presently, Seiyu GK), appointed in June 2007</p> <p>Chief Financial Officer of The Seiyu, Ltd. (presently, Seiyu GK), appointed in June 2007</p> <p>Retired from adidas Japan K.K. in October 2006</p> <p>CFO of adidas Japan K.K., appointed in December 2004</p> <p>Retired from Johnson Diversey Co., Ltd. (presently, CxS Corporation) in September 2004</p> <p>Vice President of Johnson Diversey Co., Ltd. (presently, CxS Corporation), appointed in July 2002</p> <p>Responsible for Finance and Financial Support Division of Johnson Diversey Co., Ltd. (presently, CxS Corporation), appointed in July 2002</p> <p>Director of Johnson Professional Co., Ltd. (presently, CxS Corporation), appointed in July 2000</p> <p>Senior Department Manager, Finance and Financial Support Division of Johnson Professional Co., Ltd. (presently, CxS Corporation), appointed in July 2000</p> <p>Senior Department Manager, Finance, Financial Support &amp; IT of Johnson Professional Co., Ltd. (presently, CxS Corporation), appointed in July 1998</p> <p>Joined JOHNSON CO., LTD. in September 1991</p> <p>Joined SONY CORPORATION in April 1983</p>	*6	0

- \*1 Directors Mr. Nobuo Kuroyanagi and Ms. Hideko Kunii are outside directors.
- \*2 Corporate Auditors Mr. Toshiaki Hiwatari, Mr. Hideo Takaura and Ms. Mayumi Tamura are outside corporate auditors.
- \*3 The term of office of a Director is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2016 after his/her election to office at the close of the ordinary general meeting of shareholders on June 17, 2015.
- \*4 The term of office of a Corporate Auditor is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2016 after his/her election to office at the close of the ordinary general meeting of shareholders on June 21, 2012.
- \*5 The term of office of a Corporate Auditor is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2017 after his/her election to office at the close of the ordinary general meeting of shareholders on June 19, 2013.
- \*6 The term of office of a Corporate Auditor is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2019 after his/her election to office at the close of the ordinary general meeting of shareholders on June 17, 2015.
- \*7 The Company has introduced an operating officer system to strengthen operations in regions and local workplaces, and implement quick and appropriate decisions. **Executive Officers, Senior Managing Officers, Managing Officers and Operating Officers** under the operating officer system are not statutory positions under the Company Law and do not conform to the definition of “Directors and Senior Management” as defined in Form 20-F. The Company’s Senior Managing Officers, Managing Officers and Operating Officers (excluding officers who also hold the position of Director) under the operating officer system, as voluntarily disclosed in Japan, are as follows:

#### **Senior Managing Officers**

<b>Sho Minekawa</b>	Chief Operating Officer for Regional Operations (Japan) Chief Officer of Honda Driving Safety Promotion Center
<b>Takuji Yamada</b>	Chief Operating Officer for Regional Operations (North America) President and Director of Honda North America, Inc. President and Chief Executive Officer of American Honda Motor Co., Inc.
<b>Toshiaki Mikoshiba</b>	Chief Operating Officer for Regional Operations (Europe Region) President and Director of Honda Motor Europe Ltd.

#### **Managing Officers**

<b>Toshihiko Nonaka</b>	President, Chief Executive Officer and Representative Director of Honda Engineering Co., Ltd.
<b>Ko Katayama</b>	Executive Vice President and Director of Honda North America, Inc.
<b>Chitoshi Yokota</b>	Representative of Automobile Development, Purchasing and Production (North America) Executive Vice President and Director of Honda North America, Inc.
<b>Seiji Kuraishi</b>	Chief Operating Officer for Regional Operations (China) President of Honda Motor (China) Investment Co., Ltd. President of Honda Motor Technology (China) Co., Ltd.
<b>Takashi Sekiguchi</b>	Executive in Charge of Business Unit No.2 for Automobile Operations Executive in Charge of Sales Strategy for Automobile Operations



<b>Soichiro Takizawa</b>	Executive Vice President and Director of Honda Motor Europe Ltd. Managing Director of Honda of the U.K. Manufacturing Ltd.
<b>Operating Officers</b>	
<b>Michimasa Fujino</b>	President and Director of Honda Aircraft Company, LLC
<b>Naoto Matsui</b>	Chief Operating Officer for Purchasing Operations
<b>Mitsugu Matsukawa</b>	Chief Operating Officer for IT Operations Head of Supply Chain Management Supervisory Unit of Automobile Production for Automobile Operations
<b>Tetsuo Suzuki</b>	Representative of Motorcycle Development, Purchasing and Production for Motorcycle Operations
<b>Issao Mizoguchi</b>	Chief Operating Officer for Regional Operations (Latin America) President and Director of Honda South America Ltda. President and Director of Honda Automoveis do Brazil Ltda. President and Director of Moto Honda da Amazonia Ltda.
<b>Toshihiro Mibe</b>	Executive in Charge of Powertrain Business and Drivetrain Business for Automobile Operations Head of Powertrain Production Supervisory Unit of Automobile Production for Automobile Operations Head of Drivetrain Business Unit in Automobile Production for Automobile Operations
<b>Yusuke Hori</b>	Head of Regional Unit (Africa & the Middle East)
<b>Tomomi Kosaka</b>	Executive Vice President and Director of Honda North America, Inc. President and Director of Honda of America Mfg., Inc.
<b>Noriaki Abe</b>	Chief Operating Officer for Regional Operations (Asia & Oceania) President and Director of Asian Honda Motor Co., Ltd.
<b>Toshiyuki Shimabara</b>	Executive in Charge of Motorcycle Production for Motorcycle Operations General Manager of Kumamoto Factory for Motorcycle Operations Executive in Charge of Power Product Production for Power Product Operations
<b>Yasuhide Mizuno</b>	President of Guangqi Honda Automobile Co., Ltd.
<b>Kazuhiro Odaka</b>	Responsible for Human Resources and Associate Relations for Business Support Operations General Manager of Human Resources Division for Business Support Operations
<b>Hiroyuki Kachi</b>	Representative of Automobile Development, Purchasing and Production (Japan) Head of Automobile Production for Regional Operations (Japan) Head of Production Supervisory Unit of Automobile Production for Regional Operations (Japan)

There is no family relationship between any director or executive officer and any other director or executive officer.

## B. Compensation

Directors and Corporate Auditors receive remuneration, the aggregate maximum amount of which is approved at the annual general meeting of shareholders. The amounts of the remuneration approved to pay to Directors and Corporate Auditors are allocated among them at meeting of the Board of Directors and Corporate Auditors. Also, Directors receive bonuses, the aggregate amount of which is approved at the annual general meeting of shareholders. The amounts of the bonuses approved to pay to Directors are allocated among them at meeting of the Board of Directors. It is based on the Company's performance for each fiscal year, Director's bonuses in the past and other factors. All the Directors and Corporate Auditors contribute a portion of their remuneration to the officer shareholders' association, purchase shares of the Company's Common Stock and keep holding those shares during their services.

The total amount of remuneration paid to the Company's Directors and Corporate Auditors during the fiscal year ended March 31, 2015 was ¥836 million. This amount includes remuneration paid to two Directors who retired during the fiscal year. The amount of remuneration paid to the Directors includes amount of wages paid to those Directors who were also Directors of subsidiaries of the Company.

The total amount of bonuses paid to the Company's Directors during the fiscal year ended March 31, 2015 was ¥283 million.

The amounts of remuneration and bonuses that were paid during the year ended March 31, 2015 are as follows:

	Yen (millions)									
	Directors excluding outside Directors		Outside Directors		Corporate Auditors excluding outside Corporate Auditors		Outside Corporate Auditors		Total	
	number	amount	number	amount	number	amount	number	amount	number	amount
Remuneration . . . . .	12	¥629	3	¥23	2	¥135	3	¥ 47	20	¥ 836
Bonus . . . . .	11	275	2	8	—	—	—	—	13	283
Total . . . . .		<u>¥904</u>		<u>¥31</u>		<u>¥135</u>		<u>¥ 47</u>		<u>¥1,119</u>

The amount of remuneration paid to Fumihiko Ike during the fiscal year ended March 31, 2015 was ¥72 million. The amount of bonus for Fumihiko Ike accrued for the fiscal year ended March 31, 2015 was ¥30 million.

The amount of remuneration paid to Takanobu Ito during the fiscal year ended March 31, 2015 was ¥96 million. The amount of bonus for Takanobu Ito accrued for the fiscal year ended March 31, 2015 was ¥43 million.

## C. Board Practices

See Item 6.A "Directors and Senior Management" for information concerning the Company's Directors and Corporate Auditors required by this item.

#### D. Employees

The following tables list the number of Honda full-time employees as of March 31, 2014 and 2015.

##### As of March 31, 2014

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Power Product and Other Businesses</u>
199,368	42,582	145,609	2,160	9,017

As of March 31, 2014, Honda had 199,368 full-time employees, including 132,620 local nationals employed in its overseas operations.

##### As of March 31, 2015

<u>Total</u>	<u>Motorcycle Business</u>	<u>Automobile Business</u>	<u>Financial Services Business</u>	<u>Power Product and Other Businesses</u>
204,730	42,163	150,850	2,241	9,476

As of March 31, 2015, Honda had 204,730 full-time employees, including 138,942 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, 2015.

In Japan, basic wages are negotiated annually and the average increases in wages of the Company's employees in the fiscal year ended March 31, 2013, 2014 and 2015 were 1.7%, 2.6% and 2.9%, respectively. In addition, in accordance with Japanese custom, each employee is paid a semi-annual bonus. Bonuses are negotiated during wage negotiations and are based on the overall performance of the Company or the applicable subsidiary in the previous year, the outlook for the current year and other factors.

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

#### E. Share Ownership

The total amount of the Company's voting securities owned by its Directors and Corporate Auditors as a group as of June 17, 2015 is as follows.

<u>Title of Class</u>	<u>Amount Owned</u>	<u>% of Class</u>
Common Stock	328,600 shares	0.018%

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, 2015, the Association owned 5,476,809 shares of the Company's common stock.

## ***Item 7. Major Shareholders and Related Party Transactions***

### ***A. Major Shareholders***

As of March 31, 2015, 1,811,428,430 shares of Honda's Common Stock were issued and 1,802,286,926 shares were outstanding.

The following table shows the shareholders that owned of record 5% or more of the issued shares of Honda's Common Stock as of March 31, 2015:

<u>Name</u>	<u>Shares owned (thousands)</u>	<u>Ownership (%)</u>
Japan Trustee Services Bank, Ltd. (trust account) . . . . .	104,755	5.78

According to a statement on Schedule 13G (Amendment No. 11) filed by Mitsubishi UFJ Financial Group, Inc. with the SEC on February 12, 2015, Mitsubishi UFJ Financial Group, Inc. directly and indirectly held, as of December 31, 2014, 124,481,407 shares, or 6.9% of the then issued shares, of Honda's Common Stock. According to a statement on Schedule 13G filed by BlackRock Inc. with the SEC on January 12, 2015, BlackRock Inc. directly and indirectly held, as of December 31, 2014, 93,082,056 shares, or 5.1% of the then issued shares, of Honda's Common Stock.

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

ADSs representing American Depositary Shares are issued by JPMorgan Chase Bank, N.A., as Depositary. The normal trading unit is 100 American Depositary Shares. Total issued shares of Honda as of the close of business on March 31, 2015 were 1,811,428,430 shares of Common Stock, of which 83,945,355 shares represented by ADSs and 324,947,281 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 248 at March 31, 2015.

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, 2015, Honda had sales of ¥616.3 billion and purchases of ¥1,289.6 billion with affiliates and joint ventures accounted for using the equity method. As of March 31, 2015, Honda had receivables of ¥227.7 billion from affiliates and joint ventures, and had payables of ¥152.0 billion to affiliates and joint ventures.

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

### ***C. Interests of Experts and Counsel***

Not applicable.

## ***Item 8. Financial Information***

### *A. Consolidated Statements and Other Financial Information*

#### 1 – 3. Consolidated Financial Statements

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

4. Not applicable.

5. Not applicable.

6. Export Sales

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

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 other 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.

#### *Class actions related to airbag inflators*

Honda provides warranty programs with regard to the product recalls and SIC (Safety Improvement Campaign) related to airbag inflators. 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.

In North America, various class actions related to the above mentioned product recalls and SIC have been filed against Honda since October 2014. The plaintiffs have claimed for properly functioning airbag inflators, compensation of economic losses including for incurred costs and the decline in the value of vehicles, as well as punitive damages. Most of the cases in the United States were transferred to the United States District Court for the Southern District of Florida and consolidated into a multidistrict litigation.

Regarding the above matter, Honda did not recognize a provision for loss contingencies because the conditions for a provision have not been met as of the date of this report. Also, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report because there is uncertainty regarding the period when these lawsuits will be concluded.

## 8. Profit Redistribution Policy

The Company strives to carry out its operations from a global perspective and to increase its corporate value. With respect to the redistribution of profits to its shareholders, which it considers to be one of the most important management issues, its basic policy for dividends is to make distributions after taking into account its long-term consolidated earnings performance.

In addition, the Company's basic policy for dividends is to make quarterly distributions. The Company may determine dividends from surplus by a resolution of the Board of Directors. Annual dividends for the fiscal year ended March 31 of each year require a resolution at the general meeting of shareholders.

The Company may also acquire its own shares at a timing that it deems optimal, with the goal of improving efficiency of the Company's capital structure and implementing a flexible capital structure policy. The present goal is to maintain a shareholders' return ratio (i.e. the ratio of the total of the dividend payment and the repurchase of the Company's own shares to consolidated profit for the year attributable to owners of the parent) of approximately 30%. Retained earnings will be allocated toward financing R&D activities that are essential for the future growth of the Company and capital expenditures and investment programs that will expand its operations for the purpose of improving business results and strengthening the Company's financial condition.

The Company determined year-end dividends of ¥22 per share for the year ended March 31, 2015. As a result, total dividends for the year ended March 31, 2015, together with the first quarter dividends of ¥22, the second quarter dividends of ¥22 and the third quarter dividends of ¥22, were ¥88 per share, an increase of ¥6 from the annual dividends paid for the year ended March 31, 2014.

Details of Distribution of Surplus (Record dates of the fiscal year ended March 31, 2015)

	<u>Resolution of the Board of Directors</u> <u>July 29, 2014</u>	<u>Resolution of the Board of Directors</u> <u>October 28, 2014</u>	<u>Resolution of the Board of Directors</u> <u>January 30, 2015</u>	<u>Resolution at General Meeting of Shareholders</u> <u>June 17, 2015</u>
Dividend per Share of Common Stock (yen) . . . . .	22.00	22.00	22.00	22.00
Total Amount of Dividends (millions of yen) . . . . .	39,650	39,650	39,650	39,650

### *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.

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

The monthly average turnover of Honda's shares of Common Stock and American Depositary Shares for the fiscal year ended March 31, 2015 was approximately 118,904,608 shares of Common Stock on the TSE and approximately 21,015,662 American Depositary Shares on the NYSE.

The following table sets out, for the periods indicated, the reported high and low sales prices of Honda's shares on the TSE in yen and its American Depositary Shares on the NYSE in the U.S. dollars.

<u>Fiscal year</u>	<u>Yen per share of Common Stock on the TSE</u>		<u>U.S. dollars per American Depositary Share on the NYSE</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
2011 .....	¥3,745	¥2,470	\$44.54	\$28.33
2012 .....	3,300	2,127	41.23	27.52
2013 .....	3,830	2,294	40.00	28.50
2014				
1st quarter .....	¥4,405	¥3,350	\$42.13	\$35.15
2nd quarter .....	3,945	3,490	39.86	35.86
3rd quarter .....	4,385	3,680	42.96	37.71
4th quarter .....	4,320	3,431	41.38	34.24
2015				
1st quarter .....	¥3,726	¥3,292	\$35.92	\$32.42
2nd quarter .....	3,830	3,388	36.02	33.55
3rd quarter .....	3,788	3,239	34.16	28.83
4th quarter .....	4,170	3,420	34.62	28.61
CY 2014				
December .....	¥3,768	¥3,383	\$31.25	\$28.83
CY 2015				
January .....	¥3,712	¥3,420	\$31.40	\$28.61
February .....	4,000	3,505	33.72	30.91
March .....	4,170	3,903	34.62	32.60
April .....	4,400	3,855	36.44	32.42
May .....	4,325	4,030	35.40	33.60

*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 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 and related legislation.

## **General**

Honda's authorized share capital as of the date of the filing of this Form 20-F is 7,086,000,000 shares of Common Stock, of which 1,811,428,430 shares were issued.

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.

## **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, aircrafts 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, stationary, 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 and 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**

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 is determined at a general meeting of shareholders of a company. Within the upper limit approved by the shareholders' meeting, the Board of Directors will determine the amount of compensation for each director. The Board of Directors may, by its resolution, leave such decision to the president's discretion.

The Company Law and Honda's regulations of the board of directors provide 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.

## **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 June 30, September 30, December 31 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 will generally be required to 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. A representative director 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 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.

## **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 shareholders’ meeting. 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 shurui 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.

### **Voting Rights**

Honda holds its ordinary general meeting of shareholders in June of each year. 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. The record date for an ordinary shareholders' meeting is March 31 of each year.

A shareholder of Honda is generally entitled to one vote per voting unit of shares as described in this paragraph and under "Japanese Unit Share System" above. In general, under the Company Law and the articles of incorporation of Honda, a resolution may be adopted at a 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 and Corporate Auditors 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 more 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, 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 meeting of shareholders by 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, Corporate Auditors 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.

Pursuant to the terms of the Deposit Agreement, upon receipt of notice of any meeting of holders of Common Stock of the Registrant, the Depositary will mail to the record holders of ADRs and publish a notice which will contain the information in the notice of the meeting. The record holders of ADRs at the close of business on a date specified by the Depositary will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Common Stock of the Registrant represented by their respective Depositary Receipts. The Depositary will endeavor, in so far as practicable, to vote the amount of Common Stock of the Registrant represented by such Depositary Receipts in accordance with such instructions, and the Registrant has agreed to take all action which may at any time be deemed necessary by the Depositary in order to enable the Depositary to so vote such Common Stock. In the absence of such instructions, the Depositary has agreed to use its best efforts to give a discretionary proxy to a person designated by the Registrant. However, such proxy may not be given with respect to any proposition of which the Depositary has knowledge regarding any contest related to the action to be taken at the meeting, or the purpose of which is to authorize a merger, consolidation or any other matter which may substantially affect the rights or privileges of the Common Stock of the Registrant or other securities, property or cash received by the Depositary or the Custodian in respect thereof.

### **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.

### **Holdings of Shares by Foreign Investors**

There are no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights on Honda's shares imposed by the laws of Japan or Honda's articles of incorporation or other constituent documents.

### **Shareholders' Register Manager**

Sumitomo Mitsui Trust Bank, Limited is the Shareholders' Register Manager for the shares. Sumitomo Mitsui Trust Bank's office is located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8233, Japan. Sumitomo Mitsui Trust Bank 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 "Record Date" below.

### **Record Date**

As mentioned above, the record dates for Honda's dividends are June 30, September 30, December 31 and March 31, if paid. 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 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 second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto).

### **Acquisition by Honda of 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 a subsidiary.

Honda may only dispose of shares so acquired in accordance with the procedures applicable to a new share issuance under the Company Law.

Upon due authorization, Honda may acquire its own shares:

- in the case of (i) and (ii) above, from stock markets or by way of tender offer;
- in the case of (i) above, from a specific person, but only if its shareholders approve such acquisition by special resolution; and
- in the case of (iii) above, from such subsidiary.

In the event Honda is to acquire its own shares from a specific person other than its subsidiary at a price which is higher than the higher of (x) the final market price on the market trading such shares as of the date immediately preceding the date of the required resolution or (y) in the event that such shares are subject to a tender offer, etc., the price set in the contract regarding such tender offer, any shareholder may request that Honda includes such shareholder's shares in the proposed purchase.

Acquisitions described in (i) through (iii) above must satisfy certain other requirements, including the restriction of the source of consideration in which the total amount of the purchase price of such own shares may not exceed the distributable amount of the corporation.

### **Reports to Shareholders**

Honda currently furnishes shareholders with notices of shareholders' meetings, business reports, including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. Such notices as described above may be furnished by electronic means to those shareholders who have approved such way of furnishing notices. Pursuant to its articles of incorporation, upon convening a general meeting of shareholders, Honda may deem that the information required to be described or indicated in the reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements shall have been provided to the shareholders when such information is disclosed, pursuant to laws or regulations, through a method that uses the Internet. Further, pursuant to its articles of incorporation, Honda's public notices to shareholders shall be given in Japanese by way of electronic public notice; provided, however, that if any public notice is unable to be given by electronic method due to any accident or for any other unavoidable reason, such public notice shall be given by publication in the Nihon Keizai Shimbun, a Japanese newspaper of general circulation.

### **Report of Substantial Shareholdings**

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.

### **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.

### *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, whereby the maximum withholding tax rate is

generally set at 15% or 10% for portfolio investors (15% under the income tax treaties with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, and Spain, and 10% under the income tax treaties with, among others, Australia, France, the Netherlands, Portugal, Sweden, Switzerland, the United Kingdom, and the United States).

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. These laws 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 U.S.-Japan Tax 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 U.S.-Japan Tax Treaty, is not ineligible for benefits under the U.S.-Japan Tax 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 voting 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 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. 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 U.S. holder includes the dividend payment in income to the date it converts the payment 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 U.S.-Japan Tax 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 rates. To the extent a refund of the tax withheld is available to a U.S. holder under Japanese law or under the U.S.-Japan Tax Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. holder's United States federal income tax liability.

Dividends will generally be income from sources outside the United States and will, depending on a U.S. holder's circumstances, be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to such U.S. holder.

### **Taxation of Capital Gains**

Subject to the PFIC rules discussed below, if a U.S. holder sells or otherwise disposes of its shares or ADSs, it will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that it realizes and its tax basis, determined in U.S. dollars, in its shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

## Passive Foreign Investment Company (PFIC) Rules

Honda believes its shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes. This conclusion is a factual determination that is made annually and thus may be subject to change.

In general, Honda will be a PFIC with respect to a U.S. holder if for any taxable year in which such holder held shares or ADSs of Honda:

- at least 75% of Honda's gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of Honda's assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If Honda is treated as a PFIC, and a U.S. holder does not make a mark-to-market election, as described below, that U.S. holder will be subject to special rules with respect to:

- any gain it realizes on the sale or other disposition of its shares or ADSs; and
- any excess distribution that Honda makes to the U.S. holder (generally, any distributions to it during a single taxable year that are greater than 125% of the average annual distributions received by it in respect of the shares or ADSs during the three preceding taxable years or, if shorter, its holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over the U.S. holder's holding period for the shares or ADSs,
- the amount allocated to the taxable year in which it realized the gain or excess distribution will be taxed as ordinary income,
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If a U.S. holder owns shares or ADSs in a PFIC that are treated as marketable stock, such 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 amount.

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 holder if Honda is a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, 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. Dividends that a U.S. holder receives that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, the U.S. holder must include the gross amount of any such dividend paid by Honda out of Honda's accumulated earnings and profits (as determined for United States federal income tax purposes) in the U.S. holder's gross income, and it will be subject to tax at rates 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. U.S. holders should consult their 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 within six months of its fiscal year-end 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](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. Also, as a foreign private issuer, Honda is exempt from the rules under the Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements to shareholders.

*I. Subsidiary Information*

Not applicable.

***Item 11. Quantitative and Qualitative Disclosure about Market Risk***

We have changed our disclosure method for reporting quantitative information about market risk from a tabular presentation to a sensitivity analysis in line with the IFRS requirement to report such information using a sensitivity analysis. 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 depositary, 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 depositary 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:

<b>Category (as defined by SEC)</b>	<b>Depositary Actions</b>	<b>Associated Fee</b>
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of Shares, including deposits and issuances in respect of: <ul style="list-style-type: none"><li>• Share distributions, stock split, rights, merger</li><li>• Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the deposited securities</li></ul>	USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered
(b) Receiving or distributing dividends	Not applicable	
(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	USD 2.50 per ADS certificate
(f) General depositary services, particularly those charged on an annual basis	Not applicable	



Category	Depository Actions	Associated Fee
(g) Expenses of the depository	<p>Expenses incurred on behalf of holders in connection with</p> <ul style="list-style-type: none"> <li>• Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment</li> <li>• The depository's or its custodian's compliance with applicable law, rule or regulation</li> <li>• Stock transfer or other taxes and other governmental charges</li> <li>• Cable, telex, facsimile transmission/delivery</li> <li>• Expenses of the depository in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency)</li> <li>• Any other charge payable by the depository or its agents</li> </ul>	Expenses payable at the sole discretion of the depository by billing holders or by deducting charges from one or more dividends or other cash distributions

#### 4. Direct / Indirect Payment Disclosure

Honda does not receive any reimbursement from the depository bank. JPMorgan Chase Bank, N.A. agreed to waive an out-of-pocket expense of \$50,000 associated with the administration of the ADR program. The out-of-pocket expenses relate to depository service administration, including but not limited to, dividend disbursement and proxy process.

## 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 Operating Officer for Business Management Operations (who is our 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, 2015. Based on that evaluation, our Chief Executive Officer and Chief Operating Officer for Business Management Operations 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, 2015 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, 2015.

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, 2015 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 Board of Corporate Auditors has determined that Mr. Kunio Endo and Mr. Hideo Takaura are each qualified as an "audit committee financial expert" as defined by the rules of the SEC. Mr. Endo and Mr. Takaura were each elected to become one of Honda's Corporate Auditors at the general meeting of shareholders held on June 19, 2013 and June 17, 2015, respectively. See Item 6.A "Directors and Senior Management" for additional information regarding them. They meet the independence requirements imposed on Corporate Auditors under the Company Law of Japan. See Item 6.C "Board Practices" for an explanation of such independence requirements.

#### ***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, 2015, for which audited financial statements appear in this Annual Report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by KPMG AZSA LLC and the various member firms of KPMG International to Honda in fiscal year 2014 and 2015:

	<u>Yen (millions)</u>	
	<u>2014</u>	<u>2015</u>
Audit Fees .....	¥3,674	¥4,180
Audit-Related Fees .....	89	130
All Other Fees .....	31	28
Total .....	<u>¥3,794</u>	<u>¥4,338</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.

“All Other Fees” mainly includes fees for services rendered with respect to advisory services.

***Pre-approval policies and procedures of the Board of Corporate Auditors***

Under applicable SEC rules, our Board of Corporate Auditors 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, our Board of Corporate Auditors has adopted pre-approval policies and procedures which list particular audit and non-audit services that may be provided without specific pre-approval. Our Board of Corporate Auditors 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 our Board of Corporate Auditors.

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***

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which apply to us through Section 303A.06 of the New York Stock Exchange’s Listed Company Manual, we rely on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with Boards of Corporate Auditors meeting certain requirements. For a New York Stock Exchange-listed Japanese company with a Board of Corporate Auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

- The Board of Corporate Auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with Corporate Auditors.

- Japanese law must and does require the Board of Corporate Auditors to be separate from the Board of Directors.
- None of the members of the Board of Corporate Auditors may be elected by management, and none of the listed company's executive officers may be a member of the Board of Corporate Auditors.
- Japanese law must and does set forth standards for the independence of the members of the Board of Corporate Auditors from the listed company or its management.
- The Board of Corporate Auditors, in accordance with Japanese law or the listed company's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between our management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its independent registered public accounting firm that audits its consolidated financial statements included in its Annual Reports on Form 20-F.
- To the extent permitted by Japanese law:
  - the Board of Corporate Auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
  - the Board of Corporate Auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and
  - the listed company must provide for appropriate funding, as determined by its Board of Corporate Auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, (ii) compensation to any advisers employed by the Board of Corporate Auditors, and (iii) ordinary administrative expenses of the Board of Corporate Auditors that are necessary or appropriate in carrying out its duties.

In our assessment, our Board of Corporate Auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 as described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated therein.

**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 year ended March 31, 2015. There were no purchases of Honda’s shares by its affiliated purchasers during that year.

<u>Period</u>	<u>(a) Total Number of Shares Purchased<sup>(*)</sup></u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>(d) Maximum Yen Amount of Shares that May Yet Be Purchased Under the Plans or Programs</u>
April 1 to April 30, 2014 .....	193	¥3,986	—	—
May 1 to May 31, 2014 .....	102	¥3,360	—	—
June 1 to June 30, 2014 .....	302	¥3,589	—	—
July 1 to July 31, 2014 .....	574	¥3,630	—	—
August 1 to August 31, 2014 .....	420	¥3,585	—	—
September 1 to September 30, 2014 .....	395	¥3,635	—	—
October 1 to October 31, 2014 .....	163	¥3,461	—	—
November 1 to November 30, 2014 .....	451	¥3,572	—	—
December 1 to December 31, 2014 .....	292	¥3,619	—	—
January 1 to January 31, 2015 .....	154	¥3,587	—	—
February 1 to February 28, 2015 .....	543	¥3,843	—	—
March 1 to March 31, 2015 .....	681	¥4,233	—	—
Total .....	<u>4,270</u>	<u>¥3,741</u>	<u>—</u>	<u>—</u>

\* 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—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.

**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.

<b>Corporate Governance Practices Followed by NYSE-listed U.S. Companies</b>	<b>Corporate Governance Practices Followed by Honda</b>
<p>A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p>	<p>For certain large-scale Japanese companies, which employ a corporate governance system based on a Board of Corporate Auditors (the “Board of Corporate Auditors system”), including Honda, Japan’s Company Law (to which amendments were effected as of May 1, 2015) requires that, if a company does not have any outside director at the end of a fiscal year, the company shall explain and disclose the reason why it is not appropriate to have an outside director at the annual general meeting of shareholders as well as in its convocation documents and business report.</p> <p>Outside director is defined as a director who meets all of the following independence requirements: (1) a person who is not an executive director, executive officer, manager or any other employee of the company or 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 a certain relative of (a) a director, executive officer, manager or any other important employee of the company or (b) the natural person controlling the company.</p> <p>The responsibility of overseeing management and outside directors is assigned to the corporate auditors who also work with the accounting audit firm to oversee accounting. Corporate auditors are separate from the company’s management and meet certain independence requirements under Japan’s Company Law.</p>

In the case of Japanese companies which employ the Board of Corporate Auditors system, including Honda, at least half of the corporate auditors must be “outside” corporate auditors who must meet additional independence requirements under Japan’s Company Law.

Outside corporate auditor is defined as a corporate auditor who meets all of the following independence requirements: (1) a person who has not been a director, accounting councilor, executive officer, manager or any other employee of the company or any of its subsidiaries for ten years prior to the assumption of office; (2) if the relevant person assumed an office of corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been a director, accounting councilor, 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 a certain relative of (a) a director, manager or any other important employee of the company or (b) the natural person controlling the company.

In addition, the listing rules of the Tokyo Stock Exchange, which Honda is subject to, 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 until recently a director, executive officer,



A NYSE-listed U.S. company must have an audit committee composed entirely of independent directors, and the audit committee must have at least three members.

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

corporate auditor, manager or employee of the parent company or a director, 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 its subsidiaries. Now Honda has one independent Director out of two outside Directors and three independent Corporate Auditors out of three outside Corporate Auditors.

Like a majority of Japanese companies, Honda employs the Board of Corporate Auditors system as described above. Under this system, the Board of Corporate Auditors is a legally separate and independent body from the Board of Directors. The main function of the Board of Corporate Auditors is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company: to monitor the performance of the directors, and review and express opinions on the method of auditing by the company's accounting audit firm and on such accounting audit firm's audit reports, for the protection of the company's shareholders.

Japanese companies which employ the Board of Corporate Auditors system, including Honda, are required to have at least three corporate auditors. Currently, Honda has five Corporate Auditors. Each Corporate Auditor has a four-year term. In contrast, the term of each Director of Honda is one year.

With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Honda relies on an exemption under that rule which is available to foreign private issuers with Board of Corporate Auditors meeting certain criteria.

Honda's Directors are elected at a meeting of shareholders. Its Board of Directors does not have the power to fill vacancies thereon.

Honda's Corporate Auditors are also elected at a meeting of shareholders. A proposal by Honda's Board of Directors to elect a Corporate Auditor must be approved by a resolution of its Board of Corporate Auditors. The Board of Corporate Auditors is empowered to request that Honda's Directors submit a proposal for election of a Corporate Auditor to a meeting of shareholders. The Corporate Auditors have the right to state their opinion concerning election of a Corporate Auditor at the meeting of shareholders.

**Corporate Governance Practices Followed by  
NYSE-listed U.S. Companies**

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A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.

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

**Corporate Governance Practices Followed by Honda**

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Maximum total amounts of compensation for Honda's Directors and Corporate Auditors are proposed to, and voted on, by a meeting of shareholders. Once the proposals for such maximum total amounts of compensation are approved at the meeting of shareholders, each of the Board of Directors and Board of Corporate Auditors determines the compensation amount for each member within the respective maximum total amounts.

Currently, Honda does not adopt stock option compensation plans. If Honda were to adopt such a plan, Honda must obtain shareholder approval with respect to compensation for the Directors in the form of stock options, but the conditions of the stock options may be determined by the Board of Directors unless they are issued with specifically favorable conditions or price concerning the issuance and exercise of the stock options.

***Item 16H. Mine Safety Disclosure***

Not applicable.

**PART III**

***Item 17. Financial Statements***

Not applicable.

***Item 18. Financial Statements***

See Consolidated Financial Statements attached hereto.

**Item 19. Exhibits**

- 1.1 Articles of Incorporation of the registrant (English translation)
- 1.2 Share Handling Regulations of the registrant (English translation)
- 1.3 Regulations of Board of Directors of the registrant (English translation)
- 1.4 Regulations of the Board of Corporate Auditors of the registrant (English translation)
- 2.1 Specimen common stock certificates of the registrant (English translation) (1)
- 2.2 Deposit Agreement dated as of December 19, 1962, as amended and restated as of October 1, 1982 (including changes from Amendment to Deposit Agreement dated as of April 1, 1989) among the registrant, Morgan Guaranty Trust Company of New York (now JPMorgan Chase Bank, N.A.), as Depository, and all owners and holders from time to time of American Depositary Receipts and European Depositary Receipts, including the form of American Depositary Receipt (2)
- 2.3 Form of Amendment No. 2 to Deposit Agreement dated as of April, 1995, among the parties referred to in Exhibit 2.2 above (2)
- 2.4 Form of Amendment No. 3 to Deposit Agreement dated as of January, 2002, among the parties referred to in Exhibit 2.2 above (3)
- 2.5 Form of Amendment No. 4 to Deposit Agreement dated as of June, 2006, among the parties referred to in Exhibit 2.2 above (4)
- 2.6 Form of Amendment No. 5 to Deposit Agreement dated as of June, 2007, among the parties referred to in Exhibit 2.2 above (5)
- 8.1 List of Significant Subsidiaries (See “Organizational Structure” in Item 4.C of this Form 20-F)
- 11.1 Code of Ethics (6)
- 12.1 Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
- 12.2 Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
- 13.1 Certification of the chief executive officer required by 18 U.S.C. Section 1350
- 13.2 Certification of the chief financial officer required by 18 U.S.C. Section 1350

- (1) Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on September 27, 2001.
- (2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 33-91842) filed on May 1, 1995.
- (3) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14228) filed on December 20, 2001.
- (4) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-114874) filed on June 28, 2006.
- (5) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-143589) filed on June 8, 2007.
- (6) Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on July 9, 2004.

The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

**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, 2015**

**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**

The Board of Directors and Stockholders  
Honda Motor Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2015 and 2014, and April 1, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended March 31, 2015. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2015 and 2014, and April 1, 2013, and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2015, 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), Honda Motor Co., Ltd.'s internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 26, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG AZSA LLC

Tokyo, Japan  
June 26, 2015

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Honda Motor Co., Ltd.:

We have audited Honda Motor Co., Ltd.'s internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Honda Motor Co., Ltd.'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

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.

In our opinion, Honda Motor Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2015 and 2014, and April 1, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended March 31, 2015, and our report dated June 26, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG AZSA LLC

Tokyo, Japan  
June 26, 2015



**HONDA MOTOR CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Financial Position**

**April 1, 2013 and March 31, 2014 and 2015**

	Note	Yen (millions)		
		2013	2014	2015
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	5	¥ 1,270,612	¥ 1,193,584	¥ 1,471,730
Trade receivables	6	675,310	736,871	820,681
Receivables from financial services	7	1,684,909	1,935,142	2,098,951
Other financial assets	8	83,623	102,020	92,708
Inventories	9	1,214,749	1,334,775	1,498,312
Other current assets		207,647	246,766	313,758
Total current assets		<u>5,136,850</u>	<u>5,549,158</u>	<u>6,296,140</u>
<b>Non-current assets:</b>				
Investments accounted for using the equity method	10	483,453	552,081	614,975
Receivables from financial services	7	2,874,476	3,416,080	3,584,654
Other financial assets	8	259,579	297,798	350,579
Equipment on operating leases	11	2,003,353	2,427,407	3,335,367
Property, plant and equipment	12	2,438,107	2,821,542	3,189,511
Intangible assets	13	607,137	669,783	759,535
Deferred tax assets	23	235,298	173,000	138,069
Other non-current assets		119,220	141,589	157,007
Total non-current assets		<u>9,020,623</u>	<u>10,499,280</u>	<u>12,129,697</u>
Total assets		<u>¥14,157,473</u>	<u>¥16,048,438</u>	<u>¥18,425,837</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Trade payables	14	¥ 976,065	¥ 1,079,318	¥ 1,157,738
Financing liabilities	15	2,186,448	2,622,436	2,833,563
Accrued expenses		384,230	356,466	377,372
Other financial liabilities	16	130,138	78,495	109,715
Income taxes payable		80,604	42,702	53,654
Provisions	17	136,427	185,375	294,281
Other current liabilities		293,211	387,008	474,731
Total current liabilities		<u>4,187,123</u>	<u>4,751,800</u>	<u>5,301,054</u>
<b>Non-current liabilities:</b>				
Financing liabilities	15	2,710,801	3,224,512	3,926,276
Other financial liabilities	16	46,513	72,993	61,147
Retirement benefit liabilities	18	642,300	463,163	592,724
Provisions	17	124,838	140,103	182,661
Deferred tax liabilities	23	543,846	640,150	744,410
Other non-current liabilities		173,747	196,789	234,744
Total non-current liabilities		<u>4,242,045</u>	<u>4,737,710</u>	<u>5,741,962</u>
Total liabilities		<u>8,429,168</u>	<u>9,489,510</u>	<u>11,043,016</u>
<b>Equity:</b>				
Common stock		86,067	86,067	86,067
Capital surplus		171,117	171,117	171,118
Treasury stock		(26,124)	(26,149)	(26,165)
Retained earnings		5,260,157	5,831,140	6,083,573
Other components of equity		42,017	273,359	794,034
Equity attributable to owners of the parent		<u>5,533,234</u>	<u>6,335,534</u>	<u>7,108,627</u>
Non-controlling interests		195,071	223,394	274,194
Total equity	19	<u>5,728,305</u>	<u>6,558,928</u>	<u>7,382,821</u>
Total liabilities and equity		<u>¥14,157,473</u>	<u>¥16,048,438</u>	<u>¥18,425,837</u>

See accompanying notes to consolidated financial statements.

**HONDA MOTOR CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Income**

**Years ended March 31, 2014 and 2015**

		Yen (millions)	
	Note	2014	2015
Sales revenue .....	20	¥ 12,506,091	¥ 13,328,099
Operating costs and expenses:			
Cost of sales .....		(9,590,557)	(10,330,784)
Selling, general and administrative .....		(1,493,298)	(1,720,550)
Research and development .....	21	(598,372)	(606,162)
Total operating costs and expenses .....		(11,682,227)	(12,657,496)
Operating profit .....		823,864	670,603
Share of profit of investments accounted for using the equity method .....	10	130,916	96,097
Finance income and finance costs:			
Interest income .....	22	24,072	27,037
Interest expense .....	22	(12,803)	(18,194)
Other, net .....	22	(32,146)	30,694
Total finance income and finance costs .....		(20,877)	39,537
Profit before income taxes .....		933,903	806,237
Income tax expense .....	23	(267,992)	(245,139)
Profit for the year .....		¥ 665,911	¥ 561,098
Profit for the year attributable to:			
Owners of the parent .....		624,703	509,435
Non-controlling interests .....		41,208	51,663
		Yen	
		2014	2015
Earnings per share attributable to owners of the parent			
Basic and diluted .....	24	¥ 346.62	¥ 282.66

See accompanying notes to consolidated financial statements.

**HONDA MOTOR CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**Years ended March 31, 2014 and 2015**

	Note	Yen (millions)	
		2014	2015
Profit for the year .....		¥665,911	¥ 561,098
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans .....		83,292	(101,286)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income .....		13,581	24,007
Share of other comprehensive income of investments accounted for using the equity method .....	10	6,855	(714)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations .....		193,509	465,776
Share of other comprehensive income of investments accounted for using the equity method .....	10	27,059	57,356
Total other comprehensive income, net of tax .....	19	324,296	445,139
Comprehensive income for the year .....		¥990,207	¥1,006,237
Comprehensive income for the year attributable to:			
Owners of the parent .....		944,706	931,709
Non-controlling interests .....		45,501	74,528

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended March 31, 2014 and 2015

		Yen (millions)							
		Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
Note		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
	Balance as of April 1, 2013	¥86,067	¥171,117	¥(26,124)	¥5,260,157	¥ 42,017	¥5,533,234	¥195,071	¥5,728,305
	Comprehensive income for the year								
	Profit for the year				624,703		624,703	41,208	665,911
	Other comprehensive income, net of tax					320,003	320,003	4,293	324,296
19	Total comprehensive income for the year				624,703	320,003	944,706	45,501	990,207
	Reclassification to retained earnings				88,661	(88,661)	—		—
19	Total reclassification to retained earnings				88,661	(88,661)	—		—
	Transactions with owners and other								
	Dividends paid				(142,381)		(142,381)	(11,629)	(154,010)
19	Purchases of treasury stock			(26)			(26)		(26)
	Disposal of treasury stock			1			1		1
	Equity transactions and others							(5,549)	(5,549)
	Total transactions with owners and other			(25)	(142,381)		(142,406)	(17,178)	(159,584)
	Balance as of March 31, 2014	¥86,067	¥171,117	¥(26,149)	¥5,831,140	¥273,359	¥6,335,534	¥223,394	¥6,558,928
	Comprehensive income for the year								
	Profit for the year				509,435		509,435	51,663	561,098
	Other comprehensive income, net of tax					422,274	422,274	22,865	445,139
19	Total comprehensive income for the year				509,435	422,274	931,709	74,528	1,006,237
	Reclassification to retained earnings				(98,401)	98,401	—		—
19	Total reclassification to retained earnings				(98,401)	98,401	—		—
	Transactions with owners and other								
	Dividends paid				(158,601)		(158,601)	(21,566)	(180,167)
19	Purchases of treasury stock			(17)			(17)		(17)
	Disposal of treasury stock			1			1		1
	Equity transactions and others		1				1	(2,162)	(2,161)
	Total transactions with owners and other		1	(16)	(158,601)		(158,616)	(23,728)	(182,344)
	Balance as of March 31, 2015	¥86,067	¥171,118	¥(26,165)	¥6,083,573	¥794,034	¥7,108,627	¥274,194	¥7,382,821

See accompanying notes to consolidated financial statements.

**HONDA MOTOR CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Years ended March 31, 2014 and 2015**

	Note	Yen (millions)	
		2014	2015
Cash flows from operating activities:			
Profit before income taxes		¥ 933,903	¥ 806,237
Depreciation, amortization and impairment losses excluding equipment on operating leases		588,132	625,229
Share of profit of investments accounted for using the equity method		(130,916)	(96,097)
Finance income and finance costs, net		(27,945)	(41,941)
Interest income and interest costs from financial services, net		(167,397)	(172,275)
Changes in assets and liabilities			
Trade receivables		(47,084)	(45,839)
Inventories		(66,991)	(56,285)
Trade payables		84,520	22,246
Accrued expenses		2,527	8,865
Provisions and retirement benefit liabilities		(24,228)	107,324
Receivables from financial services		(423,106)	316,962
Equipment on operating leases		(248,604)	(535,165)
Other assets and liabilities		(14,135)	45,255
Other, net		(4,211)	(12,931)
Dividends received		107,629	114,501
Interest received		224,232	236,344
Interest paid		(88,582)	(89,804)
Income taxes paid		(248,636)	(212,222)
Net cash provided by operating activities		449,108	1,020,404
Cash flows from investing activities:			
Payments for additions to property, plant and equipment		(718,431)	(648,205)
Payments for additions to and internally developed intangible assets		(208,752)	(234,915)
Proceeds from sales of property, plant and equipment and intangible assets		19,586	33,243
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of		9,129	—
Payments for acquisitions of investments accounted for using the equity method		—	(1,971)
Proceeds from sales of investments accounted for using the equity method		3,812	—
Payments for acquisitions of other financial assets		(108,510)	(108,873)
Proceeds from sales and redemptions of other financial assets		75,429	119,897
Other, net		6,714	328
Net cash used in investing activities		(921,023)	(840,496)
Cash flows from financing activities:			
Proceeds from short-term financing liabilities		8,561,912	8,731,773
Repayments of short-term financing liabilities		(8,568,859)	(8,602,054)
Proceeds from long-term financing liabilities		1,597,530	1,505,732
Repayments of long-term financing liabilities		(1,059,235)	(1,389,121)
Dividends paid to owners of the parent		(142,381)	(158,601)
Dividends paid to non-controlling interests		(11,296)	(21,513)
Purchases and sales of treasury stock, net		(25)	(16)
Other, net		(22,188)	(53,712)
Net cash provided by financing activities		355,458	12,488
Effect of exchange rate changes on cash and cash equivalents		39,429	85,750
Net change in cash and cash equivalents		(77,028)	278,146
Cash and cash equivalents at beginning of year		1,270,612	1,193,584
Cash and cash equivalents at end of year	5	¥ 1,193,584	¥ 1,471,730

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, the United Kingdom, Turkey, Italy, France, China, India, Indonesia, Malaysia, Thailand, Vietnam, Argentina and Brazil.

#### (2) Basis of Preparation

##### *(a) Compliance with International Financial Reporting Standards*

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The term “IFRS” also includes International Accounting Standards (IASs) and the related interpretations of the interpretations committees (SIC and IFRIC).

These are the first consolidated financial statements that the Company has prepared in accordance with IFRS. The date of transition to IFRS (the “date of transition”) was April 1, 2013, and the Company has applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”). An explanation of how the transition to IFRS has affected Honda’s financial position, results of operations and cash flows is provided in note 31.

##### *(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) Early Adoption of New Accounting Standards and Interpretations*

Honda has early adopted IFRS 9 “Financial Instruments” (issued in November 2009, amended in October 2010 and November 2013).

##### *(e) 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, 2015 are as follows.

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

Honda is currently evaluating the impact of adoption of these standards and interpretations 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 15 Revenue from Contracts with Customers	January 1, 2017	Fiscal year ending March 31, 2018	New standard applied in accounting and disclosure for revenue recognition, which supersedes current standards of revenue recognition
IFRS 9 Financial Instruments (issued in 2014)	January 1, 2018	Fiscal year ending March 31, 2019	Amendment regarding the requirements for classifying and measuring financial assets and liabilities, and accounting for impairment of financial assets

*(f) Use of Estimates and Judgments*

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments that have been made in the process of applying accounting policies and that have significant effects on the amounts reported in the consolidated financial statements is as follows:

- Scope of subsidiaries, affiliates and joint ventures (notes 3(a) and 3(b))
- Recognition of intangible assets arising from development (note 3(h))
- Accounting for contracts including lease (note 3(i))

Information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements is as follows:

- Valuation of financial assets measured at amortized cost (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)



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

**(3) Significant Accounting Policies**

*(a) Basis of Consolidation*

The consolidated financial statements include the accounts of the Company, its subsidiaries which are directly or indirectly controlled by the Company, and those structured entities which are controlled by Honda. All significant intercompany balances and transactions have been eliminated in consolidation.

Honda controls an entity when Honda is exposed or has rights to variable returns from involvement with the entity, and has the ability to affect those returns by using its power, which is the current ability to direct the relevant activities, over the entity. To determine whether or not Honda controls an entity, status of voting rights or similar rights, contractual agreements and other specific factors are taken into consideration.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Honda consolidates structured entities over which it has control, by comprehensively determining whether its control over the entity exists based on any contractual arrangements with such entity as well as the percentage of its voting or similar rights in the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost. The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. When control over a subsidiary is lost, the investment retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss on such remeasurement and disposal of the interest sold is recognized in profit or loss.

*(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. Unless the investee becomes a subsidiary, 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.

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

*(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, unless any gains or losses are recognized in other comprehensive income.

*2) Foreign operations*

All assets and liabilities of foreign subsidiaries, affiliates and joint ventures (collectively “foreign operation”), 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 operation are translated into Japanese yen at the average exchange rate for the period. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in other components of equity in the consolidated statements of financial position. When a foreign operation is disposed of, and control, significant influence or joint control over the foreign operation is lost, the cumulative amount of exchange differences relating to the foreign operation is reclassified from equity to profit or loss.

*(d) Financial Instruments*

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity security of another entity. When Honda becomes 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 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 are initially measured at their fair value, and are subsequently measured at amortized cost using the effective interest method.

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

*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, according to their holding purposes:

*Financial assets measured at fair value through other comprehensive income*

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.

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 presented in other comprehensive income. However, dividends from the investment are principally recognized in profit or loss.

*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.

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.

When a financial asset measured at fair value through other comprehensive income is sold, an amount of accumulated other comprehensive income recognized in other components of equity in the consolidated statements of financial position is directly reclassified to retained earnings.

*(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 contracts, currency option contracts, currency swap agreements and interest rate swap agreements.

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

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 hedges and no amount has been recognized in other comprehensive income for the years ended March 31, 2014 and 2015.

*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.

*(f) Equipment on Operating Leases*

Equipment on operating leases is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses.

A vehicle subject to operating lease is initially measured at its cost. Depreciation of equipment on operating leases is calculated on the straight-line method over the lease term. The depreciable amount is the cost of the vehicle less its residual value which is estimated by using the estimate of future used vehicle value, taking into consideration external industry data and Honda's historical experience.

*(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

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

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.

*(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 life ranges 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*

An arrangement that is or contains a lease is determined based on the substance of the arrangement by assessment of whether the fulfillment of that arrangement depends on use of a specific asset or group of assets, and whether a right to use the asset is transferred under the arrangement.

When an arrangement is or contains a lease, the lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership, based on the substance of the arrangement. Leases other than finance lease are classified as operating lease.

*1) Lease as a lessee*

A leased asset and liability for the future lease payment under a finance lease are initially recognized at the lower of fair value of the leased asset or the present value of the minimum lease payments, each determined at inception of the lease. After the initial recognition, the leased asset is accounted for according to the accounting policies applied to the asset. Lease payments under a finance lease are apportioned between the finance cost and the reduction in the carrying amount of the liability. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

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

*2) Lease as a lessor*

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. After the initial recognition, the receivable under finance lease is accounted for in accordance with the accounting policies applied to financial assets. Vehicles subject to operating leases are presented as equipment on operating leases in the consolidated statements of financial position.

*(j) Impairment*

*1) Financial assets measured at amortized cost*

At the end of each reporting period, based on individual assets or assets grouped according to credit risk characteristics, financial assets measured at amortized cost are assessed to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence of impairment includes significant financial difficulty of the issuer or the borrowers, a default or delinquency in interest or principal payments, an increase in the probability of bankruptcy or other financial restructuring of the issuer, and disappearance of an active market for the security.

If there is an objective evidence that financial assets measured at amortized cost is impaired, the amount of impairment loss is measured as the difference between the carrying amount of the assets and its present value which is calculated by discounting estimated future cash flows using the asset's original effective interest rate. The impairment loss is recognized in profit or loss, by deducting the carrying amount of the financial assets directly or through an allowance account.

Further, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognized, the impairment loss which was recorded in prior periods is reversed and recognized in profit or loss.

*Receivables from financial services – Allowance for credit losses*

The allowance for credit losses is management's estimate of probable losses incurred on receivables from financial services. Estimated losses on past due operating lease rental payments are also recognized through an allowance for credit losses.

Consumer finance receivables are collectively evaluated for impairment. Delinquencies and losses are continuously monitored and this historical experience provides the primary basis for estimating the allowance. Various methodologies are utilized when estimating the allowance for credit losses including models that incorporate vintage loss and delinquency migration analysis. The models take into consideration attributes of the portfolio including loan-to-value ratios, internal and external credit scores, and collateral types. Economic factors such as used vehicle prices, unemployment rates, and consumer debt service burdens are also incorporated when estimating losses.

Dealer finance receivables are individually evaluated for impairment when specifically identified as impaired. Dealer finance receivables are considered to be impaired when it is probable that the finance subsidiaries of the Company will be unable to collect all amounts due according to the original terms of the loan. The determination of whether dealer loans are impaired is based on evaluations of dealerships' payment history, financial condition and cash flows, and their ability to perform under the terms of the loans. Dealer loans that have not been specifically identified as impaired are collectively evaluated for impairment.

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

*Receivables from financial services – Allowance for losses on lease residual values*

The allowance for losses on lease residual values is management's estimate of probable losses arising from declines in the estimated lease residual values incurred on receivables from finance leases.

The finance subsidiaries of the Company purchase insurance to cover a substantial amount of the estimated residual value of vehicles leased as finance leases to customers. The allowance for losses on lease residual values are maintained at an amount management deems adequate to cover estimated losses on the uninsured portion of the vehicles' lease residual values. The allowance is also based on management's evaluation of many factors, including current economic conditions, industry experience and the finance subsidiaries' historical experience with residual value losses.

*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) and investments accounted for using the equity method are 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 cash-generating units 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



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

at the present value of the expenditures required to settle the obligation. In calculating the present value, a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability is used as the discount rate.

*(l) Employee Benefits*

*1) Short-term employee benefits*

For short-term employee benefits including salaries, bonuses and paid annual leave, when the employees render related services, the amounts expected to be paid in exchange for those services are recognized as expenses.

*2) Post-employment benefits*

Honda has various post-employment benefit plans including defined benefit plans and defined contribution plans.

*Defined benefit plans*

For defined benefit plans, the present value of defined benefit obligations less the fair value of plan assets is recognized as either liability or asset in the consolidated statements of financial position.

The present value of defined benefit obligations and service cost are principally determined for each plan using the projected unit credit method. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds that is consistent with the currency and estimated term of the post-employment benefit obligation. Net interest on the net defined benefit liability (asset) for the reporting period is determined by multiplying the net defined benefit liability (asset) by the discount rate.

Past service cost defined as the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment is recognized in profit or loss upon occurrence of the plan amendment or curtailment.

Honda recognizes the difference arising from remeasurement of present value of the defined benefit obligation and the fair value of the plan asset 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*

Sales revenue is measured at the fair value of consideration received or receivable. Amounts collected from customers and remitted to governmental authorities such as sales taxes are accounted for on a net basis and, therefore, are deducted from sales revenue.

The specific criteria for revenue recognition for each type of transactions are as follows:

*1) Sale of products*

Revenue from sale of products is recognized when the significant risks and rewards of ownership of products are transferred to the customer, Honda retains neither continuous involvement nor effective control over the product, the amount of revenue and the corresponding cost can be measured reliably and collection of the relevant receivable is reasonably assured. This generally corresponds to the date of delivery of products to customers.

Honda provides dealer incentives retained by the dealer, 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 estimated and recognized at the time the product is sold to the dealer, and are deducted from sales revenue in the consolidated statements of income.

*2) Rendering of financial services*

Interest income from receivables from financial services is recognized using the effective interest method. Finance receivable origination fees and certain direct origination costs are included in the calculation of the effective interest rate, and the net fee or cost is amortized using the effective interest method over the contractual term of the finance receivables.

The finance subsidiaries of the Company offer financial services that contain a lease. Interest income from receivables held under a finance lease is recognized using the effective interest method. When Honda is the manufacturer or dealer lessor, sales revenue and the corresponding cost for a portion identified as sale of products is recognized in profit or loss in accordance with the policy on revenue recognition for sale of products. Revenue from operating leases is recognized on a straight-line basis over the term of the lease.

*(o) Income Taxes*

Income tax expenses are presented as the aggregate amount of current taxes and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss, except for the tax arising from a transaction which is recognized either in other comprehensive income or directly in equity.

Current taxes are measured at the amount expected to be paid to (or recovered from) the taxation authorities in respect of the taxable profit (or tax loss) for the reporting period, using the tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amount of assets or liabilities in the consolidated statements of financial position and the tax base of the assets or liabilities and carryforward of unused tax losses and tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilized.

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

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 recognizes the impact of tax positions in the consolidated financial statements, if any, based on Honda's assessment of various factors including interpretations of tax law and prior experiences, when it is probable that the positions will be sustained upon examination by the taxation authorities.

*(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**

Honda has four reportable segments: Motorcycle business, Automobile business, Financial services business and Power product and other businesses, which are based on Honda's organizational structure and characteristics of products and services. Operating segments are defined as the components of Honda for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The accounting policies used for these reportable segments are consistent with the accounting policies used in the Company's consolidated financial statements.

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

Segment	Principal products and services	Functions
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs) and relevant parts	Research 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 Product and Other Businesses	Power products and relevant parts, and others	Research and development Manufacturing Sales and related services Others

*(a) Segment Information*

Segment information as of April 1, 2013 and as of and for the years ended March 31, 2014 and 2015 is as follows:

**As of April 1, 2013**

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Segment assets . . . . .	¥1,223,192	¥6,212,095	¥6,766,894	¥340,544	¥14,542,725	¥(385,252)	¥14,157,473
Investments accounted for using the equity method . . . . .	76,759	403,404	—	3,290	483,453	—	483,453

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

**As of and for the year ended March 31, 2014**

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥1,689,228	¥9,178,773	¥1,326,026	¥312,064	¥12,506,091	¥ —	¥12,506,091
Intersegment	—	70,591	11,696	25,811	108,098	(108,098)	—
Total	<u>1,689,228</u>	<u>9,249,364</u>	<u>1,337,722</u>	<u>337,875</u>	<u>12,614,189</u>	<u>(108,098)</u>	<u>12,506,091</u>
Segment profit (loss)	<u>¥ 176,898</u>	<u>¥ 461,156</u>	<u>¥ 182,708</u>	<u>¥ 3,102</u>	<u>¥ 823,864</u>	<u>¥ —</u>	<u>¥ 823,864</u>
Share of profit of investments accounted for using the equity method	¥ 29,503	¥ 101,200	¥ —	¥ 213	¥ 130,916	¥ —	¥ 130,916
Segment assets	1,316,079	6,795,373	7,995,429	341,678	16,448,559	(400,121)	16,048,438
Investments accounted for using the equity method	85,927	462,218	—	3,936	552,081	—	552,081
Depreciation and amortization	67,540	492,661	384,145	11,653	955,999	—	955,999
Capital expenditures	79,995	854,658	1,214,618	19,052	2,168,323	—	2,168,323
Impairment losses on non-financial assets	74	15,087	3,304	(1,189)	17,276	—	17,276
Provision for credit and lease residual losses on receivables from financial services	—	—	20,361	—	20,361	—	20,361

**As of and for the year ended March 31, 2015**

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥1,846,666	¥9,603,335	¥1,555,550	¥322,548	¥13,328,099	¥ —	¥13,328,099
Intersegment	—	154,536	12,363	24,362	191,261	(191,261)	—
Total	<u>1,846,666</u>	<u>9,757,871</u>	<u>1,567,913</u>	<u>346,910</u>	<u>13,519,360</u>	<u>(191,261)</u>	<u>13,328,099</u>
Segment profit (loss)	<u>¥ 192,154</u>	<u>¥ 279,756</u>	<u>¥ 202,574</u>	<u>¥ (3,881)</u>	<u>¥ 670,603</u>	<u>¥ —</u>	<u>¥ 670,603</u>
Share of profit of investments accounted for using the equity method	¥ 29,234	¥ 66,512	¥ —	¥ 351	¥ 96,097	¥ —	¥ 96,097
Segment assets	1,489,703	7,653,645	9,318,545	334,858	18,796,751	(370,914)	18,425,837
Investments accounted for using the equity method	99,816	510,653	—	4,506	614,975	—	614,975
Depreciation and amortization	70,881	525,522	484,526	12,061	1,092,990	—	1,092,990
Capital expenditures	87,762	791,626	1,685,245	14,588	2,579,221	—	2,579,221
Impairment losses on non-financial assets	267	13,278	4,077	229	17,851	—	17,851
Provision for credit and lease residual losses on receivables from financial services	—	—	19,328	—	19,328	—	19,328

Explanatory notes:

- Segment profit (loss) of each segment is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable.
- 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.
- Intersegment sales revenues are generally made at values that approximate arm's-length prices.
- Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of April 1, 2013 and March 31, 2014 and 2015 amounted to ¥298,601 million, ¥299,742 million and ¥345,266 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.
- Provisions for product warranties issued for the years ended March 31, 2014 and 2015 are ¥168,994 million and ¥295,035 million, respectively. These are mainly included in Automobile business.

**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, 2014 and 2015 is as follows:

	Yen (millions)	
	2014	2015
Motorcycles and relevant parts . . . . .	¥ 1,608,924	¥ 1,746,284
All-terrain vehicles (ATVs) and relevant parts . . . . .	80,304	100,382
Automobiles and relevant parts . . . . .	9,773,467	10,295,898
Financial services . . . . .	731,332	862,987
Power products and relevant parts . . . . .	251,242	263,232
Others . . . . .	60,822	59,316
<b>Total . . . . .</b>	<b>¥12,506,091</b>	<b>¥13,328,099</b>

*(c) Geographical Information*

The sales revenue and carrying amounts of non-current assets other than financial instruments and deferred tax assets based on the location of the Company and its subsidiaries as of April 1, 2013 and as of and for the years ended March 31, 2014 and 2015 are as follows:

**As of April 1, 2013**

	Yen (millions)			
	Japan	United States	Other Countries	Total
Non-current assets other than financial instruments and deferred tax assets . . . . .	¥1,841,800	¥2,427,396	¥ 898,621	¥ 5,167,817

**As of and for the year ended March 31, 2014**

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue . . . . .	¥2,236,303	¥5,530,567	¥4,739,221	¥12,506,091
Non-current assets other than financial instruments and deferred tax assets . . . . .	¥2,022,425	¥2,843,021	¥1,194,875	¥ 6,060,321

**As of and for the year ended March 31, 2015**

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue . . . . .	¥2,137,844	¥6,102,633	¥5,087,622	¥13,328,099
Non-current assets other than financial instruments and deferred tax assets . . . . .	¥2,279,156	¥3,640,230	¥1,522,034	¥ 7,441,420

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

*(d) Supplemental Geographical Information*

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

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

**As of and for the year ended March 31, 2014**

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Sales revenue:								
External customers . . . . .	¥2,236,303	¥6,189,386	¥683,680	¥2,395,533	¥1,001,189	¥12,506,091	¥ —	¥12,506,091
Inter-geographic areas . . . . .	1,977,455	373,003	97,877	494,885	11,275	2,954,495	(2,954,495)	—
Total . . . . .	<u>4,213,758</u>	<u>6,562,389</u>	<u>781,557</u>	<u>2,890,418</u>	<u>1,012,464</u>	<u>15,460,586</u>	<u>(2,954,495)</u>	<u>12,506,091</u>
Operating profit (loss) . . . . .	<u>¥ 245,828</u>	<u>¥ 335,682</u>	<u>¥(33,890)</u>	<u>¥ 232,023</u>	<u>¥ 38,087</u>	<u>¥ 817,730</u>	<u>¥ 6,134</u>	<u>¥ 823,864</u>
Assets . . . . .	<u>¥3,914,471</u>	<u>¥8,768,285</u>	<u>¥708,540</u>	<u>¥2,000,923</u>	<u>¥ 775,069</u>	<u>¥16,167,288</u>	<u>¥ (118,850)</u>	<u>¥16,048,438</u>
Non-current assets other than financial instruments and deferred tax assets . . . . .	<u>¥2,022,425</u>	<u>¥3,103,055</u>	<u>¥124,045</u>	<u>¥ 613,576</u>	<u>¥ 197,220</u>	<u>¥ 6,060,321</u>	<u>¥ —</u>	<u>¥ 6,060,321</u>

**As of and for the year ended March 31, 2015**

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Sales revenue:								
External customers . . . . .	¥2,137,844	¥ 6,870,388	¥656,195	¥2,716,529	¥947,143	¥13,328,099	¥ —	¥13,328,099
Inter-geographic areas . . . . .	1,793,123	330,475	67,729	612,015	3,199	2,806,541	(2,806,541)	—
Total . . . . .	<u>3,930,967</u>	<u>7,200,863</u>	<u>723,924</u>	<u>3,328,544</u>	<u>950,342</u>	<u>16,134,640</u>	<u>(2,806,541)</u>	<u>13,328,099</u>
Operating profit (loss) . . . . .	<u>¥ 210,171</u>	<u>¥ 181,525</u>	<u>¥(22,615)</u>	<u>¥ 278,855</u>	<u>¥ 40,167</u>	<u>¥ 688,103</u>	<u>¥ (17,500)</u>	<u>¥ 670,603</u>
Assets . . . . .	<u>¥4,231,472</u>	<u>¥10,454,542</u>	<u>¥667,945</u>	<u>¥2,526,914</u>	<u>¥677,831</u>	<u>¥18,558,704</u>	<u>¥ (132,867)</u>	<u>¥18,425,837</u>
Non-current assets other than financial instruments and deferred tax assets . . . . .	<u>¥2,279,156</u>	<u>¥ 4,084,678</u>	<u>¥120,217</u>	<u>¥ 760,642</u>	<u>¥196,727</u>	<u>¥ 7,441,420</u>	<u>¥ —</u>	<u>¥ 7,441,420</u>

Explanatory notes:

- Major countries or regions in each geographic area:

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Belgium, Russia
Asia	Thailand, Indonesia, China, India, Vietnam
Other Regions	Brazil, Australia
- Operating profit (loss) of each geographical region is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs.
- Assets of each geographical region are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets.
- Sales revenues between geographic areas are generally made at values that approximate arm's-length prices.
- Reconciling items include elimination of inter-geographic transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2014 and 2015 amounted to ¥299,742 million and ¥345,266 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.



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

**(5) Cash and Cash Equivalents**

Cash and cash equivalents as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
Cash and deposits .....	¥ 932,418	¥ 935,880	¥1,091,179
Cash equivalents .....	338,194	257,704	380,551
Total .....	<u>¥1,270,612</u>	<u>¥1,193,584</u>	<u>¥1,471,730</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 April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
Trade accounts and notes receivable .....	¥ 600,006	¥ 660,858	¥ 688,256
Other .....	82,440	83,273	137,792
Allowance for doubtful accounts .....	(7,136)	(7,260)	(5,367)
Total .....	<u>¥ 675,310</u>	<u>¥ 736,871</u>	<u>¥ 820,681</u>

The changes in the allowance for doubtful trade receivables for the years ended March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Balance at beginning of year .....	¥ 7,136	¥ 7,260
Provision .....	¥ 528	¥ 58
Charge-offs .....	(782)	(1,589)
Exchange differences on translating foreign operations .....	378	(362)
Balance at end of year .....	<u>¥ 7,260</u>	<u>¥ 5,367</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 our 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 classified into financial assets measured at amortized cost.

Receivables from financial services as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
Consumer finance receivables:			
Retail .....	¥3,797,570	¥4,563,700	¥4,901,918
Finance lease .....	365,448	330,087	260,543
Dealer finance receivables:			
Wholesale .....	434,013	496,899	556,735
Subtotal .....	<u>¥4,597,031</u>	<u>¥5,390,686</u>	<u>¥5,719,196</u>
Allowance for credit losses .....	¥ (20,594)	¥ (25,200)	¥ (25,038)
Allowance for losses on lease residual values .....	(1,653)	(698)	(1,116)
Unearned interest income and fees .....	(15,399)	(13,566)	(9,437)
Total .....	<u>¥4,559,385</u>	<u>¥5,351,222</u>	<u>¥5,683,605</u>
Current assets .....	¥1,684,909	¥1,935,142	¥2,098,951
Non-current assets .....	2,874,476	3,416,080	3,584,654
Total .....	<u>¥4,559,385</u>	<u>¥5,351,222</u>	<u>¥5,683,605</u>

*Finance lease receivables*

The gross investment in the lease and the present value of minimum lease payments receivable as of March 31, 2014 and 2015 are as follows:

	Yen (millions)			
	Within 1 year	Between 1 and 5 years	Later than 5 years	Total
<b>As of March 31, 2014</b>				
Gross investment in the lease .....	¥98,574	¥231,442	¥ 71	¥330,087
Unearned interest income and fees .....	(2,304)	(11,258)	(4)	(13,566)
Unguaranteed residual values .....	(7,924)	(36,640)	—	(44,564)
Present value of minimum lease payments receivable .....	<u>¥88,346</u>	<u>¥183,544</u>	<u>¥ 67</u>	<u>¥271,957</u>

	Yen (millions)			
	Within 1 year	Between 1 and 5 years	Later than 5 years	Total
<b>As of March 31, 2015</b>				
Gross investment in the lease .....	¥94,264	¥166,142	¥137	¥260,543
Unearned interest income and fees .....	(2,130)	(7,303)	(4)	(9,437)
Unguaranteed residual values .....	(8,653)	(27,158)	—	(35,811)
Present value of minimum lease payments receivable .....	<u>¥83,481</u>	<u>¥131,681</u>	<u>¥133</u>	<u>¥215,295</u>

**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, 2014 and 2015 are as follows:

	Yen (millions)			
	Retail	Finance lease	Wholesale	Total
Balance as of April 1, 2013	¥ 18,528	¥ 788	¥1,278	¥ 20,594
Provision	¥ 18,688	¥ 311	¥1,165	¥ 20,164
Charge-offs	(25,610)	(574)	(112)	(26,296)
Recoveries	9,681	94	11	9,786
Exchange differences on translating foreign operations	683	17	252	952
Balance as of March 31, 2014	¥ 21,970	¥ 636	¥2,594	¥ 25,200
Provision	¥ 18,213	¥ 349	¥ (202)	¥ 18,360
Charge-offs	(26,673)	(620)	(385)	(27,678)
Recoveries	9,101	131	27	9,259
Exchange differences on translating foreign operations	38	3	(144)	(103)
Balance as of March 31, 2015	¥ 22,649	¥ 499	¥1,890	¥ 25,038

For more information on allowance for credit losses, see note 25.

**(8) Other Financial Assets**

Other financial assets as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
Financial assets measured at amortized cost:			
Receivables other than trade receivables and receivables from financial services	¥109,954	¥ 97,572	¥ 97,222
Debt securities	16,850	34,719	18,231
Guaranty deposits	20,210	18,756	17,652
Restricted cash	28,962	29,223	33,377
Other	9,109	10,656	10,067
Allowance for doubtful accounts	(22,363)	(21,932)	(12,061)
Financial assets measured at fair value through other comprehensive income:			
Equity securities	131,489	153,321	184,883
Financial assets measured at fair value through profit or loss:			
Derivatives	37,252	30,278	34,598
Debt securities	11,739	47,225	59,318
Total	¥343,202	¥399,818	¥443,287
Current assets	¥ 83,623	¥102,020	¥ 92,708
Non-current assets	259,579	297,798	350,579
Total	¥343,202	¥399,818	¥443,287

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

The changes in the allowance for doubtful accounts for the years ended March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Balance at beginning of year	¥22,363	¥ 21,932
Provision	¥ 237	¥ 773
Charge-offs	(680)	(10,713)
Exchange differences on translating foreign operations	12	69
Balance at end of year	<u>¥21,932</u>	<u>¥ 12,061</u>

Major securities included in financial assets measured at fair value through other comprehensive income as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

**As of April 1, 2013**

	Yen (millions)
	Fair value
Sirius XM Holdings Inc.	¥27,181
Stanley Electric Co., Ltd.	15,303
Mitsubishi UFJ Financial Group, Inc.	8,092
Oriental Holdings Berhad	7,439
Daido Steel Co., Ltd.	6,683
Shindengen Electric Manufacturing Co., Ltd.	4,957

**As of March 31, 2014**

	Yen (millions)
	Fair value
Sirius XM Holdings Inc.	¥30,904
Stanley Electric Co., Ltd.	21,158
Mitsubishi UFJ Financial Group, Inc.	8,223
Daido Steel Co., Ltd.	6,735
NIPPON SEIKI CO., LTD.	6,613
Shindengen Electric Manufacturing Co., Ltd.	6,093

**As of March 31, 2015**

	Yen (millions)
	Fair value
Sirius XM Holdings Inc.	¥43,075
Stanley Electric Co., Ltd.	25,092
Mitsubishi UFJ Financial Group, Inc.	10,785
NIPPON SEIKI CO., LTD.	8,887
Shindengen Electric Manufacturing Co., Ltd.	8,017
Daido Steel Co., Ltd.	7,022

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

**(9) Inventories**

Inventories as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
Finished goods .....	¥ 740,270	¥ 797,201	¥ 862,761
Work in process .....	51,744	67,248	84,724
Raw materials .....	422,735	470,326	550,827
Total .....	<u>¥1,214,749</u>	<u>¥1,334,775</u>	<u>¥1,498,312</u>

**(10) Investments accounted for using the equity method**

Honda's equity in affiliates and joint ventures as of April 1, 2013 and March 31, 2014 and 2015 is as follows:

	Yen (millions)		
	2013	2014	2015
Investments accounted for using the equity method:			
Affiliates .....	¥ 288,786	¥ 327,603	¥ 363,286
Joint ventures .....	194,667	224,478	251,689
Total .....	<u>¥ 483,453</u>	<u>¥ 552,081</u>	<u>¥ 614,975</u>
Honda's equity of undistributed earnings:			
Affiliates .....	¥ 206,114	¥ 232,009	¥ 231,406
Joint ventures .....	122,435	138,048	128,813
Total .....	<u>¥ 328,549</u>	<u>¥ 370,057</u>	<u>¥ 360,219</u>

For the year ended March 31, 2015, the Company recognized impairment losses of ¥22,244 million on certain investments accounted for using the equity method because there is objective evidence of impairment from declines in quoted market values. The impairment losses are included in share of profit of investments accounted for using the equity method in the consolidated statement of income and mainly included in the automobile business segment.

Honda's share of comprehensive income of affiliates and joint ventures for the years ended March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Profit for the year:		
Affiliates .....	¥ 26,261	¥ 8,650
Joint ventures .....	104,655	87,447
Total .....	<u>¥ 130,916</u>	<u>¥ 96,097</u>
Other comprehensive income:		
Affiliates .....	¥ 20,370	¥ 21,597
Joint ventures .....	13,544	35,045
Total .....	<u>¥ 33,914</u>	<u>¥ 56,642</u>
Comprehensive income for the year:		
Affiliates .....	¥ 46,631	¥ 30,247
Joint ventures .....	118,199	122,492
Total .....	<u>¥ 164,830</u>	<u>¥ 152,739</u>

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

Combined financial information in respect of affiliates and joint ventures as of April 1, 2013 and as of and for the years ended March 31, 2014 and 2015 is as follows:

(Affiliates)

	Yen (millions)			
	Motorcycle Business	Automobile Business	Power Product and Other Businesses	Total
<b>As of April 1, 2013</b>				
Current assets . . . . .	¥ 72,854	¥ 848,324	¥ 3,837	¥ 925,015
Non-current assets . . . . .	51,280	884,690	7,891	943,861
Total assets . . . . .	<u>124,134</u>	<u>1,733,014</u>	<u>11,728</u>	<u>1,868,876</u>
Current liabilities . . . . .	50,995	590,561	1,548	643,104
Non-current liabilities . . . . .	6,062	208,564	1,549	216,175
Total liabilities . . . . .	<u>57,057</u>	<u>799,125</u>	<u>3,097</u>	<u>859,279</u>
Total equity . . . . .	<u>¥ 67,077</u>	<u>¥ 933,889</u>	<u>¥ 8,631</u>	<u>¥1,009,597</u>

	Yen (millions)			
	Motorcycle Business	Automobile Business	Power Product and Other Businesses	Total
<b>As of and for the year ended March 31, 2014</b>				
Current assets . . . . .	¥ 76,126	¥ 892,886	¥ 7,286	¥ 976,298
Non-current assets . . . . .	52,598	991,838	5,885	1,050,321
Total assets . . . . .	<u>128,724</u>	<u>1,884,724</u>	<u>13,171</u>	<u>2,026,619</u>
Current liabilities . . . . .	46,900	598,759	1,933	647,592
Non-current liabilities . . . . .	5,280	205,677	1,323	212,280
Total liabilities . . . . .	<u>52,180</u>	<u>804,436</u>	<u>3,256</u>	<u>859,872</u>
Total equity . . . . .	<u>¥ 76,544</u>	<u>¥1,080,288</u>	<u>¥ 9,915</u>	<u>¥1,166,747</u>
Sales revenue . . . . .	¥207,592	¥2,461,301	¥ 5,119	¥2,674,012
Profit for the year . . . . .	14,176	82,927	773	97,876

	Yen (millions)			
	Motorcycle Business	Automobile Business	Power Product and Other Businesses	Total
<b>As of and for the year ended March 31, 2015</b>				
Current assets . . . . .	¥ 90,803	¥ 989,022	¥ 6,448	¥1,086,273
Non-current assets . . . . .	57,845	1,137,861	20,242	1,215,948
Total assets . . . . .	<u>148,648</u>	<u>2,126,883</u>	<u>26,690</u>	<u>2,302,221</u>
Current liabilities . . . . .	48,906	621,994	2,469	673,369
Non-current liabilities . . . . .	6,692	266,233	1,556	274,481
Total liabilities . . . . .	<u>55,598</u>	<u>888,227</u>	<u>4,025</u>	<u>947,850</u>
Total equity . . . . .	<u>¥ 93,050</u>	<u>¥1,238,656</u>	<u>¥22,665</u>	<u>¥1,354,371</u>
Sales revenue . . . . .	¥220,578	¥2,626,191	¥ 6,198	¥2,852,967
Profit for the year . . . . .	12,886	108,717	929	122,532

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

*(Joint ventures)*

	Yen (millions)			
	Motorcycle Business	Automobile Business	Power Product and Other Businesses	Total
<b>As of April 1, 2013</b>				
Current assets . . . . .	¥164,081	¥ 592,120	¥ 21	¥ 756,222
Non-current assets . . . . .	69,658	201,858	187	271,703
Total assets . . . . .	<u>233,739</u>	<u>793,978</u>	<u>208</u>	<u>1,027,925</u>
Current liabilities . . . . .	138,500	498,114	27	636,641
Non-current liabilities . . . . .	7,474	11,621	161	19,256
Total liabilities . . . . .	<u>145,974</u>	<u>509,735</u>	<u>188</u>	<u>655,897</u>
Total equity . . . . .	<u>¥ 87,765</u>	<u>¥ 284,243</u>	<u>¥ 20</u>	<u>¥ 372,028</u>

	Yen (millions)			
	Motorcycle Business	Automobile Business	Power Product and Other Businesses	Total
<b>As of and for the year ended March 31, 2014</b>				
Current assets . . . . .	¥187,861	¥ 796,894	¥ 21	¥ 984,776
Non-current assets . . . . .	86,021	234,287	186	320,494
Total assets . . . . .	<u>273,882</u>	<u>1,031,181</u>	<u>207</u>	<u>1,305,270</u>
Current liabilities . . . . .	160,779	682,072	27	842,878
Non-current liabilities . . . . .	7,929	13,803	159	21,891
Total liabilities . . . . .	<u>168,708</u>	<u>695,875</u>	<u>186</u>	<u>864,769</u>
Total equity . . . . .	<u>¥105,174</u>	<u>¥ 335,306</u>	<u>¥ 21</u>	<u>¥ 440,501</u>
Sales revenue . . . . .	¥682,447	¥2,171,805	¥ 19	¥2,854,271
Profit for the year . . . . .	53,152	176,270	1	229,423

	Yen (millions)			
	Motorcycle Business	Automobile Business	Power Product and Other Businesses	Total
<b>As of and for the year ended March 31, 2015</b>				
Current assets . . . . .	¥202,502	¥ 894,363	¥1,858	¥1,098,723
Non-current assets . . . . .	112,988	303,854	598	417,440
Total assets . . . . .	<u>315,490</u>	<u>1,198,217</u>	<u>2,456</u>	<u>1,516,163</u>
Current liabilities . . . . .	181,627	801,107	611	983,345
Non-current liabilities . . . . .	8,415	27,693	1,207	37,315
Total liabilities . . . . .	<u>190,042</u>	<u>828,800</u>	<u>1,818</u>	<u>1,020,660</u>
Total equity . . . . .	<u>¥125,448</u>	<u>¥ 369,417</u>	<u>¥ 638</u>	<u>¥ 495,503</u>
Sales revenue . . . . .	¥732,433	¥2,210,540	¥1,986	¥2,944,959
Profit for the year . . . . .	49,861	126,420	(55)	176,226



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

**(11) Equipment on Operating Leases**

The changes in cost, accumulated depreciation and impairment losses, and the carrying amounts of equipment on operating leases for the years ended March 31, 2014 and 2015 are as follows:

*(Cost)*

	<b>Yen (millions)</b>
	<b>Equipment on operating leases</b>
Balance as of April 1, 2013 .....	¥ 2,440,391
Additions .....	¥ 1,210,679
Sales or disposal .....	(897,849)
Exchange differences on translating foreign operations .....	214,868
Other .....	—
Balance as of March 31, 2014 .....	¥ 2,968,089
Additions .....	¥ 1,681,178
Sales or disposal .....	(1,040,535)
Exchange differences on translating foreign operations .....	449,649
Other .....	—
Balance as of March 31, 2015 .....	¥ 4,058,381

*(Accumulated depreciation and impairment losses)*

	<b>Yen (millions)</b>
	<b>Equipment on operating leases</b>
Balance as of April 1, 2013 .....	¥(437,038)
Depreciation .....	¥(381,839)
Sales or disposal .....	320,917
Exchange differences on translating foreign operations .....	(39,418)
Other .....	(3,304)
Balance as of March 31, 2014 .....	¥(540,682)
Depreciation .....	¥(481,535)
Sales or disposal .....	380,134
Exchange differences on translating foreign operations .....	(76,854)
Other .....	(4,077)
Balance as of March 31, 2015 .....	¥(723,014)

*(Carrying amount)*

	<b>Yen (millions)</b>
	<b>Equipment on operating leases</b>
Balance as of April 1, 2013 .....	¥2,003,353
Balance as of March 31, 2014 .....	2,427,407
Balance as of March 31, 2015 .....	3,335,367

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

*(Future minimum lease payments)*

Future minimum lease payments expected to be received under non-cancelable operating leases as of March 31, 2014 and 2015 consist of the following:

	Yen (millions)	
	2014	2015
Within 1 year . . . . .	¥416,085	¥ 568,425
Between 1 and 5 years . . . . .	441,105	659,634
Later than 5 years . . . . .	—	—
Total . . . . .	<u>¥857,190</u>	<u>¥1,228,059</u>

Future minimum lease payments expected to be received as shown above should not necessarily be considered indicative of future cash collections.

**(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, 2014 and 2015 are as follows:

*(Cost)*

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2013 . . . . .	¥509,942	¥1,738,151	¥3,857,503	¥ 298,685	¥6,404,281
Additions . . . . .	¥ 6,611	¥ 38,750	¥ 167,225	¥ 590,645	¥ 803,231
Reclassification . . . . .	13,458	166,167	429,966	(609,591)	—
Sales or disposal . . . . .	(2,756)	(21,008)	(190,176)	—	(213,940)
Exchange differences on translating foreign operations . . . . .	5,474	50,064	174,247	5,901	235,686
Other . . . . .	(1,694)	(2,434)	(26,044)	(7,785)	(37,957)
Balance as of March 31, 2014 . . . . .	<u>¥531,035</u>	<u>¥1,969,690</u>	<u>¥4,412,721</u>	<u>¥ 277,855</u>	<u>¥7,191,301</u>
Additions . . . . .	¥ 7,413	¥ 14,157	¥ 169,446	¥ 512,904	¥ 703,920
Reclassification . . . . .	7,976	85,340	360,032	(453,348)	—
Sales or disposal . . . . .	(5,134)	(26,709)	(254,436)	—	(286,279)
Exchange differences on translating foreign operations . . . . .	9,144	92,520	323,661	31,759	457,084
Other . . . . .	(24)	(379)	478	(4,740)	(4,665)
Balance as of March 31, 2015 . . . . .	<u>¥550,410</u>	<u>¥2,134,619</u>	<u>¥5,011,902</u>	<u>¥ 364,430</u>	<u>¥8,061,361</u>

**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, 2013 . . . . .	¥ (875)	¥ (985,058)	¥(2,980,177)	¥ (64)	¥(3,966,174)
Depreciation . . . . .	¥ —	¥ (58,725)	¥ (360,297)	¥ —	¥ (419,022)
Sales or disposal . . . . .	264	13,761	166,385	—	180,410
Impairment losses . . . . .	(707)	(2,539)	(11,000)	(543)	(14,789)
Exchange differences on translating foreign operations . . . . .	(57)	(28,378)	(133,975)	(35)	(162,445)
Other . . . . .	(1,670)	1,778	12,660	(507)	12,261
Balance as of March 31, 2014 . . . . .	¥ (3,045)	¥(1,059,161)	¥(3,306,404)	¥ (1,149)	¥(4,369,759)
Depreciation . . . . .	¥ —	¥ (64,337)	¥ (386,715)	¥ —	¥ (451,052)
Sales or disposal . . . . .	540	23,061	215,845	—	239,446
Impairment losses . . . . .	(1,339)	(5,050)	(5,873)	(1,372)	(13,634)
Exchange differences on translating foreign operations . . . . .	(152)	(42,651)	(235,214)	(5)	(278,022)
Other . . . . .	484	(1,523)	2,210	—	1,171
Balance as of March 31, 2015 . . . . .	¥ (3,512)	¥(1,149,661)	¥(3,716,151)	¥ (2,526)	¥(4,871,850)

*(Carrying amount)*

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2013 . . . . .	¥509,067	¥ 753,093	¥ 877,326	¥298,621	¥ 2,438,107
Balance as of March 31, 2014 . . . . .	527,990	910,529	1,106,317	276,706	2,821,542
Balance as of March 31, 2015 . . . . .	546,898	984,958	1,295,751	361,904	3,189,511

For commitments for purchases of property, plant and equipment, see note 28.

**(13) Intangible Assets**

The changes in cost, accumulated amortization and impairment losses, and carrying amounts of intangible assets for the years ended March 31, 2014 and 2015 are as follows:

*(Cost)*

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2013 . . . . .	¥ 832,466	¥213,453	¥43,062	¥1,088,981
Additions . . . . .	¥ —	¥ 26,913	¥ 3,166	¥ 30,079
Internally developed . . . . .	153,043	28,884	—	181,927
Sales or disposal . . . . .	(202,988)	(42,885)	(1,160)	(247,033)
Exchange differences on translating foreign operations . . . . .	—	10,723	3,108	13,831
Other . . . . .	652	12,528	(5,113)	8,067
Balance as of March 31, 2014 . . . . .	¥ 783,173	¥249,616	¥43,063	¥1,075,852

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

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Additions .....	¥ —	¥ 21,884	¥ 1,683	¥ 23,567
Internally developed .....	188,107	32,894	—	221,001
Sales or disposal .....	(105,539)	(3,686)	(618)	(109,843)
Exchange differences on translating foreign operations .....	77	13,666	2,339	16,082
Other .....	(1,216)	4,520	(7,220)	(3,916)
Balance as of March 31, 2015 .....	<u>¥ 864,602</u>	<u>¥ 318,894</u>	<u>¥ 39,247</u>	<u>¥ 1,222,743</u>

*(Accumulated amortization and impairment losses)*

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2013 .....	¥(335,369)	¥(131,863)	¥(14,612)	¥ (481,844)
Amortization .....	¥(125,717)	¥ (27,449)	¥ (1,972)	¥ (155,138)
Sales or disposal .....	202,988	40,119	323	243,430
Exchange differences on translating foreign operations .....	—	(8,231)	(859)	(9,090)
Other .....	(357)	(2,890)	(180)	(3,427)
Balance as of March 31, 2014 .....	<u>¥(258,455)</u>	<u>¥(130,314)</u>	<u>¥(17,300)</u>	<u>¥ (406,069)</u>
Amortization .....	¥(123,938)	¥ (35,009)	¥ (1,456)	¥ (160,403)
Sales or disposal .....	105,539	2,138	514	108,191
Exchange differences on translating foreign operations .....	—	(10,050)	(1,040)	(11,090)
Other .....	44	(249)	6,368	6,163
Balance as of March 31, 2015 .....	<u>¥(276,810)</u>	<u>¥(173,484)</u>	<u>¥(12,914)</u>	<u>¥ (463,208)</u>

*(Carrying amount)*

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2013 .....	¥ 497,097	¥ 81,590	¥ 28,450	¥ 607,137
Balance as of March 31, 2014 .....	524,718	119,302	25,763	669,783
Balance as of March 31, 2015 .....	587,792	145,410	26,333	759,535

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.

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

**(14) Trade Payables**

Trade payables are classified as financial liabilities measured at amortized cost.

Trade payables as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
Trade accounts and notes payable	¥ 812,435	¥ 905,455	¥ 999,586
Other	163,630	173,863	158,152
<b>Total</b>	<b>¥ 976,065</b>	<b>¥ 1,079,318</b>	<b>¥ 1,157,738</b>

**(15) Financing Liabilities**

Financing liabilities are classified as financial liabilities measured at amortized cost.

Financing liabilities presented in current liabilities as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
<b>Current:</b>			
Commercial paper	¥ 693,044	¥ 645,183	¥ 809,814
Loans	353,555	368,810	387,511
Medium-term notes	159,963	231,519	333,369
Asset-backed securities	37,448	60,877	54,780
Subtotal	¥1,244,010	¥ 1,306,389	¥ 1,585,474
Reclassification from non-current liabilities (Current portion)	¥ 942,438	¥ 1,316,047	¥ 1,248,089
<b>Total</b>	<b>¥2,186,448</b>	<b>¥ 2,622,436</b>	<b>¥ 2,833,563</b>

The weighted average interest rates for financing liabilities presented in current liabilities (excluding reclassification from non-current liabilities) as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	2013	2014	2015
Weighted average interest rate	0.86%	1.14%	0.77%

Financing liabilities presented in non-current liabilities as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	Yen (millions)		
	2013	2014	2015
<b>Non-current:</b>			
Loans	¥1,057,729	¥ 1,251,126	¥ 1,471,613
Medium-term notes	1,575,024	2,023,967	2,322,930
Corporate bonds	339,466	449,289	499,307
Asset-backed securities	681,020	816,177	880,515
Subtotal	¥3,653,239	¥ 4,540,559	¥ 5,174,365
Reclassification to current liabilities (Current portion)	¥ (942,438)	¥(1,316,047)	¥(1,248,089)
<b>Total</b>	<b>¥2,710,801</b>	<b>¥ 3,224,512</b>	<b>¥ 3,926,276</b>

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

The interest rate range and payment due date for financing liabilities presented in non-current liabilities (including reclassification to current liabilities) as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Loans . . . . .	Interest rate: 0.37% - 13.96% Due: 2013 - 2031	Interest rate: 0.45% - 12.50% Due: 2014 - 2031	Interest rate: 0.20% - 25.00% Due: 2015 - 2031
Medium-term notes . . .	Interest rate: 0.38% - 5.03% Due: 2013 - 2023	Interest rate: 0.22% - 7.63% Due: 2014 - 2023	Interest rate: 0.15% - 7.63% Due: 2015 - 2023
Corporate bonds . . . . .	Interest rate: 0.27% - 1.31% Due: 2013 - 2020	Interest rate: 0.25% - 1.05% Due: 2014 - 2021	Interest rate: 0.25% - 0.59% Due: 2015 - 2021
Asset-backed securities . . . . .	Interest rate: 0.20% - 1.98% Due: 2013 - 2016	Interest rate: 0.41% - 1.52% Due: 2014 - 2019	Interest rate: 0.33% - 1.46% Due: 2015 - 2020

*(Pledged assets)*

Pledged assets for financing liabilities as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	<u>Yen (millions)</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Trade receivables . . . . .	¥ 15,314	¥ 20,749	¥ 19,259
Receivables from financial services . . . . .	724,399	883,776	946,891
Inventories . . . . .	11,154	12,908	12,631
Property, plant and equipment . . . . .	10,989	65,559	76,009
Total . . . . .	<u>¥761,856</u>	<u>¥982,992</u>	<u>¥ 1,054,790</u>

Receivables from financial services 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.

**(16) Other Financial Liabilities**

Other financial liabilities as of April 1, 2013 and March 31, 2014 and 2015 consist of the following:

	<u>Yen (millions)</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Financial liabilities measured at amortized cost:			
Lease obligations . . . . .	¥ 45,082	¥ 91,920	¥ 82,099
Other . . . . .	39,738	34,904	41,235
Financial liabilities measured at fair value through profit or loss:			
Derivatives . . . . .	91,831	24,664	47,528
Total . . . . .	<u>¥176,651</u>	<u>¥151,488</u>	<u>¥ 170,862</u>
Current liabilities . . . . .	¥130,138	¥ 78,495	¥ 109,715
Non-current liabilities . . . . .	46,513	72,993	61,147
Total . . . . .	<u>¥176,651</u>	<u>¥151,488</u>	<u>¥ 170,862</u>

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

**(17) Provisions**

The components of and changes in provisions for the year ended March 31 2015 are as follows:

	Yen (millions)		
	Product warranties*	Other	Total
Balance as of March 31, 2014	¥ 274,231	¥ 51,247	¥ 325,478
Provision	¥ 295,035	¥ 19,958	¥ 314,993
Charge-offs	(156,787)	(12,557)	(169,344)
Reversal	(12,171)	(3,993)	(16,164)
Exchange differences on translating foreign operations	21,215	228	21,443
Other	—	536	536
Balance as of March 31, 2015	<u>¥ 421,523</u>	<u>¥ 55,419</u>	<u>¥ 476,942</u>

Current liabilities and non-current liabilities of provisions as of March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Current liabilities	¥185,375	¥294,281
Non-current liabilities	140,103	182,661
Total	<u>¥325,478</u>	<u>¥476,942</u>

Explanatory note:

\* Honda recognizes provisions for product warranties to cover future product warranty expenses. Honda recognizes costs for general warranties on products Honda sells and for specific warranty programs, including product recalls. Honda provides for general estimated warranty costs at the time products are sold to customers. Honda also provides for specific estimated warranty program costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. These provisions are estimated based on historical warranty claim experience with consideration given to the expected level of future warranty costs as well as current information on repair costs. Provision for product warranties are used for expenditures based on the demand from customers and dealers. Expected reimbursement related to product warranties from third party suppliers is ¥24,049 million as of March 31, 2015.

**(18) Employee Benefits**

*(a) Post-employment Benefits*

Honda has various pension plans covering substantially all of their employees in Japan and certain employees in foreign countries. The Company and its Japanese subsidiaries provide plans similar to a cash balance pension plans 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 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.

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

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements—(Continued)

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.

In September 2013, certain consolidated subsidiaries in North America amended their defined benefit pension plans, effective January 1, 2014, to reduce the benefits in future periods for their employees on and after January 1, 2014.

This plan amendment resulted in a reduction of the defined benefit obligation and recognition of the past service cost in a credit to profit or loss at the date of the plan amendment for the consolidated subsidiaries. Due to this plan amendment, Honda recognized ¥62,493 million of past service cost in a credit to profit or loss, of which ¥43,563 million is included in cost of sales and ¥18,930 million is included in selling, general and administrative expense in the consolidated statement of income for the year ended March 31, 2014. Defined benefit obligation and plan asset of defined benefit pension plan have also been remeasured.



**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, 2014 and 2015 are as follows:

	Yen (millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Balance at beginning of year	¥1,283,216	¥682,531	¥1,288,360	¥686,885
Current service cost	33,701	27,050	31,780	17,709
Past service cost	(5,275)	(58,758)	(8,377)	—
Interest cost	18,893	32,676	19,026	32,696
Plan participants' contributions	—	13	—	34
Remeasurements:				
Changes in demographic assumptions	(583)	2,244	(3,484)	21,002
Changes in financial assumptions	—	(23,234)	97,640	124,455
Other	5,771	338	956	4,041
Benefits paid	(47,363)	(39,280)	(50,446)	(32,836)
Exchange differences on translating foreign operations	—	63,305	—	93,444
Balance at end of year	<u>1,288,360</u>	<u>686,885</u>	<u>1,375,455</u>	<u>947,430</u>
Fair value of plan assets:				
Balance at beginning of year	918,518	541,453	1,012,039	654,631
Interest income	13,944	26,506	15,211	31,486
Actual return on plan assets, excluding interest income	57,360	40,988	111,270	32,612
Employer contributions	69,580	33,355	54,441	31,763
Plan participants' contributions	—	13	—	34
Benefits paid	(47,363)	(39,280)	(50,446)	(32,836)
Exchange differences on translating foreign operations	—	51,596	—	80,784
Balance at end of year	<u>1,012,039</u>	<u>654,631</u>	<u>1,142,515</u>	<u>798,474</u>
Effects of asset ceiling	—	8,495	—	—
Net defined benefit liabilities	<u>¥ 276,321</u>	<u>¥ 40,749</u>	<u>¥ 232,940</u>	<u>¥148,956</u>

*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.

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

The fair value of the Japanese and foreign pension plan assets by asset category as of April 1, 2013 and March 31, 2014 and 2015 is as follows:

**As of April 1, 2013**

	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 . . . . .	¥ 25,534	¥ —	¥ 25,534	¥ 6,156	¥ —	¥ 6,156
Equity securities:						
Japan . . . . .	32,848	—	32,848	9,326	—	9,326
United States . . . . .	133,190	—	133,190	88,044	—	88,044
Other . . . . .	146,726	263	146,989	59,740	—	59,740
Debt securities:						
Japan . . . . .	75,518	—	75,518	—	—	—
United States . . . . .	1,163	77,525	78,688	1,175	57,652	58,827
Other . . . . .	21,089	146,097	167,186	1,693	36,774	38,467
Group annuity insurance:						
General accounts . . . . .	—	21,042	21,042	—	—	—
Separate accounts . . . . .	—	10,773	10,773	—	—	—
Pooled funds:						
Real estate funds . . . . .	—	—	—	—	26,938	26,938
Private equity funds . . . . .	—	—	—	—	22,875	22,875
Hedge funds . . . . .	—	85,391	85,391	—	28,561	28,561
Commingled and other mutual funds . . . . .	2,033	136,832	138,865	309	186,852	187,161
Other . . . . .	81	2,413	2,494	742	14,616	15,358
Total . . . . .	<u>¥438,182</u>	<u>¥480,336</u>	<u>¥ 918,518</u>	<u>¥167,185</u>	<u>¥374,268</u>	<u>¥541,453</u>

**As of March 31, 2014**

	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 . . . . .	¥ 20,438	¥ —	¥ 20,438	¥ 6,568	¥ —	¥ 6,568
Equity securities:						
Japan . . . . .	28,770	—	28,770	10,365	—	10,365
United States . . . . .	156,827	—	156,827	118,106	—	118,106
Other . . . . .	164,004	256	164,260	72,417	3,513	75,930
Debt securities:						
Japan . . . . .	68,997	—	68,997	—	—	—
United States . . . . .	3,179	83,833	87,012	1,977	66,954	68,931
Other . . . . .	192,279	25,573	217,852	2,193	48,962	51,155
Group annuity insurance:						
General accounts . . . . .	—	23,688	23,688	—	—	—
Separate accounts . . . . .	—	11,625	11,625	—	—	—
Pooled funds:						
Real estate funds . . . . .	—	—	—	—	35,775	35,775
Private equity funds . . . . .	—	—	—	—	33,076	33,076
Hedge funds . . . . .	—	95,860	95,860	—	35,615	35,615
Commingled and other mutual funds . . . . .	1,559	138,364	139,923	—	200,912	200,912
Other . . . . .	16	(3,229)	(3,213)	(238)	18,436	18,198
Total . . . . .	<u>¥636,069</u>	<u>¥375,970</u>	<u>¥1,012,039</u>	<u>¥211,388</u>	<u>¥443,243</u>	<u>¥654,631</u>

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

As of March 31, 2015

	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 . . .	¥ 11,449	¥ —	¥ 11,449	¥ 5,297	¥ —	¥ 5,297
Equity securities:						
Japan . . . . .	33,962	—	33,962	17,972	—	17,972
United States . . . . .	184,908	—	184,908	104,415	—	104,415
Other . . . . .	214,834	1,096	215,930	105,665	4,256	109,921
Debt securities:						
Japan . . . . .	73,232	—	73,232	—	77	77
United States . . . . .	3,507	113,318	116,825	—	110,604	110,604
Other . . . . .	212,424	13,578	226,002	—	61,802	61,802
Group annuity insurance:						
General accounts . . . . .	—	25,044	25,044	—	—	—
Separate accounts . . . . .	—	14,053	14,053	—	—	—
Pooled funds:						
Real estate funds . . . . .	—	—	—	—	42,889	42,889
Private equity funds . . . . .	—	—	—	—	50,730	50,730
Hedge funds . . . . .	—	117,356	117,356	—	42,010	42,010
Commingled and other mutual funds . . . . .	1,388	112,383	113,771	5,834	229,433	235,267
Other . . . . .	(13)	9,996	9,983	836	16,654	17,490
Total . . . . .	<u>¥735,691</u>	<u>¥406,824</u>	<u>¥1,142,515</u>	<u>¥240,019</u>	<u>¥558,455</u>	<u>¥798,474</u>

3) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	2013		2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate . . . . .	1.5%	4.5 - 4.7%	1.5%	4.6 - 4.7%	1.0%	3.4 - 3.9%
Rate of salary increase . . . . .	2.2%	2.5 - 4.1%	2.2%	2.5 - 3.9%	2.1%	2.5 - 3.6%

4) Sensitivity analysis

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate as of March 31, 2014 and 2015 are as follows:

	Yen (millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease . . . . .	¥100,777 increase	¥ 70,825 increase	¥110,012 increase	¥ 99,873 increase
0.5% increase . . . . .	¥ 89,656 decrease	¥60,832 decrease	¥ 97,640 decrease	¥85,980 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, 2014 and 2015, as a result of changes in actuarial assumptions that the Company can reasonably assume. This analysis is based on provisional calculations, and thus actual results may differ from the analysis. In addition, changes in the rate of salary increase are not expected.

*5) Cash flows*

The amount of contributions to plan assets made by the Company and certain of its consolidated subsidiaries are determined based on various factors such as the level of salary and service years of employees, status of plan asset reserve, and actuarial calculations. In accordance with the provisions of the Defined Benefit Corporate Pension Act, the Honda Pension Fund also recalculates the amount of contributions every five years at the end of the reporting period as a base date, in an effort to ensure balanced finances in the future. The Company and certain of its consolidated subsidiaries may make contributions of a necessary amount if the amount of reserve falls below the minimum base amount.

The Company and certain of its consolidated subsidiaries expect to contribute ¥54,292 million to its Japanese pension plans and ¥22,889 million to its foreign pension plans in the year ending March 31, 2016.

The weighted average duration of defined benefit obligations as of March 31, 2014 and 2015 are as follows:

	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Weighted average duration of defined benefit obligations .....	15 years	19 years	15 years	19 years

Certain of the Company's subsidiaries in North America provide mainly health care and life insurance benefits to retired employees. Such benefits have no material effect on Honda's financial position and result of operations.

*(b) Personnel Expenses*

Personnel expenses included in the consolidated statements of income for the years ended March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Personnel expenses .....	¥1,310,624	¥1,451,506

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.

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

Financing liabilities and equity of Honda as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Financing liabilities . . . . .	¥4,897,249	¥5,846,948	¥6,759,839
Equity . . . . .	5,728,305	6,558,928	7,382,821

*(b) Common Stock*

The Company's total number of shares authorized and issued for the years ended March 31, 2014 and 2015 are as follows:

	Shares	
	2014	2015
Total number of authorized shares		
Balance at end of year		
Common shares, no par value . . . . .	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
Changes during the year . . . . .	—	—
Balance at end of year . . . . .	1,811,428,430	1,811,428,430

All of the issued shares as of April 1, 2013 and March 31, 2014 and 2015 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 April 1, 2013 and March 31, 2014 and 2015 is as follows:

	Shares		
	2013	2014	2015
Common shares . . . . .	9,131,140	9,137,234	9,141,504

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

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.

*(e) Other Components of Equity*

The changes in the components of accumulated other components of equity for the years ended March 31, 2014 and 2015 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, 2013 . . . .	¥ —	¥42,017	¥ —	¥ 42,017
Adjustment during the year . . . . .	¥ 87,923	¥16,126	¥215,954	¥320,003
Reclassification to retained earnings . . . . .	(87,923)	(738)	—	(88,661)
Balance as of March 31, 2014 . .	¥ —	¥57,405	¥215,954	¥273,359
Adjustment during the year . . . . .	¥(101,467)	¥24,906	¥498,835	¥422,274
Reclassification to retained earnings . . . . .	101,467	(3,066)	—	98,401
Balance as of March 31, 2015 . .	¥ —	¥79,245	¥714,789	¥794,034

**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, 2014 and 2015 are as follows:

**For the year ended March 31, 2014**

	Yen (millions)		
	<u>Before-tax</u>	<u>Tax benefit (expense)</u>	<u>Net-of-tax</u>
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year . . . . .	¥127,331	¥(44,039)	¥ 83,292
Net changes . . . . .	<u>127,331</u>	<u>(44,039)</u>	<u>83,292</u>
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year . . . . .	20,586	(7,005)	13,581
Net changes . . . . .	<u>20,586</u>	<u>(7,005)</u>	<u>13,581</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year . . . . .	6,845	10	6,855
Net changes . . . . .	<u>6,845</u>	<u>10</u>	<u>6,855</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Amount incurred during the year . . . . .	194,166	(249)	193,917
Reclassification to profit or loss . . . . .	(657)	249	(408)
Net changes . . . . .	<u>193,509</u>	<u>—</u>	<u>193,509</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year . . . . .	28,013	(953)	27,060
Reclassification to profit or loss . . . . .	(1)	—	(1)
Net changes . . . . .	<u>28,012</u>	<u>(953)</u>	<u>27,059</u>
Total other comprehensive income . . . . .	<u>¥376,283</u>	<u>¥(51,987)</u>	<u>¥324,296</u>

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

**For the year ended March 31, 2015**

	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	¥(130,187)	¥28,901	¥(101,286)
Net changes	(130,187)	28,901	(101,286)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	32,369	(8,362)	24,007
Net changes	32,369	(8,362)	24,007
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(428)	(286)	(714)
Net changes	(428)	(286)	(714)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Amount incurred during the year	465,719	(1)	465,718
Reclassification to profit or loss	57	1	58
Net changes	465,776	—	465,776
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	59,859	(2,503)	57,356
Reclassification to profit or loss	—	—	—
Net changes	59,859	(2,503)	57,356
Total other comprehensive income	¥ 427,389	¥17,750	¥ 445,139

The components of other comprehensive income included in non-controlling interests for the years ended March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Remeasurements of defined benefit plans	¥ (356)	¥ (1,485)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	35	53
Exchange differences on translating foreign operations	4,614	24,297
Total	¥4,293	¥22,865

*(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



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

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, 2014 and 2015 are as follows:

*1) Dividend payout*

**For the year ended March 31, 2014**

Resolution	The Ordinary General Meeting of Shareholders on June 19, 2013
Type of shares	Common shares
Total amount of dividends (millions of yen)	34,243
Dividend per share (yen)	19.00
Record date	March 31, 2013
Effective date	June 20, 2013
Resolution	The Board of Directors Meeting on July 31, 2013
Type of shares	Common shares
Total amount of dividends (millions of yen)	36,045
Dividend per share (yen)	20.00
Record date	June 30, 2013
Effective date	August 26, 2013
Resolution	The Board of Directors Meeting on October 30, 2013
Type of shares	Common shares
Total amount of dividends (millions of yen)	36,045
Dividend per share (yen)	20.00
Record date	September 30, 2013
Effective date	November 28, 2013
Resolution	The Board of Directors Meeting on January 31, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	36,045
Dividend per share (yen)	20.00
Record date	December 31, 2013
Effective date	February 27, 2014

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

**For the year ended March 31, 2015**

Resolution	The Ordinary General Meeting of Shareholders on June 13, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	March 31, 2014
Effective date	June 16, 2014
Resolution	The Board of Directors Meeting on July 29, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	June 30, 2014
Effective date	August 25, 2014
Resolution	The Board of Directors Meeting on October 28, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	September 30, 2014
Effective date	November 28, 2014
Resolution	The Board of Directors Meeting on January 30, 2015
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	December 31, 2014
Effective date	February 26, 2015

*2) Dividends payable of which record date was in the year ended March 31, 2015, effective after the period*

Resolution	The Ordinary General Meeting of Shareholders on June 17, 2015
Type of shares	Common shares
Resource for dividend	Retained earnings
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	March 31, 2015
Effective date	June 18, 2015

**(20) Sales Revenue**

Sales revenue for the years ended March 31, 2014 and 2015 consists of the following:

	Yen (millions)	
	2014	2015
Sales of products .....	¥11,774,759	¥12,465,112
Revenue from financial services .....	731,332	862,987
Total .....	<u>¥12,506,091</u>	<u>¥13,328,099</u>

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

**(21) Research and Development**

Research and development costs for the years ended March 31, 2014 and 2015 consist of the following:

	Yen (millions)	
	2014	2015
Research and development expenditures incurred during the reporting period . . . . .	¥ 625,698	¥ 670,331
Amount capitalized . . . . .	(153,043)	(188,107)
Amortization of capitalized development costs . . . . .	125,717	123,938
Total . . . . .	¥ 598,372	¥ 606,162

**(22) Finance Income and Finance Costs**

Finance income and finance costs for the years ended March 31, 2014 and 2015 consist of the following:

	Yen (millions)	
	2014	2015
Interest income:		
Financial assets measured at amortized cost . . . . .	¥ 23,684	¥ 26,024
Financial assets measured at fair value through profit or loss . . . . .	388	1,013
Total . . . . .	24,072	27,037
Interest expense:		
Financial liabilities measured at amortized cost . . . . .	(12,803)	(18,194)
Other, net:		
Dividends received:		
Financial assets measured at fair value through other comprehensive income . . .	3,960	3,417
Financial assets measured at fair value through profit or loss . . . . .	45	86
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss . . . . .	(34,225)	(48,323)
Gains (losses) on foreign exchange . . . . .	(9,297)	75,413
Other . . . . .	7,371	101
Total . . . . .	(32,146)	30,694
Total . . . . .	¥(20,877)	¥ 39,537

**(23) Income Taxes**

*(a) Income Tax Expense*

Profit before income taxes and income tax expense for the years ended March 31, 2014 and 2015 consist of the following:

	Yen (millions)					
	2014			2015		
	Japan	Foreign	Total	Japan	Foreign	Total
Profit before income taxes . . . . .	¥274,255	¥659,648	¥933,903	¥216,757	¥589,480	¥806,237
Income tax expense:						
Current taxes . . . . .	(3,251)	210,774	207,523	13,022	173,702	186,724
Deferred taxes . . . . .	54,266	6,203	60,469	30,490	27,925	58,415
Total . . . . .	¥ 51,015	¥216,977	¥267,992	¥ 43,512	¥201,627	¥245,139

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

The statutory income tax rate in Japan for the years ended March 31, 2014 and 2015 was 37.9% and 35.1%, respectively. The foreign subsidiaries are subject to taxes based on income at rates ranging from 16.0% to 38.0%.

The Japanese statutory income tax rate for the years ended March 31, 2014 and 2015 differs from the average effective tax rate for the following reasons:

	<u>2014</u>	<u>2015</u>
Statutory income tax rate*1	37.9%	35.1%
Difference in statutory income tax rates of foreign subsidiaries	(6.4)	(2.6)
Effects of investments accounted for using the equity method	(5.3)	(4.2)
Effects of undistributed earnings	5.1	3.1
Changes in unrecognized deferred tax assets	0.4	3.0
Effects of income and expense not taxable and deductible for tax purpose	(0.1)	0.8
Effects of tax credit	(1.4)	(5.6)
Other adjustments relating to prior years	0.4	(0.4)
Adjustments for the uncertain tax positions on income taxes*2	(3.2)	0.2
Adjustments for the changes in income tax laws	0.4	(0.1)
Other	<u>0.9</u>	<u>1.1</u>
Average effective tax rate	<u>28.7%</u>	<u>30.4%</u>

Explanatory notes:

- \*1 On March 20, 2014, the National Diet of Japan approved amendments to existing income tax laws and the Special Reconstruction Corporation Tax imposed on companies was abolished for fiscal years beginning on or after April 1, 2014. Upon the change in the laws, the statutory income tax rate in Japan for fiscal years beginning on or after April 1, 2014 was changed to approximately 35%. On March 31, 2015, 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 was changed to approximately 33% for fiscal years beginning on or after April 1, 2015 and will be changed to approximately 32% for fiscal years beginning on or after April 1, 2016.
- \*2 Due to the Company's remeasurement based on technical merits regarding transfer pricing matters of overseas transactions between the Company and foreign joint ventures, the Company decreased a liability relating to a portion of uncertain tax positions for the year ended March 31, 2014.

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*(b) Deferred Tax Assets and Deferred Tax Liabilities*

The components by major factor in deferred tax assets and deferred tax liabilities as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Deferred tax assets:			
Inventories . . . . .	¥ 72,923	¥ 61,844	¥ 79,645
Accrued expenses . . . . .	71,204	71,392	77,419
Provisions . . . . .	82,557	100,784	144,899
Property, plant and equipment . . . . .	47,652	47,132	40,587
Intangible assets . . . . .	23,751	21,772	23,159
Retirement benefit liabilities . . . . .	215,812	146,569	178,962
Carryforward of unused tax losses . . . . .	94,128	60,795	41,216
Carryforward of unused tax credit . . . . .	14,887	28,213	33,297
Other . . . . .	97,257	111,058	118,043
Total . . . . .	<u>¥ 720,171</u>	<u>¥ 649,559</u>	<u>¥ 737,227</u>
Deferred tax liabilities:			
Property, plant and equipment . . . . .	¥ 69,506	¥ 76,793	¥ 94,407
Intangible assets . . . . .	188,655	190,355	192,540
Other financial assets . . . . .	28,892	35,849	43,484
Finance leases . . . . .	25,185	27,039	29,131
Operating leases . . . . .	623,535	695,507	867,718
Undistributed earnings . . . . .	29,281	33,641	46,688
Other . . . . .	63,665	57,525	69,600
Total . . . . .	<u>¥1,028,719</u>	<u>¥1,116,709</u>	<u>¥1,343,568</u>
Net deferred tax assets (liabilities) . . . . .	<u>¥ (308,548)</u>	<u>¥ (467,150)</u>	<u>¥ (606,341)</u>

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, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Inventories . . . . .	¥ 11,186	¥(17,791)
Provisions . . . . .	(14,593)	(35,054)
Property, plant and equipment . . . . .	2,939	13,800
Retirement benefit liabilities . . . . .	32,393	8,075
Operating leases . . . . .	12,823	50,899
Undistributed earnings . . . . .	1,628	9,632
Carryforward of unused tax losses . . . . .	34,455	22,150
Carryforward of unused tax credit . . . . .	(12,427)	(3,311)
Other . . . . .	(7,935)	10,015
Total . . . . .	<u>¥ 60,469</u>	<u>¥ 58,415</u>

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

**HONDA MOTOR CO., LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements—(Continued)**

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 April 1, 2013 and March 31, 2014 and 2015. 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.

Deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit for which deferred tax assets are not recognized as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Deductible temporary differences . . . . .	¥153,246	¥213,329	¥281,560
Carryforward of unused tax losses . . . . .	155,499	171,048	199,204
Carryforward of unused tax credit . . . . .	3,728	4,478	24,632

The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Within 1 year . . . . .	¥ —	¥ —	¥ —
Between 1 and 5 years . . . . .	170	2,925	25,571
Between 5 and 20 years . . . . .	59,152	59,697	56,609
Indefinite periods . . . . .	96,177	108,426	117,024
Total . . . . .	¥155,499	¥171,048	¥199,204

The components by expiry of the carryforward of unused tax credits for which deferred tax assets are not recognized as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Within 1 year . . . . .	¥ —	¥ —	¥ —
Between 1 and 5 years . . . . .	—	—	15,242
Between 5 and 20 years . . . . .	3,728	4,478	9,390
Indefinite periods . . . . .	—	—	—
Total . . . . .	¥ 3,728	¥ 4,478	¥ 24,632

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 April 1, 2013 and March 31, 2014 and 2015 are ¥3,062,847 million, ¥3,619,309 million and ¥4,164,009 million, respectively.

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**Notes to Consolidated Financial Statements—(Continued)**

**(24) Earnings Per Share**

Earnings per share attributable to owners of the parent for the years ended March 31, 2014 and 2015 are calculated based on the following information. There were no potentially dilutive common shares outstanding for the years ended March 31, 2014 and 2015.

		2014		2015
Profit for the year attributable to owners of the parent (millions of yen) . . . . .	¥	624,703	¥	509,435
Weighted average number of common shares outstanding, basic (shares) . . . . .		1,802,294,383		1,802,289,321
Basic earnings per share attributable to owners of the parent (yen) . . . . .	¥	346.62	¥	282.66

**(25) Financial Risk Management**

*(a) Risk Management*

Honda has manufacturing operations throughout the world and sells products and components to various countries. In the course of these activities, Honda holds trade receivables arising from business activities, receivables from financial services, trade payables and financing liabilities, and is thus exposed to market risk, credit risk and liquidity risk associated with the holding of such financial instruments.

These risks are evaluated by Honda through periodic monitoring.

*(b) Market Risk*

Honda is exposed to the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in foreign currency exchange rates and interest rates.

Honda uses derivatives that consist mainly of foreign currency forward exchange contracts, foreign currency option contracts, currency swap agreements and interest rate swap agreements to reduce primarily the risk that future cash flows of a financial instrument fluctuates because of changes in foreign currency exchange rates and interest rates.

Derivatives are used within the scope of actual demand, in accordance with risk management policies. In addition, Honda does not hold any derivatives for trading purpose.

*1) Foreign currency exchange rate risk*

Honda has manufacturing operations throughout the world and exports products and components to various countries. Honda purchases materials and components and sells its products and components in foreign currencies. Therefore, currency fluctuations may affect Honda's profit and the value of the financial instruments it holds.

Foreign currency forward exchange contracts and purchased option contracts are used to hedge currency risk of sale commitments 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, 2014 and 2015 is as follows.

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**Notes to Consolidated Financial Statements—(Continued)**

The following scenario demonstrates the impact of a 1% appreciation of the Japanese yen against the U.S. dollar on profit before income taxes, holding all variables other than the foreign currency exchange rate constant.

	<b>Yen (millions)</b>	
	<b>2014</b>	<b>2015</b>
Impact on profit before income taxes . . . . .	¥(565)	¥(895)

*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, 2014 and 2015 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.

	<b>Yen (millions)</b>	
	<b>2014</b>	<b>2015</b>
Impact on profit before income taxes . . . . .	¥5,381	¥3,781

*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 rates 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.



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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.

At the finance subsidiaries of the Company in North America, consumer finance receivables are charged off when they become 120 days past due or earlier if they have been specifically identified as uncollectible. Dealer finance receivables are charged off when they have been individually identified as uncollectible. At the finance subsidiaries of the Company in other areas except for North America, finance receivables are charged off when they have been identified as substantially uncollectible according to the internal standards of each subsidiary.

*1) Aging analysis of receivables from financial services*

At the finance subsidiaries of the Company in North America, consumer finance receivables are considered delinquent if more than 10% of a monthly scheduled payment is contractually past due on a cumulative basis. Dealer finance receivables are considered delinquent when any principal payments are past due. At the finance subsidiaries of the Company in other areas except for North America, finance receivables are considered delinquent when any principal payments are past due.

The analysis of the age of receivables from financial services that are past due as of April 1, 2013 and March 31, 2014 and 2015 is as follows:

	Yen (millions)				
	Less than 30 days past due	30-59 days past due	60-89 days past due	90 days and greater past due	Total
<b>As of April 1, 2013</b>					
Consumer finance receivables:					
Retail . . . . .	¥160,696	¥19,232	¥2,912	¥4,122	¥186,962
Finance lease . . . . .	2,509	966	161	1,644	5,280
Dealer finance receivables:					
Wholesale . . . . .	10,511	205	67	311	11,094
Total . . . . .	<u>¥173,716</u>	<u>¥20,403</u>	<u>¥3,140</u>	<u>¥6,077</u>	<u>¥203,336</u>

	Yen (millions)				
	Less than 30 days past due	30-59 days past due	60-89 days past due	90 days and greater past due	Total
<b>As of March 31, 2014</b>					
Consumer finance receivables:					
Retail . . . . .	¥168,456	¥22,611	¥3,281	¥4,359	¥198,707
Finance lease . . . . .	3,251	1,106	214	384	4,955
Dealer finance receivables:					
Wholesale . . . . .	13,854	76	250	784	14,964
Total . . . . .	<u>¥185,561</u>	<u>¥23,793</u>	<u>¥3,745</u>	<u>¥5,527</u>	<u>¥218,626</u>

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<u>As of March 31, 2015</u>	Yen (millions)				<u>Total</u>
	Less than 30 days past due	30-59 days past due	60-89 days past due	90 days and greater past due	
Consumer finance receivables:					
Retail . . . . .	¥182,205	¥26,100	¥3,717	¥4,433	¥216,455
Finance lease . . . . .	3,402	1,039	183	340	4,964
Dealer finance receivables:					
Wholesale . . . . .	17,776	61	39	236	18,112
Total . . . . .	¥203,383	¥27,200	¥3,939	¥5,009	¥239,531

*2) Credit quality indicators*

The collection experience of consumer finance receivables provides an indication of the credit quality of consumer finance receivables. The likelihood of accounts being charged off becomes significantly higher once an account becomes 60 days delinquent. Accordingly, the finance subsidiaries of the Company classify their portfolios of consumer finance receivables into groups the finance subsidiaries of the Company consider to be performing and nonperforming. Accounts that are delinquent for 60 days or greater are included in the nonperforming group and all other accounts are considered to be performing.

A credit quality indicator for dealer finance receivables is the internal risk ratings for the dealerships. 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.

*3) Maximum exposure to credit risk*

The maximum exposure to credit risk at the end of each reporting period, with the exception of the guarantees stated in note 28 is the carrying amount of Honda's financial assets.

*(d) Liquidity Risk*

Honda raises funds by commercial paper, bank loans, medium-term notes, corporate bonds and securitization of finance receivables. 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 and bank loans. Honda funds financial programs for customers and dealers primarily from commercial paper, bank loans, medium-term notes, corporate bonds and securitization of finance receivables.

The unused portions of the credit facility of Honda's commercial paper and medium-term note programs as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Commercial paper . . . . .	¥ 518,334	¥ 727,803	¥ 730,641
Medium-term notes . . . . .	1,761,213	1,991,166	2,320,077
Total . . . . .	¥2,279,547	¥2,718,969	¥3,050,718

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**Notes to Consolidated Financial Statements—(Continued)**

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 April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	2013	2014	2015
Commercial paper programs .....	¥805,610	¥ 965,066	¥1,166,509
Other .....	8,451	59,208	63,151
Total .....	<u>¥814,061</u>	<u>¥1,024,274</u>	<u>¥1,229,660</u>

Borrowings under those committed lines of credit generally are available at the prime interest rate.

*Maturity analysis of financial liabilities*

*1) Non-derivative financial liabilities*

Non-derivative financial liabilities by maturity as of March 31, 2014 and 2015 are as follows:

<u>As of March 31, 2014</u>	Yen (millions)				<u>Total contractual cash flows</u>
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Trade payables .....	¥1,079,318	¥1,079,318	¥ —	¥ —	¥1,079,318
Financing liabilities .....	5,846,948	2,699,106	3,059,875	305,330	6,064,311
Accrued expenses .....	356,466	356,466	—	—	356,466
Other financial liabilities .....	126,824	72,026	43,967	13,620	129,613
Total .....	<u>¥7,409,556</u>	<u>¥4,206,916</u>	<u>¥3,103,842</u>	<u>¥318,950</u>	<u>¥7,629,708</u>

<u>As of March 31, 2015</u>	Yen (millions)				<u>Total contractual cash flows</u>
	<u>Carrying amount</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Trade payables .....	¥1,157,738	¥1,157,738	¥ —	¥ —	¥1,157,738
Financing liabilities .....	6,759,839	2,910,762	3,906,753	171,118	6,988,633
Accrued expenses .....	377,372	377,372	—	—	377,372
Other financial liabilities .....	123,334	68,198	41,926	15,154	125,278
Total .....	<u>¥8,418,283</u>	<u>¥4,514,070</u>	<u>¥3,948,679</u>	<u>¥186,272</u>	<u>¥8,649,021</u>

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**Notes to Consolidated Financial Statements—(Continued)**

2) *Derivative financial liabilities*

Derivative financial liabilities by maturity as of March 31, 2014 and 2015 are as follows:

<u>As of March 31, 2014</u>	<u>Yen (millions)</u>			<u>Total contractual cash flows</u>
	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Derivative financial liabilities . . . . .	¥14,857	¥ 9,594	¥2,208	¥26,659

  

<u>As of March 31, 2015</u>	<u>Yen (millions)</u>			<u>Total contractual cash flows</u>
	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	
Derivative financial liabilities . . . . .	¥29,581	¥26,547	¥ 1	¥56,129

**(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.

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**Notes to Consolidated Financial Statements—(Continued)**

*(Debt securities)*

Debt securities consist mainly of mutual funds, corporate bonds, local bonds and auction rate securities.

The fair value of mutual funds with an active market is measured by using quoted market prices. Fair value measurement for mutual funds with an active market is classified as Level 1.

The fair values of corporate bonds and local bonds are measured based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair value measurements for corporate bonds and local bonds are classified as Level 2.

The subsidiary's auction rate securities are AAA rated and are insured by qualified guarantee agencies, and reinsured by the Secretary of Education and 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 the comparable company valuation method and other appropriate valuation methods. Fair value measurement for equity securities with no active market is classified as Level 3.

Price book-value ratio (PBR) of a comparable company are used as a significant unobservable input in the fair value measurement of equity securities classified as Level 3. The fair value increases (decreases) as 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 a valuator.

*(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 LIBOR rates, swap rates, and foreign exchange rates. Fair value measurements for these derivatives are classified as Level 2.

The credit risk of the counterparties is considered in the valuation of derivatives.

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**Notes to Consolidated Financial Statements—(Continued)**

*(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.

*(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 April 1, 2013 and March 31, 2014 and 2015 consist of the following:

As of April 1, 2013	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 . . . . .	¥ —	¥ 5,100	¥ —	¥ 5,100
Interest rate instruments . . . . .	—	32,152	—	32,152
Total . . . . .	—	37,252	—	37,252
Debt securities . . . . .	584	4,227	6,928	11,739
Financial assets measured at fair value through other comprehensive income:				
Equity securities . . . . .	117,230	—	14,259	131,489
Total . . . . .	¥117,814	¥41,479	¥21,187	¥180,480
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments . . . . .	¥ —	¥77,192	¥ —	¥ 77,192
Interest rate instruments . . . . .	—	14,639	—	14,639
Total . . . . .	—	91,831	—	91,831
Total . . . . .	¥ —	¥91,831	¥ —	¥ 91,831

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**Notes to Consolidated Financial Statements—(Continued)**

<u>As of March 31, 2014</u>	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 . . . . .	¥ —	¥10,464	¥ —	¥ 10,464
Interest rate instruments . . . . .	—	19,814	—	19,814
Total . . . . .	—	30,278	—	30,278
Debt securities . . . . .	5,146	35,080	6,999	47,225
Financial assets measured at fair value through other comprehensive income:				
Equity securities . . . . .	140,165	—	13,156	153,321
Total . . . . .	¥145,311	¥65,358	¥20,155	¥230,824
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments . . . . .	¥ —	¥13,777	¥ —	¥ 13,777
Interest rate instruments . . . . .	—	10,887	—	10,887
Total . . . . .	—	24,664	—	24,664
Total . . . . .	¥ —	¥24,664	¥ —	¥ 24,664

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2014.

<u>As of March 31, 2015</u>	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 . . . . .	¥ —	¥ 6,199	¥ —	¥ 6,199
Interest rate instruments . . . . .	—	28,399	—	28,399
Total . . . . .	—	34,598	—	34,598
Debt securities . . . . .	17,665	33,481	8,172	59,318
Financial assets measured at fair value through other comprehensive income:				
Equity securities . . . . .	170,641	—	14,242	184,883
Total . . . . .	¥188,306	¥68,079	¥22,414	¥278,799
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments . . . . .	¥ —	¥33,429	¥ —	¥ 33,429
Interest rate instruments . . . . .	—	14,099	—	14,099
Total . . . . .	—	47,528	—	47,528
Total . . . . .	¥ —	¥47,528	¥ —	¥ 47,528

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

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2015.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2014 and 2015 are as follows:

	<u>Yen (millions)</u>	
	<u>Debt securities</u>	<u>Equity securities</u>
<b>For the year ended March 31, 2014</b>		
Balance as of April 1, 2013 .....	¥6,928	¥14,259
Total gains or losses:		
Profit or loss .....	202	—
Other comprehensive income .....	—	(205)
Purchases .....	—	452
Sales .....	(790)	(1,692)
Exchange differences on translating foreign operations .....	659	342
Balance as of March 31, 2014 .....	<u>¥6,999</u>	<u>¥13,156</u>
Unrealized gains or losses included in profit or loss on assets held at March 31, 2014 .....	¥ 103	¥ —
	<u>Yen (millions)</u>	
	<u>Debt securities</u>	<u>Equity securities</u>
<b>For the year ended March 31, 2015</b>		
Balance as of April 1, 2014 .....	¥6,999	¥13,156
Total gains or losses:		
Profit or loss .....	16	—
Other comprehensive income .....	—	2,333
Purchases .....	—	1
Sales .....	—	(1,353)
Exchange differences on translating foreign operations .....	1,157	105
Balance as of March 31, 2015 .....	<u>¥8,172</u>	<u>¥14,242</u>
Unrealized gains or losses included in profit or loss on assets held at March 31, 2015 .....	¥ 16	¥ —

Explanatory notes:

1. Gains or losses included in profit or loss for the years ended March 31, 2014 and 2015 are included in other, net in finance income and finance costs of the consolidated statements of income.
2. Gains or losses included in other comprehensive income for the years ended March 31, 2014 and 2015 are included in net changes in revaluation of financial assets measured at fair value through other comprehensive income of the consolidated statements of comprehensive income.



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

*(d) Financial Assets and Financial Liabilities measured at amortized cost*

The carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost as of April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)					
	2013		2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from financial services . . . . .	¥4,559,385	¥4,607,236	¥5,351,222	¥5,386,721	¥5,683,605	¥5,714,504
Debt securities . . . . .	16,850	16,895	34,719	34,736	18,231	18,235
Financing liabilities . . . . .	4,897,249	4,969,912	5,846,948	5,907,872	6,759,839	6,825,427

The table does not include financial assets and financial liabilities measured at amortized cost whose fair values approximate their carrying amounts.

**(27) Offsetting of Financial Assets and Financial Liabilities**

The offsetting information regarding financial assets and financial liabilities as of April 1, 2013 and March 31, 2014 and 2015 is as follows:

	Yen (millions)				
	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement	Net Amounts
<b>As of April 1, 2013</b>					
Other financial assets					
Derivatives . . . . .	¥37,252	¥—	¥37,252	¥(18,071)	¥19,181
Other financial liabilities					
Derivatives . . . . .	91,831	—	91,831	(18,071)	73,760

	Yen (millions)				
	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement	Net Amounts
<b>As of March 31, 2014</b>					
Other financial assets					
Derivatives . . . . .	¥30,278	¥—	¥30,278	¥(10,804)	¥19,474
Other financial liabilities					
Derivatives . . . . .	24,664	—	24,664	(10,804)	13,860

	Yen (millions)				
	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement	Net Amounts
<b>As of March 31, 2015</b>					
Other financial assets					
Derivatives . . . . .	¥34,598	¥—	¥34,598	¥(11,603)	¥22,995
Other financial liabilities					
Derivatives . . . . .	47,528	—	47,528	(11,603)	35,925

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

Generally, the set-off rights on financial instruments that do not meet the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfill its obligations due to bankruptcy and other reasons.

**(28) Commitments and Contingent Liabilities**

*(a) Commitments*

*1) Purchase commitments*

Commitments for purchases of property, plant and equipment and other commitments as of March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Commitments for purchases of property, plant and equipment and other commitments . . .	¥131,238	¥131,843

*2) Non-cancellable lease commitments*

Honda is the lessee under several operating leases, primarily for office and other facilities, and certain office equipment.

Future minimum lease payments under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Within 1 year . . . . .	¥ 17,475	¥ 21,178
Between 1 and 5 years . . . . .	38,033	40,912
Later than 5 years . . . . .	29,006	31,448
Total . . . . .	¥ 84,514	¥ 93,538

Lease payments under operating leases recognized as expenses for the years ended March 31, 2014 and 2015 are as follows:

	Yen (millions)	
	2014	2015
Lease payments under operating leases recognized as expenses . . . . .	¥ 33,681	¥ 37,163

*(b) Guarantees*

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 undiscounted maximum amount of payment for Honda's major guarantee obligations as of March 31, 2014 and 2015 is as follows:

	Yen (millions)	
	2014	2015
Loan commitments . . . . .	¥103,406	¥138,995
Guarantee of employee loans . . . . .	¥ 25,368	¥ 22,157

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

*1) Loan commitments*

Honda maintains 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.

*2) Guarantee of employee loans*

Honda guarantees 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, 2015, 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.

*(c) Claims and Lawsuits*

Honda is subject to potential liability under other 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.

*Loss related to airbag inflators*

Honda provides warranty programs with regard to the product recalls and SIC (Safety Improvement Campaign) related 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 product recalls arise, however, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report.

In North America, various class actions related to the above mentioned product recalls and SIC have been filed against Honda since October 2014. The plaintiffs have claimed for properly functioning airbag inflators, compensation of economic losses including for incurred costs and the decline in the value of vehicles, as well as punitive damages. Most of the cases in the United States were transferred to the United States District Court for the Southern District of Florida and consolidated into a multidistrict litigation.

Regarding the above matter, Honda did not recognize a provision for loss contingencies because the conditions for a provision have not been met as of the date of this report. Also, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report because there is uncertainty regarding the period when these lawsuits will be concluded.

**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 for liquidity and funding purposes and transfer finance receivables to the trust which is newly established to issue asset-backed securities. The finance subsidiaries of the Company are deemed to have the power to direct the activities of these trusts that most significantly impact the trusts’ economic performance, as they retain servicing rights in all securitizations, and manage delinquencies and defaults of the underlying receivables. Furthermore, the finance subsidiaries of the Company are deemed to have the obligation to absorb losses of these trusts that could potentially be significant to these trusts, as they would absorb the majority of the expected losses of these trusts by retaining certain subordinated interests of these trusts. Therefore, the Company is deemed to have substantial control over these trusts and has consolidated them, as structured entities over which it has control.

The creditors of these trusts 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 to these trusts.

There were no significant unconsolidated structured entities as of March 31, 2014 and 2015.

**(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 April 1, 2013 and March 31, 2014 and 2015 are as follows:

	Yen (millions)		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Receivables:			
Affiliates . . . . .	¥ 32,597	¥ 30,171	¥ 28,930
Joint ventures . . . . .	<u>137,647</u>	<u>181,914</u>	<u>198,818</u>
Total . . . . .	<u>¥170,244</u>	<u>¥212,085</u>	<u>¥227,748</u>
Payables:			
Affiliates . . . . .	¥ 95,907	¥124,546	¥125,195
Joint ventures . . . . .	<u>11,966</u>	<u>20,741</u>	<u>26,874</u>
Total . . . . .	<u>¥107,873</u>	<u>¥145,287</u>	<u>¥152,069</u>

**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, 2014 and 2015 are as follows:

	<u>Yen (millions)</u>	
	<u>2014</u>	<u>2015</u>
Sales revenue:		
Affiliates .....	¥ 150,832	¥ 142,029
Joint ventures .....	470,111	474,313
Total .....	<u>¥ 620,943</u>	<u>¥ 616,342</u>
Purchase:		
Affiliates .....	¥1,048,215	¥1,155,908
Joint ventures .....	118,973	133,774
Total .....	<u>¥1,167,188</u>	<u>¥1,289,682</u>

*(b) Compensation to Key Management*

Compensation paid to the directors of the Company for the years ended March 31, 2014 and 2015 are as follows:

	<u>Yen (millions)</u>	
	<u>2014</u>	<u>2015</u>
Remuneration .....	¥712	¥653
Bonus .....	283	252
Total .....	<u>¥995</u>	<u>¥905</u>

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

*(c) Major Consolidated Subsidiaries*

Major consolidated subsidiaries as of March 31, 2015 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 Engineering Co., Ltd. . . . .	Japan	Manufacturing and Sales of machine tools, equipment and production techniques	100.0
Yachiyo Industry Co., Ltd. . . . .	Japan	Manufacturing	50.5
Honda Finance Co., Ltd. . . . .	Japan	Finance	100.0
American Honda Motor Co., Inc. . . . .	U.S.A.	Sales	100.0
Honda Aero., Inc. . . . .	U.S.A.	Manufacturing	100.0
Honda North America, Inc. . . . .	U.S.A.	Coordination of Subsidiaries Operation	100.0
Honda of America Mfg., Inc. . . . .	U.S.A.	Manufacturing	100.0
American Honda Finance Corporation. . . . .	U.S.A.	Finance	100.0
Honda Manufacturing of Alabama, LLC . . . . .	U.S.A.	Manufacturing	100.0
Honda Manufacturing of Indiana, LLC . . . . .	U.S.A.	Manufacturing	100.0
Honda Transmission Mfg. of America, Inc. . . . .	U.S.A.	Manufacturing	100.0
Honda R&D Americas, Inc. . . . .	U.S.A.	Research & Development	100.0
Honda Canada Inc. . . . .	Canada	Manufacturing and Sales	100.0
Honda Canada Finance Inc. . . . .	Canada	Finance	100.0
Honda de Mexico, S.A. de C.V. . . . .	Mexico	Manufacturing and Sales	100.0
Honda Motor Europe Limited . . . . .	U.K.	Coordination of Subsidiaries Operation and Sales	100.0
Honda of the U.K. Manufacturing Ltd. . . . .	U.K.	Manufacturing	100.0
Honda Finance Europe Plc . . . . .	U.K.	Finance	100.0
Honda Bank GmbH . . . . .	Germany	Finance	100.0
Honda Turkiye A.S. . . . .	Turkey	Manufacturing and Sales	100.0
Honda Motor (China) Investment Co., Ltd. . . . .	China	Coordination of Subsidiaries Operation and Sales	100.0
Honda Auto Parts Manufacturing Co., Ltd. . . . .	China	Manufacturing	100.0
Honda Automobile (China) Co., Ltd. . . . .	China	Manufacturing	65.0
Honda Motorcycle and Scooter India (Private) Ltd. . . . .	India	Manufacturing and Sales	100.0
Honda Cars India Limited . . . . .	India	Manufacturing and Sales	100.0
P.T. Honda Precision Parts Manufacturing . . . . .	Indonesia	Manufacturing	100.0
P.T. Honda Prospect Motor . . . . .	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd . . . . .	Malaysia	Manufacturing and Sales	51.0
Honda Taiwan Co., Ltd. . . . .	Taiwan	Sales	100.0
Asian Honda Motor Co., Ltd. . . . .	Thailand	Coordination of Subsidiaries Operation and Sales	100.0
Honda Leasing (Thailand) Co., Ltd. . . . .	Thailand	Finance	100.0
Honda Automobile (Thailand) Co., Ltd. . . . .	Thailand	Manufacturing and Sales	89.0
Thai Honda Manufacturing Co., Ltd. . . . .	Thailand	Manufacturing	83.0
A.P. Honda Co., Ltd. . . . .	Thailand	Sales	61.0
Honda Vietnam Co., Ltd. . . . .	Vietnam	Manufacturing and Sales	70.0
Honda Motor de Argentina S.A. . . . .	Argentina	Manufacturing and Sales	100.0
Honda South America Ltda. . . . .	Brazil	Coordination of Subsidiaries Operation	100.0
Banco Honda S.A. . . . .	Brazil	Finance	100.0
Honda Automoveis do Brasil Ltda. . . . .	Brazil	Manufacturing and Sales	100.0
Moto Honda da Amazonia Ltda. . . . .	Brazil	Manufacturing and Sales	100.0
Honda Australia Pty., Ltd. . . . .	Australia	Sales	100.0

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

**(31) Explanation of Transition to IFRS**

*(a) First-time adoption in accordance with IFRS 1*

The consolidated financial statements presented herein have been prepared by the Company for the first time in accordance with IFRS.

IFRS 1 requires full retrospective application of IFRS for the first-time adopters. However, it provides some voluntary and mandatory exemptions from full retrospective applications. Adjustments as a result of the first-time adoption of IFRS and these exemptions are recognized through retained earnings or other components of equity at the date of transition.

Major voluntary exemptions adopted by the Company are as follows:

*1) Business combinations*

Under IFRS 1, a first-time adopter may elect not to apply IFRS 3 “Business Combination” retrospectively to past business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 prospectively from the date of transition. Accordingly, business combinations completed prior to the transition date have not been restated, thus any goodwill arising from business combinations which took place before the date of transition is recognized at the carrying amount based on U.S. generally accepted accounting principles (U.S. GAAP).

*2) Use of deemed cost*

Under IFRS 1, a first-time adopter may elect to use fair value at the date of transition as deemed cost at the date of transition for an item of property, plant and equipment. The Company has elected to use fair value at the date of transition as deemed cost for certain items of property, plant and equipment.

*3) Exchange differences on translating foreign operations*

Under IFRS 1, a first-time adopter may elect to deem the cumulative translation adjustments for foreign operations to be zero at the date of transition. The Company has deemed the cumulative amount of exchange differences on translating foreign operations at the date of transition to be zero.

*4) Designation of previously recognized financial instruments*

Under IFRS 1, equity securities may be designated as financial assets measured at fair value through other comprehensive income, based on facts and circumstances existing at the date of transition. The Company has elected to designate equity securities as financial assets measured at fair value through other comprehensive income, based on facts and circumstances existing at the date of transition.

*(b) Reconciliation of U.S. GAAP to IFRS*

Upon transition to IFRS, the Company has adjusted amounts previously reported in its consolidated financial statements prepared in accordance with U.S. GAAP. The effects of the transition from U.S. GAAP to IFRS on Honda’s financial position, results of operations and cash flows are stated in the following reconciliations and their notes.

Items that do not affect retained earnings and comprehensive income are included in “Reclassification,” and items that affect retained earnings and comprehensive income are included in “Recognition and measurement differences” of the reconciliation tables.

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

**Reconciliation of equity as of the date of transition (April 1, 2013)**

**Consolidated Statements of Financial Position**

		Yen (millions)					
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS	
Assets				Assets			
Current assets:				Current assets:			
Cash and cash equivalents . . . . .	¥ 1,206,128		¥ 64,484	¥ 1,270,612	(d) 2)	Cash and cash equivalents	
Trade accounts and notes receivable, net of allowance for doubtful accounts . . . . .	1,005,981	¥(380,439)	49,768	675,310	(d) 2)	Trade receivables	
Finance subsidiaries-receivables, net . . . . .	1,243,002	461,450	(19,543)	1,684,909	(d) 2)	Receivables from financial services	
		81,543	2,080	83,623	(d) 2)	Other financial assets	
Inventories . . . . .	1,215,421	8,999	(9,671)	1,214,749	(c) 4)	Inventories	
Deferred income taxes . . . . .	234,075	(234,075)					
Other current assets . . . . .	418,446	(210,563)	(236)	207,647		Other current assets	
Total current assets . . . . .	<u>5,323,053</u>	<u>(273,085)</u>	<u>86,882</u>	<u>5,136,850</u>		Total current assets	
Investments and advances:				Non-current assets:			
Investments in and advances to affiliates . . . . .	459,110	(1,734)	26,077	483,453		Investments accounted for using the equity method	
Other, including marketable equity securities . . . . .	209,680	(209,680)					
Total investments and advances . . . . .	<u>668,790</u>						
Finance subsidiaries-receivables, net . . . . .	2,788,135	211,743	(125,402)	2,874,476	(d) 2)	Receivables from financial services	
		248,972	10,607	259,579	(d) 2)	Other financial assets	
Property on operating leases:							
Vehicles . . . . .	2,243,424						
Less accumulated depreciation . . . . .	(400,292)						
Net property on operating leases . . . . .	<u>1,843,132</u>		160,221	2,003,353		Equipment on operating leases	
Property, plant and equipment, at cost:							
Land . . . . .	515,661						
Buildings . . . . .	1,686,638						
Machinery and equipment . . . . .	3,832,090						
Construction in progress . . . . .	288,073						
Less accumulated depreciation and amortization . . . . .	(3,922,932)						
Net property, plant and equipment . . . . .	<u>2,399,530</u>		38,577	2,438,107		Property, plant and equipment	
		108,156	498,981	607,137	(c) 1)	Intangible assets	
		240,143	(4,845)	235,298	(d) 1)	Deferred tax assets	
Other assets, net of allowance for doubtful accounts . . . . .	612,717	(485,415)	(8,082)	119,220		Other non-current assets	
				<u>9,020,623</u>		Total non-current assets	
Total assets . . . . .	<u>¥13,635,357</u>	<u>¥(160,900)</u>	<u>¥ 683,016</u>	<u>¥14,157,473</u>		Total assets	



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

Yen (millions)						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Liabilities			Liabilities			
Current liabilities:			Current liabilities:			
		¥ 957,709	¥ 18,356	¥ 976,065	(d) 2)	Trade payables
		2,183,343	3,105	2,186,448	(d) 2)	Financing liabilities
Short-term debt . . . . .	¥ 1,238,297	(1,238,297)				
Current portion of long-term debt . . . . .	945,046	(945,046)				
Trade payables:						
Notes . . . . .	31,354	(31,354)				
Accounts . . . . .	956,660	(956,660)				
Accrued expenses . . . . .	593,570	(218,352)	9,012	384,230	(d) 2)	Accrued expenses
		126,008	4,130	130,138	(d) 2)	Other financial liabilities
Income taxes payable . . . . .	48,454	31,317	833	80,604		Income taxes payable
		123,313	13,114	136,427		Provisions
Other current liabilities . . . . .	275,623	14,673	2,915	293,211		Other current liabilities
Total current liabilities . . . . .	4,089,004	46,654	51,465	4,187,123		Total current liabilities
Long-term debt, excluding current portion . . . . .			Non-current liabilities:			
	2,710,845	(2,710,845)				
		2,710,845	(44)	2,710,801	(d) 2)	Financing liabilities
		51,342	(4,829)	46,513	(d) 2)	Other financial liabilities
		651,094	(8,794)	642,300		Retirement benefit liabilities
		124,710	128	124,838		Provisions
		439,642	104,204	543,846	(c) 1), 6) (d) 1)	Deferred tax liabilities
Other liabilities . . . . .	1,630,085	(1,474,342)	18,004	173,747		Other non-current liabilities
				4,242,045		Total non-current liabilities
Total liabilities . . . . .	8,429,934	(160, 900)	160,134	8,429,168		Total liabilities
Equity			Equity			
Honda Motor Co., Ltd. shareholders' equity:			Equity attributable to owners of the parent			
Common stock . . . . .	86,067			86,067		Common stock
Capital surplus . . . . .	171,117			171,117		Capital surplus
Treasury stock . . . . .	(26,124)			(26,124)		Treasury stock
Legal reserves . . . . .	47,583	(47,583)				
Retained earnings . . . . .	6,001,649	47,583	(789,075)	5,260,157		Retained earnings
Accumulated other comprehensive income (loss), net . . . . .	(1,236,792)		1,278,809	42,017	(c) 2), 3)	Other components of equity
Total Honda Motor Co., Ltd. shareholders' equity . . . . .	5,043,500	—	489,734	5,533,234		Equity attributable to owners of the parent
Noncontrolling interests . . . . .	161,923	—	33,148	195,071		Non-controlling interests
Total equity . . . . .	5,205,423	—	522,882	5,728,305		Total equity
Total liabilities and equity . . . . .	¥13,635,357	¥ (160,900)	¥ 683,016	¥14,157,473		Total liabilities and equity

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

**Reconciliation of equity as of March 31, 2014**

**Consolidated Statements of Financial Position**

		Yen (millions)					
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS	
Assets						Assets	
Current assets:						Current assets:	
Cash and cash equivalents . . . .	¥ 1,168,914		¥ 24,670	¥ 1,193,584	(d) 2)	Cash and cash equivalents	
Trade accounts and notes receivable, net of allowance for doubtful accounts . . . . .	1,158,671	¥(416,668)	(5,132)	736,871	(d) 2)	Trade receivables	
Finance subsidiaries-receivables, net . . . . .	1,464,215	497,752	(26,825)	1,935,142	(d) 2)	Receivables from financial services	
		93,844	8,176	102,020	(d) 2)	Other financial assets	
Inventories . . . . .	1,302,895	10,385	21,495	1,334,775	(c) 4)	Inventories	
Deferred income taxes . . . . .	202,123	(202,123)					
Other current assets . . . . .	474,448	(231,832)	4,150	246,766		Other current assets	
Total current assets . . . . .	<u>5,771,266</u>	<u>(248,642)</u>	<u>26,534</u>	<u>5,549,158</u>		Total current assets	
Investments and advances:						Non-current assets:	
Investments in and advances to affiliates . . . . .	564,266	(1,602)	(10,583)	552,081		Investments accounted for using the equity method	
Other, including marketable equity securities . . . . .	253,661	(253,661)					
Total investments and advances . . . . .	<u>817,927</u>						
Finance subsidiaries-receivables, net . . . . .	3,317,553	253,999	(155,472)	3,416,080	(d) 2)	Receivables from financial services	
		286,558	11,240	297,798	(d) 2)	Other financial assets	
Property on operating leases:							
Vehicles . . . . .	2,718,131						
Less accumulated depreciation . . . . .	(481,410)						
Net property on operating leases . . . . .	<u>2,236,721</u>		190,686	2,427,407		Equipment on operating leases	
Property, plant and equipment, at cost:							
Land . . . . .	521,806						
Buildings . . . . .	1,895,140						
Machinery and equipment . . . . .	4,384,255						
Construction in progress . . . . .	339,093						
Less accumulated depreciation and amortization . . . . .	(4,321,862)						
Net property, plant and equipment . . . . .	<u>2,818,432</u>		3,110	2,821,542		Property, plant and equipment	
		142,915	526,868	669,783	(c) 1)	Intangible assets	
		165,646	7,354	173,000	(d) 1)	Deferred tax assets	
Other assets, net of allowance for doubtful accounts . . . . .	660,132	(497,781)	(20,762)	141,589		Other non-current assets	
				<u>10,499,280</u>		Total non-current assets	
Total assets . . . . .	<u>¥15,622,031</u>	<u>¥(152,568)</u>	<u>¥ 578,975</u>	<u>¥16,048,438</u>		Total assets	

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

Yen (millions)						
<u>Presentation under U.S. GAAP</u>	<u>U.S. GAAP</u>	<u>Reclassification</u>	<u>Recognition and measurement differences</u>	<u>IFRS</u>	<u>Note</u>	<u>Presentation under IFRS</u>
Liabilities						
Current liabilities:						
		¥ 1,068,916	¥ 10,402	¥ 1,079,318	(d) 2)	Trade payables
		2,622,809	(373)	2,622,436	(d) 2)	Financing liabilities
Short-term debt	¥ 1,319,344	(1,319,344)				
Current portion of long-term debt	1,303,464	(1,303,464)				
Trade payables:						
Notes	28,501	(28,501)				
Accounts	1,071,179	(1,071,179)				
Accrued expenses	626,503	(277,380)	7,343	356,466	(d) 2)	Accrued expenses
		76,691	1,804	78,495	(d) 2)	Other financial liabilities
Income taxes payable	43,085		(383)	42,702		Income taxes payable
		176,430	8,945	185,375		Provisions
Other current liabilities	319,253	62,664	5,091	387,008		Other current liabilities
Total current liabilities	4,711,329	7,642	32,829	4,751,800		Total current liabilities
Non-current liabilities:						
Long-term debt, excluding current portion	3,234,066	(3,234,066)				
		3,234,066	(9,554)	3,224,512	(d) 2)	Financing liabilities
		77,276	(4,283)	72,993	(d) 2)	Other financial liabilities
		468,647	(5,484)	463,163		Retirement benefit liabilities
		137,724	2,379	140,103		Provisions
		546,453	93,697	640,150	(c) 1), 6) (d) 1)	Deferred tax liabilities
Other liabilities	1,563,238	(1,390,310)	23,861	196,789		Other non-current liabilities
Total non-current liabilities				4,737,710		Total non-current liabilities
Total liabilities	9,508,633	(152,568)	133,445	9,489,510		Total liabilities
Equity						
Honda Motor Co., Ltd. shareholders' equity:						
Common stock	86,067			86,067		Common stock
Capital surplus	171,117			171,117		Capital surplus
Treasury stock	(26,149)			(26,149)		Treasury stock
Legal reserves	49,276	(49,276)				
Retained earnings	6,431,682	49,276	(649,818)	5,831,140		Retained earnings
Accumulated other comprehensive income (loss), net	(793,014)		1,066,373	273,359	(c) 2), 3)	Other components of equity
Total Honda Motor Co., Ltd. shareholders' equity	5,918,979	—	416,555	6,335,534		Equity attributable to owners of the parent
Noncontrolling interests	194,419	—	28,975	223,394		Non-controlling interests
Total equity	6,113,398	—	445,530	6,558,928		Total equity
Total liabilities and equity	¥15,622,031	¥ (152,568)	¥ 578,975	¥16,048,438		Total liabilities and equity

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

**Reconciliation of comprehensive income for the Year Ended March 31, 2014**

**Consolidated Statements of Income**

Yen (millions)						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net sales and other operating revenue . . . . .	¥ 11,842,451	¥ 601,602	¥ 62,038	¥ 12,506,091	(c) 4)	Sales revenue
Operating costs and expenses:						Operating costs and expenses:
Cost of sales . . . . .	(8,761,083)	(823,516)	(5,958)	(9,590,557)	(c) 2), 4) (5)	Cost of sales
Selling, general and administrative . . . . .	(1,696,957)	221,914	(18,255)	(1,493,298)	(c) 2), 5)	Selling, general and administrative
Research and development . . . . .	(634,130)	—	35,758	(598,372)	(c) 1), 2)	Research and development
	<u>(11,092,170)</u>	<u>(601,602)</u>	<u>11,545</u>	<u>(11,682,227)</u>		Total operating costs and expenses
Operating income . . . . .	750,281	—	73,583	823,864		Operating profit
		132,471	(1,555)	130,916		Share of profit of investments accounted for using the equity method
Other income (expenses):						Finance income and finance costs:
Interest income . . . . .	24,026	—	46	24,072		Interest income
Interest expense . . . . .	(12,703)	—	(100)	(12,803)		Interest expense
Other, net . . . . .	(32,664)	—	518	(32,146)		Other, net
	<u>(21,341)</u>	<u>—</u>	<u>464</u>	<u>(20,877)</u>		Total finance income and finance costs
Income before income taxes and equity in income of affiliates . . . . .	728,940	132,471	72,492	933,903		Profit before income taxes
Income tax expense:						Income tax expense
Current . . . . .	(207,236)	—	—	—		
Deferred . . . . .	(45,426)	—	—	—		
	<u>(252,662)</u>	<u>—</u>	<u>(15,330)</u>	<u>(267,992)</u>		
Income before equity in income of affiliates . . . . .	476,278	—	—	—		
Equity in income of affiliates . . . . .	132,471	(132,471)	—	—		
Net income . . . . .	<u>¥ 608,749</u>	<u>—</u>	<u>¥ 57,162</u>	<u>¥ 665,911</u>		Profit for the year
						Profit for the year attributable to:
Net income attributable to Honda Motor Co., Ltd. . . . .	574,107	—	50,596	624,703		Owners of the parent
Net income attributable to noncontrolling interests . . . . .	34,642	—	6,566	41,208		Non-controlling interests

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

**Consolidated Statements of Comprehensive Income**

Presentation under U.S. GAAP	Yen (millions)				Note	Presentation under IFRS
	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS		
Net income . . . . .	¥ 608,749		¥ 57,162	¥665,911		Profit for the year
Other comprehensive income (loss), net of tax:						Other comprehensive income, net of tax:
						Items that will not be reclassified to profit or loss
Pension and other postretirement benefits adjustments . . . . .	107,718	¥ 98	(24,524)	83,292		Remeasurements of defined benefit plans
		13,309	272	13,581		Net changes in revaluation of financial assets measured at fair value through other comprehensive income
Unrealized gains (losses) on available-for-sale securities, net . . . . .	15,252	(15,252)				
		1,845	5,010	6,855		Share of other comprehensive income of investments accounted for using the equity method
Adjustments from foreign currency translation . . . . .	333,659	(66,350)	(73,800)	193,509		Items that may be reclassified subsequently to profit or loss
						Exchange differences on translating foreign operations
Unrealized gains (losses) on derivative instruments, net . . . . .	237		(237)			
		66,350	(39,291)	27,059		Share of other comprehensive income of investments accounted for using the equity method
Other comprehensive income (loss), net of tax . . . . .	456,866	—	(132,570)	324,296		Total other comprehensive income, net of tax
Comprehensive income (loss) . . . . .	¥1,065,615	—	¥ (75,408)	¥990,207		Comprehensive income for the year
						Comprehensive income for the year attributable to:
Comprehensive income (loss) attributable to Honda Motor Co., Ltd. . . . .	1,017,885	—	(73,179)	944,706		Owners of the parent
Comprehensive income attributable to noncontrolling interests . . . . .	47,730	—	(2,229)	45,501		Non-controlling interests

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

*(c) Notes to Reconciliation of Equity and comprehensive income*

*1) Intangible assets*

Under U.S. GAAP, research and development expense is expensed as incurred unless other individual accounting standards are applied.

Under IFRS, cost incurred for development of 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 recognition criteria are initially met and when the development is completed. 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.

The effects of this change are as follows:

	Yen (millions)	
<u>Consolidated statements of financial position</u>	As of the date of transition (April 1, 2013)	As of March 31, 2014
Intangible assets . . . . .	¥497,097	¥524,718
Deferred tax liabilities . . . . .	179,134	184,005
Adjustment to retained earnings . . . . .	¥317,963	¥340,713
<u>Consolidated statements of income</u>	Yen (millions)	
	For the year ended March 31, 2014	
Research and development . . . . .	¥27,621	
Adjustment to profit before income taxes . . . . .	¥27,621	

*2) Employee benefits*

Under U.S. GAAP, for defined benefit plans, service cost, interest cost and expected return on plan assets are recognized in profit or loss. Actuarial gains and losses and past service cost which were incurred during reporting period but not recognized in profit or loss as component of pension costs, are recognized in accumulated other comprehensive income and amortized from accumulated other comprehensive income into profit or loss over a certain period of future years.

Under IFRS, for defined benefit plans, current and past service cost is recognized in profit or loss, and net interest expense which is determined by multiplying net defined benefit liability (asset) by discount rate is recognized in profit or loss. Remeasurements arising from defined benefit plans are recognized in other comprehensive income and reclassified directly from other components of equity to retained earnings when they are incurred. These remeasurements consist of actuarial gains and losses related to defined benefit plan obligations, return on plan assets (excluding the amount of interest income on plan assets) and others.

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

The effects of this change are as follows:

	Yen (millions)	
	As of the date of transition (April 1, 2013)	As of March 31, 2014
<b><u>Consolidated statements of financial position</u></b>		
Other components of equity . . . . .	310,922	201,520
Adjustment to retained earnings . . . . .	¥(310,922)	¥(201,520)
	Yen (millions)	
	For the year ended March 31, 2014	
<b><u>Consolidated statements of income</u></b>		
Cost of sales . . . . .		¥18,617
Selling, general and administrative . . . . .		7,500
Research and development . . . . .		7,883
Adjustment to profit before income taxes . . . . .		¥34,000

3) *Exchange differences on translating foreign operations*

The Company has deemed the cumulative amount of exchange differences on translating foreign operations at the date of transition to be zero.

The effects of this change are as follows:

	Yen (millions)	
	As of the date of transition (April 1, 2013)	As of March 31, 2014
<b><u>Consolidated statements of financial position</u></b>		
Other components of equity . . . . .	¥ 889,649	¥ 889,649
Adjustment to retained earnings . . . . .	¥(889,649)	¥(889,649)

4) *Sales revenue and cost of sales*

Under U.S. GAAP, when property, plant and equipment held for lease to others is sold, it is treated as disposal of the assets and is presented on a net basis in the consolidated statements of income.

Under IFRS, when property, plant and equipment held for lease to others is routinely sold in the course of the ordinary activities, the carrying amount of the asset is reclassified from property, plant and equipment to inventories when such asset ceases to be leased and become held for sale. Upon its subsequent sale, proceed from the sale is recognized as revenue, and the carrying amount of inventories is recognized to cost of sales.

The effects of this change are as follows:

	Yen (millions)	
	As of the date of transition (April 1, 2013)	As of March 31, 2014
<b><u>Consolidated statements of financial position</u></b>		
Inventories . . . . .	¥ 8,999	¥ 10,385
Other current assets . . . . .	(8,999)	(10,385)
Adjustment to retained earnings . . . . .	¥ —	¥ —

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

<u>Consolidated statements of income</u>	<u>Yen (millions)</u> <u>For the year ended</u> <u>March 31, 2014</u>
Sales revenue . . . . .	¥ 601,602
Cost of sales . . . . .	(601,602)
Adjustment to profit before income taxes . . . . .	¥ —

*5) Distribution expenses*

Under U.S. GAAP, a portion of the distribution expenses are recognized as selling, general and administrative expenses.

Under IFRS, distribution expenses related to sales are all recognized in cost of sales.

The effects of this change are as follows:

<u>Consolidated statements of income</u>	<u>Yen (millions)</u> <u>For the year ended</u> <u>March 31, 2014</u>	
Cost of sales . . . . .	¥(202,183)	
Selling, general and administrative . . . . .	202,183	
Adjustment to profit before income taxes . . . . .	¥ —	

*6) Income taxes*

Under U.S. GAAP, deferred tax liabilities recognized for taxable temporary differences associated with investments in affiliates are measured based on the future reversal of the taxable temporary difference resulting from the sale of investments.

Under IFRS, deferred tax liabilities recognized for taxable temporary differences associated with investments in affiliates are measured based on the most likely manner of future reversal, such as the distribution of dividends.

The effects of this change are as follows:

<u>Consolidated statements of financial position</u>	<u>Yen (millions)</u>	
	<u>As of the date of</u> <u>transition</u> <u>(April 1, 2013)</u>	<u>As of March 31,</u> <u>2014</u>
Deferred tax liabilities . . . . .	¥(67,624)	¥(72,568)
Adjustment to retained earnings . . . . .	¥ 67,624	¥ 72,568

A major reconciling item in equity and comprehensive income other than 1) to 6) above is as follows:

Under U.S. GAAP, when financial statements of some subsidiaries and equity method affiliates are prepared as of the end of the reporting period different from that of the parent company's financial statements, the effect of intervening events that materially affect the financial position or results of operations, is reflected in the consolidated financial statements by disclosure or otherwise.



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

Under IFRS, when financial statements of some subsidiaries, affiliates and joint ventures are prepared as of the end of the reporting period different from that of the parent company's financial statements, the end of the reporting period should be unified or supplementary financial statements should be prepared for the parent company, unless it is impracticable to do so. In addition, when it is impracticable to unify the end of the reporting period or to prepare supplementary financial statements, adjustments must be made for the effects of significant events or transactions that occur between the end date of the different reporting period and the end of the reporting period

As a result of unification of reporting period, retained earnings increased by ¥45,826 million and ¥57,909 million as of the date of transition and as of March 31, 2014, respectively.

*(d) Notes to Changes in Presentations of Consolidated Statements of Financial Position*

*1) Presentation of deferred tax assets and liabilities*

Under U.S. GAAP, deferred tax assets and liabilities are presented as current assets and liabilities or non-current assets and liabilities. Under IFRS, it is not permitted to present deferred tax assets and liabilities as current assets and liabilities. Accordingly, deferred tax assets and liabilities are all presented as non-current assets and liabilities.

*2) Presentation of financial assets and liabilities*

Under IFRS, financial assets and financial liabilities are presented separately based on the presentation rules. Financial assets are included in cash and cash equivalents, trade receivables, receivables from financial services, and other financial assets, under current assets or non-current assets; financial liabilities are included in trade payables, financing liabilities, accrued expenses and other financial liabilities, under current liabilities or non-current liabilities. Additionally, under U.S. GAAP, of wholesales finance receivables and retail or direct financing lease receivables held by the finance subsidiaries of the Company, certain amounts related to sales of inventories are included in trade accounts or other assets and remaining amounts are presented as finance subsidiaries-receivables in the consolidated balance sheets. Under IFRS, these finance receivables are collectively presented as receivables from financial services in the consolidated statements of financial position.

*3) Offsetting of financial assets and financial liabilities*

Under U.S. GAAP, financial assets and financial liabilities are presented on a net basis when there is an existing enforceable master netting arrangement on net settlements at the occurrence of future events, such as a default. Under IFRS, financial assets and financial liabilities are presented on a net basis only when an entity has a legally enforceable right to set off the recognized amounts at the end of the reporting period, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*(e) Significant Adjustment Items of Consolidated Statements of Cash Flows for the Year Ended March 31, 2014*

In the consolidated statements of cash flows prepared in accordance with IFRS, cash inflows from operating activities decreased by ¥780,083 million and cash outflows from investing activities decreased by ¥787,721 million compared with the statements prepared in accordance with U.S. GAAP. Significant adjustment items are as follows:

Acquisitions and collections of receivables from financial services and proceeds from sales and purchases of equipment on operating leases which were classified as cash flows from investing activities under U.S. GAAP

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

are classified as cash flows from operating activities under IFRS. These adjustments decreased cash inflows from operating activities and decreased cash outflows from investing activities by ¥955,268 million.

Of research and development expenditures classified as cash flows from operating activities under U.S. GAAP, those for development activities that meet IFRS recognition requirements for assets are classified as cash flows from investing activities under IFRS. This adjustment increased cash inflows from operating activities and increased cash outflows from investing activities by ¥150,202 million.

**(32) Approval of Release of Consolidated Financial Statements**

The release of the consolidated financial statements was approved by Takahiro Hachigo, President, Chief Executive Officer and Representative Director and Kohei Takeuchi, Director and Chief Operating Officer for Business Management Operations on June 26, 2015.

## 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/ Takahiro Hachigo

**Takahiro Hachigo**  
**President, Chief Executive Officer and**  
**Representative Director**

Date: June 26, 2015  
Tokyo, Japan

## INDEX OF EXHIBITS

- 1.1 Articles of Incorporation of the registrant (English translation)
  - 1.2 Share Handling Regulations of the registrant (English translation)
  - 1.3 Regulations of Board of Directors of the registrant (English translation)
  - 1.4 Regulations of the Board of Corporate Auditors of the registrant (English translation)
  - 2.1 Specimen common stock certificates of the registrant (English translation) (1)
  - 2.2 Deposit Agreement dated as of December 19, 1962, as amended and restated as of October 1, 1982 (including changes from Amendment to Deposit Agreement dated as of April 1, 1989) among the registrant, Morgan Guaranty Trust Company of New York (now JPMorgan Chase Bank, N.A.), as Depositary, and all owners and holders from time to time of American Depositary Receipts and European Depositary Receipts, including the form of American Depositary Receipt (2)
  - 2.3 Form of Amendment No. 2 to Deposit Agreement dated as of April, 1995, among the parties referred to in Exhibit 2.2 above (2)
  - 2.4 Form of Amendment No. 3 to Deposit Agreement dated as of January, 2002, among the parties referred to in Exhibit 2.2 above (3)
  - 2.5 Form of Amendment No. 4 to Deposit Agreement dated as of June, 2006, among the parties referred to in Exhibit 2.2 above (4)
  - 2.6 Form of Amendment No. 5 to Deposit Agreement dated as of June, 2007, among the parties referred to in Exhibit 2.2 above (5)
  - 8.1 List of Significant Subsidiaries (See “Organizational Structure” in Item 4.C of this Form 20-F)
  - 11.1 Code of Ethics (6)
  - 12.1 Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
  - 12.2 Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
  - 13.1 Certification of the chief executive officer required by 18 U.S.C. Section 1350
  - 13.2 Certification of the chief financial officer required by 18 U.S.C. Section 1350
- 
- (1) Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on September 27, 2001.
  - (2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 33-91842) filed on May 1, 1995.
  - (3) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14228) filed on December 20, 2001.
  - (4) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-114874) filed on June 28, 2006.
  - (5) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-143589) filed on June 8, 2007.
  - (6) Incorporated by reference to the registrant’s Annual Report on Form 20-F filed on July 9, 2004.

The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

[Translation]

**ARTICLES OF INCORPORATION**

**June 19, 2013**

**HONDA MOTOR CO., LTD.**

## Record of Resolutions of the General Meetings of Shareholders

1. September 8, 1948 (drafting for Incorporation)
2. September 24, 1948 (establishment)
3. November 14, 1949 (amendment)
4. July 1, 1951 (amendment)
5. October 25, 1951 (amendment)
6. April 10, 1952 (amendment)
7. August 2, 1952 (amendment)
8. September 20, 1952 (amendment)
9. December 1, 1952 (amendment)
10. May 20, 1953 (amendment)
11. August 16, 1953 (amendment)
12. September 27, 1953 (amendment)
13. December 30, 1953 (amendment)
14. April 17, 1955 (amendment)
15. October 29, 1955 (amendment)
16. October 29, 1956 (amendment)
17. April 27, 1957 (amendment)
18. October 29, 1957 (amendment)
19. April 28, 1959 (amendment)
20. April 28, 1960 (amendment)
21. October 28, 1960 (amendment)
22. October 30, 1961 (amendment)
23. April 26, 1962 (amendment)
24. October 26, 1962 (amendment)
25. December 18, 1962 (amendment)
26. April 28, 1964 (amendment)
27. October 30, 1970 (amendment)
28. October 29, 1973 (amendment)
29. April 26, 1974 (amendment)
30. April 24, 1975 (amendment)
31. May 25, 1978 (amendment)
32. May 22, 1980 (amendment)
33. May 27, 1982 (amendment)
34. October 1, 1982 (amendment)
35. August 19, 1985 (amendment)
36. May 28, 1987 (amendment)
37. June 27, 1991 (amendment)
38. June 29, 1994 (amendment)
39. June 29, 1999 (amendment)
40. June 28, 2001 (amendment)
41. June 25, 2002 (amendment)
42. June 24, 2003 (amendment)
43. June 23, 2004 (amendment)
44. June 23, 2005 (amendment)
45. June 23, 2006 (amendment)
46. July 1, 2006 (amendment)
47. June 22, 2007 (amendment)
48. June 24, 2008 (amendment)
49. June 23, 2009 (amendment)
50. June 23, 2011 (amendment)
51. June 21, 2012 (amendment)
52. June 19, 2013 (amendment)

## **Chapter I. General Provisions**

### **Article 1. (Corporate name)**

The Company is called Honda Giken Kogyo Kabushiki Kaisha, which is written in English as HONDA MOTOR CO., LTD.

### **Article 2. (Objects)**

The object of the Company shall be to carry on the following business:

1. Manufacture, sale, lease and repair of motor vehicles, ships and vessels, aircrafts and other transportation machinery and equipment.
2. 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.
3. Manufacture and sale of fiber products, paper products, leather products, lumber products, rubber products, chemical industry products, ceramic products, metal products and other products.
4. Overland transportation business, marine transportation business, air transportation business, warehousing business, travel business and other transport business and communication business.
5. Sale of sporting goods, articles of clothing, stationary, daily sundries, pharmaceuticals, drink and foodstuffs and other goods.
6. Financial business, nonlife insurance agency business, life insurance agency business, construction business including building construction work and real estate business including real estate brokerage.
7. Publishing business, advertising business, translation business, interpretation business, management consultancy business, information services including information processing, information and communication and information provision, industrial planning and design, comprehensive security business and labor dispatch services.
8. Management of parking garages, driving schools, training and education facilities, racecourses, recreation grounds, sporting facilities, marina facilities, hotels, restaurants and other facilities.
9. Electricity generation and supply and sale of electricity
10. Manufacture, sale and licensing of equipment, parts and supplies and all other relevant business activities and investments relating to each of the foregoing items.

### **Article 3. (Location of head office)**

The Company shall have its head office in Minato-ku, Tokyo.

### **Article 4. (Governance components)**

The Company shall have the following governance components as well as General Meetings of Shareholders and Directors, respectively.

1. Board of Directors
2. Corporate Auditors

3. Board of Corporate Auditors
4. Accounting Auditors

**Article 5. (Method of giving public notices)**

The public notices of the Company shall be given by way of electronic public notice; provided, however, that, if any public notice is unable to be given by electronic public notice due to an accident or for any other unavoidable reason, public notice of the Company shall be made by publishing such notice in the Nihon Keizai Shinbun published in Tokyo.

**Chapter II. Shares**

**Article 6. (Total number of shares authorized to be issued by the Company)**

The total number of shares authorized to be issued by the Company shall be 7,086,000,000 shares.

**Article 7. (Number of shares constituting one voting unit)**

The number of shares constituting one voting unit in the Company consists of one hundred (100) shares.

**Article 8. (Request for sale of Shares Less Than One Voting Unit)**

A shareholder of the Company may, in accordance with the provisions of the Share Handling Regulations, 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 of shares.

**Article 9. (Procedures relating to shares, etc.)**

Entries in the shareholders' register, purchase and request for sale of Shares Less Than One Voting Unit and other procedures and fees relating to shares shall be governed by the Share Handling Regulations established by the Board of Directors.

**Article 10. (Shareholders' Register Manager)**

The Company shall have a Shareholders' Register Manager.

The Shareholders' Register Manager and its place of business shall be decided by resolution of the Board of Directors, and a public notice thereof shall be given.

Preparation and storage of the shareholders' register of the Company, the register of stock acquisition rights and any other business relating to shares and stock acquisition rights shall be delegated to the Shareholders' Register Manager and not conducted by the Company.

**Article 11. (Record date)**

The shareholders appearing or recorded on the shareholders' register as of the end of each business year shall be the shareholders entitled to exercise the rights of shareholders at the ordinary general meeting of shareholders for such business year.

If it is necessary in addition to the preceding paragraph, the shareholders or registered pledgees appearing or recorded on the shareholders' register as of a specific date of which advance public notice is given in accordance with the resolution of the Board of Directors may be deemed the shareholders or registered pledgees entitled to exercise the rights of shareholders or registered pledgees.



### **Chapter III. General Meeting of Shareholders**

#### **Article 12. (Time of convocation)**

The ordinary general meeting of shareholders shall be convened within three months from the day following the end of each business year.

In addition to the above, an extraordinary general meeting of shareholders shall be convened whenever necessary.

#### **Article 13. (Persons to convene meeting)**

Except as otherwise provided by laws or ordinances, a general meeting of shareholders shall be convened by the President and Director, based upon the resolution of the Board of Directors. If the President and Director is prevented from so doing, one of the other Directors in the order fixed in advance by the Board of Directors shall convene the meeting.

#### **Article 14. (Chairman)**

Chairmanship of a general meeting of shareholders shall be assumed by the Chairman of the Company or the President and Director pursuant to a resolution made in advance by the Board of Directors. If both the Chairman of the Company and the President and Director are prevented from so doing, one of the other Directors shall do so in the order fixed in advance by the Board of Directors.

#### **Article 15. (Disclosure via Internet and Deemed Delivery of Reference Documents, etc. for General Meetings of Shareholders)**

Upon convening a general meeting of shareholders, the Company may deem that the information required to be described or indicated in the reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements shall have been provided to the shareholders when such information is disclosed, pursuant to laws or regulations, through a method that uses the Internet.

#### **Article 16. (Resolutions)**

Except as otherwise provided by laws or ordinances or by the Articles of Incorporation, resolutions at a general meeting of shareholders shall be adopted by a majority vote of the shareholders present who are entitled to exercise their voting rights thereat.

The special resolution provided for in Article 309, Paragraph 2 of the Company Law shall be adopted by two-thirds or more of the votes of the shareholders present at a meeting, who must hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights.

#### **Article 17. (Exercise of voting rights by proxy)**

Any shareholder or the legal representative may delegate the power to exercise the voting rights to proxy, provided that such proxy shall be one shareholder of the Company who is entitled to voting rights. Such shareholder or proxy shall present to the Company a document evidencing the proxy's power of representation for each general meeting of shareholders.

#### **Article 18. (Minutes)**

The minutes of general meetings of shareholders shall record the substance of the proceedings at the meetings, the results thereof and other matters as prescribed by laws or ordinances, and such minutes shall be kept on file for ten years at the head office of the Company and the certified copies thereof shall be kept on file for five years at each of the branches of the Company.

## **Chapter IV. Directors and Board of Directors**

### **Article 19. (Number of Directors)**

Directors of the Company shall be not more than fifteen in number.

### **Article 20. (Election of Directors)**

Directors shall be elected by the resolution of a general meeting of shareholders. Resolution of such elections shall be adopted by a majority of the votes of the shareholders present, who must hold one-third or more of the votes of all shareholders who are entitled to exercise their voting rights. A resolution for the election of Directors shall not be made by cumulative voting.

### **Article 21. (Term of Office)**

The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders relating to the business year ending within one year after their election to office.

### **Article 22. (Directors with executive powers)**

The Board of Directors shall appoint from among the Directors one President and Director and may appoint one Chairman of the Company, several Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors.

### **Article 23. (Representative Directors)**

The President and Director shall represent the Company.

In addition to the preceding paragraph, the Board of Directors shall appoint, pursuant to its resolutions, Directors who shall each represent the Company.

### **Article 24. (Board of Directors)**

Except as provided by laws or ordinances or by the Articles of Incorporation, matters relating to the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors.

### **Article 25. (Notice of meetings of the Board of Directors)**

Notice of convocation of a meeting of the Board of Directors shall be sent to each Director and Corporate Auditor three days prior to the date of the meeting, provided, however, that such period may be shortened in case of urgent necessity.

If the consent of all Directors and Corporate Auditors is obtained in advance, a meeting may be held without following the procedures for convening a meeting.

### **Article 26. (Omission of the resolution of the Board of Directors)**

The Company shall deem that there was a resolution of the Board of Directors, if the conditions of Article 370 of the Company Law are satisfied.

### **Article 27. (Remuneration of Directors, etc.)**

Remuneration, bonus and other proprietary benefits provided by the Company as compensation for the duties of Directors shall be determined by resolution of a general meeting of shareholders.

**Article 28. (Exemption of Directors' Liabilities, etc.)**

Pursuant to the provisions of Article 426, Paragraph 1 of the Company Law, the Company can, by a resolution of the Board of Directors, exempt Directors (including former Directors) that are set forth in Article 423, Paragraph 1 of the Company Law, from liability for damages to the extent permitted by laws and regulations.

Pursuant to the provisions of Article 427, Paragraph 1 of the Company Law, the Company may execute agreements with Outside Directors which limit the liability for damages of such Outside Directors that is set forth in Article 423, Paragraph 1 of the Company Law; provided, however, that the maximum amount of the liability under such agreements shall be the minimum liability amount prescribed by the relevant laws or regulations.

**Chapter V. Corporate Auditors and Board of Corporate Auditors**

**Article 29. (Number of Corporate Auditors)**

Corporate Auditors of the Company shall be not more than seven in number.

**Article 30. (Election of Corporate Auditors)**

Corporate Auditors shall be elected by resolution of a general meeting of shareholders. Resolution of such election shall be adopted by a majority of the votes of the shareholders present, who must hold one-third or more of the votes of shareholders who are entitled to exercise their voting rights.

**Article 31. (Term of Office of Corporate Auditors)**

The term of office of Corporate Auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last business year ending within four years after their election to office.

The term of office of a Corporate Auditor elected to fill the vacancy of a Corporate Auditor who resigned from his/her office before the expiration of his/her term shall expire at the time of expiration of the term of office of the retired Corporate Auditor.

**Article 32. (Board of Corporate Auditors)**

Except as provided by laws or ordinances or by the Articles of Incorporation, matters relating to the Board of Corporate Auditors shall be governed by the Regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors, provided, however, that such Regulations may not preclude the exercise of the power of any Corporate Auditor.

**Article 33. (Notice of Meetings of Board of Corporate Auditors)**

Notice of convocation of a meeting of the Board of Corporate Auditors shall be sent to each Corporate Auditor three days prior to the date of the meeting, provided, however, that such period may be shortened in case of urgent necessity.

If the consent of all Corporate Auditors is obtained in advance, a meeting may be held without following the procedures for convening a meeting.

**Article 34. (Remuneration of Corporate Auditors, etc.)**

Remuneration and other proprietary benefits provided by the Company as compensation for the duties of Corporate Auditors shall be determined by resolution of a general meeting of shareholders.

**Article 35. (Exemption of Corporate Auditors' Liabilities, etc.)**

Pursuant to the provisions of Article 426, Paragraph 1 of the Company Law, the Company can, by a resolution of the Board of Directors, exempt Corporate Auditors (including former Corporate Auditors) that are set forth in Article 423, Paragraph 1 of the Company Law, from liability for damages to the extent permitted by laws and regulations.

Pursuant to the provisions of Article 427, Paragraph 1 of the Company Law, the Company may execute agreements with Outside Corporate Auditors which limit the liability for damages of such Outside Corporate Auditors that is set forth in Article 423, Paragraph 1 of the Company Law; provided, however, that the maximum amount of the liability under such agreements shall be the minimum liability amount prescribed by the relevant laws or regulations.

**Chapter VI. Accounts**

**Article 36. (Business year)**

The business year of the Company shall commence on the first day of April each year and end on the last day of March the following year.

**Article 37. (Governance Component deciding dividends from surplus, etc.)**

The Company may determine such matters which are described in each item in Paragraph 1, Article 459 of the Company Law by a resolution of the Board of Directors.

**Article 38. (Record date for dividend from surplus)**

The record date for the dividends shall be June 30, September 30, December 31 and March 31 of each year.

In addition to the above, the Company may distribute dividends from surplus by determining any record date.

**Article 39. (Limitation period for dividend)**

The Company shall be relieved of the obligation to pay dividend upon expiration of three full years from the day they became due and payable.

-End-

[Translation]

**SHARE HANDLING REGULATIONS**

**April 1, 2012**

**HONDA MOTOR CO., LTD.**

## Record of Resolutions of the Meeting of the Board of Directors

April 27, 1953	Amended
December 30, 1953	Amended
April 27, 1957	Amended
April 28, 1960	Amended
December 1, 1962	Amended
March 31, 1967	Amended
August 19, 1968	Amended
February 28, 1972	Amended
December 19, 1977	Amended
May 28, 1981	Amended
October 1, 1982	Amended
November 14, 1991	Amended
October 1, 1999	Amended
April 1, 2000	Amended
May 12, 2000	Amended
December 4, 2000	Amended
October 4, 2001	Amended
June 25, 2002	Amended
April 1, 2003	Amended
June 24, 2003	Amended
June 23, 2004	Amended
January 31, 2006	Amended
May 16, 2006	Amended
June 23, 2006	Amended
January 5, 2009	Amended
June 23, 2009	Amended
April 1, 2012	Amended

**SHARE HANDLING REGULATIONS**  
**CHAPTER I. GENERAL PROVISIONS**

**Article 1. (Purpose)**

The procedures related to exercising the rights of shareholders and other matters concerning the handling of shares of the Company shall be governed by the provisions set forth by the Japan Securities Depository Center, Inc., which is a Book-Entry Transfer Institution (hereinafter referred to as the “Transfer Institution”), and by the securities companies and other entities, which are Account Management Institutions (hereinafter referred to as the “Securities Companies and Others”), as well as by these regulations in accordance with the provisions of Articles 8 and 9 of the Articles of Incorporation of the Company.

**Article 2. (Shareholders’ Register Manager)**

The shareholders’ register manager of the Company and its place of operations are as follows:

Shareholders’ register manager:

Sumitomo Mitsui Trust Bank, Limited  
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Place of operations of the shareholders’ register manager:

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Business Planning Agency Department  
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

**CHAPTER II. ENTRIES IN THE SHAREHOLDERS’ REGISTER, ETC.**

**Article 3. (Entries in the Shareholders’ Register)**

1. Changes in items contained in the shareholders’ register shall be made pursuant to notices concerning all shareholders given by the Transfer Institution (excluding the notices (hereinafter referred to as the “Notices concerning Specific Shareholders”) provided by Article 154, paragraph 3 of the Law Concerning Transfer of Bonds, Shares, Etc. (hereinafter referred to as the “Transfer Law”).

2. In addition to the provisions of the previous paragraph, in the case of issuing new shares or in other cases provided by laws and regulations, entries and changes are made in the shareholders’ register without notice from the Transfer Institution.

3. Entries will be made in the shareholders’ register using the letters and symbols specified by the Transfer Institution.

**CHAPTER III. NOTIFICATIONS**

**Article 4. (Notification of the Names and Addresses of Shareholders)**

Shareholders shall notify the Company of their names and addresses through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution. In case of any change in the names and addresses of shareholders, the same procedures shall apply.

**Article 5. (Notification of the Place Where Shareholders Residing Abroad Will Receive Notices)**

Each of the shareholders and registered pledgees of shares residing abroad or their statutory agents shall appoint a standing proxy in Japan, or specify an address in Japan where they will receive notices, and notify the

name and address of their standing proxy or the place where notices are to be received through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution. In case of any change in such matters or removal of such proxy, the same procedures shall apply.

**Article 6. (Representative of a Corporation)**

If a shareholder is a corporation, notification of one (1) representative shall be made through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution. In case of any change of such representative, the same procedures shall apply.

**Article 7. (Representative of Joint Shareholders)**

Shareholders who jointly own shares shall appoint one (1) representative and submit a notification through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution. In case of any change of such representative, the same procedures shall apply.

**Article 8. (Statutory Agents)**

Parental authorities, guardians or other statutory agents of shareholders shall submit a notification of the name and address of such agents through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution. In case of any change or cancellation of such agent, the same procedures shall apply.

**Article 9. (Method for Confirmation through the Transfer Institution)**

When a notification of a shareholder to the Company was submitted through the Securities Companies and Others and/or the Transfer Institution, such notification shall be deemed to have been made by the relevant shareholder.

**CHAPTER IV. CONFIRMATION OF SHAREHOLDERS**

**Article 10. (Confirmation of Shareholders)**

1. When shareholders (including those with respect to whom the Notices concerning Specific Shareholders are given) make requests or otherwise exercise their rights as shareholders (hereinafter referred to as "Requests"), the shareholders shall attach or provide evidence that the shareholder in question has made the Request himself or herself (hereinafter referred to as the "Documentary Evidence"). However, if the Company is able to confirm that the Request has been submitted by the relevant shareholder, such Documentary Evidence will not be necessary.

2. If a Request is made by a shareholder to the Company through the Securities Companies and Others and/or the Transfer Institution, it will be deemed to be a Request from the relevant shareholder and Documentary Evidence will not be necessary.

3. If an agent makes a Request, such agent shall attach a power of attorney either signed by the shareholder or with his/her name and seal affixed in addition to implementing the procedures set out in paragraphs 1 and 2 above. The power of attorney must state the name and address of the person who is granted authority.

4. The provisions of paragraphs 1 and 2 above also apply to an agent, *mutatis mutandis*.



## **CHAPTER V. PROCEDURES FOR EXERCISE OF MINORITY SHAREHOLDERS' RIGHTS, ETC.**

### **Article 11. (Procedures for Exercise of Minority Shareholders' Rights, Etc.)**

When minority shareholders' rights as stipulated in Article 147, paragraph 4 of the Transfer Law are exercised directly to the Company, the exercising shareholder shall submit the request in writing bearing the signature or the name and seal of the shareholder with an acceptance form of a Notice concerning Specific Shareholders attached.

## **CHAPTER VI. PURCHASE OF SHARES LESS THAN ONE UNIT**

### **Article 12. (Method for Requesting Purchase of Shares Less than One Unit)**

When any shareholder requests the Company to purchase shares of less than one unit, the shareholder shall submit the request through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution.

### **Article 13. (Determination of Purchase Price)**

When a request set out in the preceding Article is made, the purchase price shall be obtained by multiplying the number of shares to be purchased by the last price per share of the shares of the Company in trading on the Tokyo Stock Exchange on the day on which the request reached the place of operations of the shareholders' register manager provided in Article 2. If there is no trading on that day, or if that day is a holiday of the Stock Exchange, the price per share to be used shall be the first trading price effected thereafter.

### **Article 14. (Payment of Proceeds for Purchase)**

1. The proceeds for purchase shall be paid by the Company on the fourth (4th) business day from and including the day immediately following the day on which the purchase price was determined, unless the Company provides otherwise. However, if the proceeds for purchase involve a price cum rights, such as one relating to distribution of surplus, stock split and allotment of shares without consideration, the proceeds for the purchase shall be paid by the relevant record date or allotment date.

2. At the time of making payment of the proceeds for purchase stated in the preceding paragraph, the fees prescribed in Article 23 will be deducted.

### **Article 15. (Transfer of Shares Purchased)**

1. The shares less than one unit requested for purchase will be transferred to the transfer account of the Company on the day on which payment procedures for the proceeds for purchase have been completed pursuant to the preceding Article. However, in the case of delay in receiving the proceeds by the shareholder who has requested the purchase of shares, the shares less than one unit concerned shall be transferred to the transfer account of the Company on the day on which the Company makes a verbal presentation (or, in the case of delivering a reminder by mail, on the day when such mail is dispatched).

2. Notwithstanding the provisions of the preceding paragraph, if the purchase price of shares less than one unit in respect of which the Company has received a request for purchase is a price cum rights, such as one relating to distribution of surplus, stock split and allotment of shares without consideration, and the date for determining the shareholders entitled to exercise such rights passes without the purchase proceeds being received by the shareholder who requested purchase of the shares, such shares shall be transferred to the transfer account of the Company at the close of business on that day.

## **CHAPTER VII. REQUESTS FOR SALE OF SHARES LESS THAN ONE UNIT**

### **Article 16. (Method for Making Requests for Sale of Shares Less than One Unit)**

When any shareholder of shares less than one unit requests the Company a sale of a number of shares less than one unit that will, when added to the shares less than one unit already held by that shareholder, constitute one unit of shares (hereinafter referred to as the “Additional Purchase Request”), the shareholder shall submit the request through the Securities Companies and Others and/or the Transfer Institution in accordance with the provisions set forth by the Transfer Institution.

### **Article 17. (Additional Purchase Requests Exceeding the Balance of Treasury Shares)**

If the total number of shares for which Additional Purchase Requests are made on the same day exceeds the number of the transferable treasury shares held by the Company (excluding those treasury shares held for specific purposes), and the order in which such requests were made is not able to be determined, all Additional Purchase Requests made on such day shall not be effective.

### **Article 18. (Effective Date of Additional Purchase Requests)**

An Additional Purchase Request shall become effective on the day on which such request arrives at the place of operations of the shareholders’ register manager provided in Article 2 in accordance with the provisions of Article 16.

### **Article 19. (Periods during which Additional Purchase Requests Are Not Accepted)**

1. The Company will suspend the acceptance of any Additional Purchase Request during the periods commencing on the 10th business day prior to the dates listed below and ending on such dates, respectively:

- (1) June 30
- (2) September 30
- (3) December 31
- (4) March 31
- (5) Other dates for determination of shareholders that may be provided by the Transfer Institution

2. Notwithstanding the provisions of the preceding paragraph, the Company may set other periods during which the acceptance of Additional Purchase Requests is suspended if the Company deems it necessary.

### **Article 20. (Determination of the Price of Shares to Be Additionally Purchased)**

1. The price per share of shares to be additionally purchased shall be the last price per share of the shares of the Company in trading on the Tokyo Stock Exchange on the day on which the relevant Additional Purchase Request becomes effective. If there is no trading on that day, or if such day is a holiday of the Stock Exchange, the price per share to be used shall be the first trading price effected thereafter.

2. The price of shares to be additionally purchased shall be the price per share determined in accordance with the preceding paragraph multiplied by the number of shares for which the Additional Purchase Request has been made.

**Article 21. (Transfer of Shares Additionally Purchased)**

An application for the transfer of the treasury shares for which an Additional Purchase Request has been made to the transfer account of the shareholder making the Additional Purchase Request will be made on the day of confirmation of the transfer of proceeds to the bank account specified by the Company for the additional purchase of shares, together with the fees prescribed in Article 23, in accordance with the provisions set forth by the Transfer Institution.

**CHAPTER VIII. SPECIAL PROCEDURES FOR SPECIAL ACCOUNTS**

**Article 22. (Special Procedures for Special Accounts)**

Confirmation of the identity of shareholders for whom special accounts have been opened, related fees, and other matters relating to special accounts shall be handled in accordance with the provisions set forth by the Transfer Institution as well as those set forth by the Account Management Institution at which such special accounts have been opened.

**CHAPTER IX. FEES**

**Article 23. (Fees)**

1. When a shareholder requests a purchase by the Company of shares of less than one unit in accordance with the provisions set out in Article 12, or makes an Additional Purchase Request in accordance with the provisions set out in Article 16, the shareholder shall pay the fees which are provided separately.

2. The fees payable by shareholders to the Securities Companies and Others and/or the Transfer Institution will be borne by the shareholders.

[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 24 of the Articles of Incorporation of the Company.

### **Article 2. (Composition)**

The Board of Directors shall consist of all the Directors of the Company. Corporate Auditors are required to attend meetings of the Board of Directors.

### **Article 3. (Timing of Convocation)**

Ordinary meetings of the Board of Directors shall be convened in January, February, April, May, June, July and October and extraordinary meetings of the Board of Directors shall be convened whenever necessary.

### **Article 4. (Authority to Convene Meetings of the Board of Directors and the Chairman)**

The Chairman of the Company or the President and Director shall convene meetings of the Board of Directors in accordance with arrangements which have been agreed in advance at a meeting of the Board of Directors, and shall act as the chairman thereof. If both the Chairman of the Company and the President and Director are 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 the Corporate Auditors 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 and to each Corporate Auditor three (3) days prior to the date of the meeting.

2. If all the Directors and all the Corporate Auditors 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. (Opinions of the Corporate Auditors)**

The Corporate Auditors shall state their opinions when deemed necessary at a meeting of the Board of Directors.

**Article 8. (Matters to be Resolved)**

The matters to be resolved by the Board of Directors are as follows:

(1) The matters with respect to the Company and its subsidiaries (together with the Company, the “Company Group”):

- (i) the Company Group’s management policy and other similar matters; and
- (ii) other important matters with respect to the Company Group.

(2) The matters with respect to the Company:

- (i) the convocation of a general meeting of the Shareholders and the determination of the objectives thereof and the matters to be submitted thereto;
- (ii) the election and discharge of Representative Directors and Directors with Executive Powers;
- (iii) the approval of any transactions between the Company and a Director, conflict of interest transactions and transactions by a Director competing with the Company’s business;
- (iv) the issue of new shares and bonds;
- (v) the approval for deliberation of financial reports and business reports, and schedules attached thereto;
- (vi) the determination of the payment of dividends from surplus;
- (vii) the establishment, relocation and abolition of branch offices and other important organizations;
- (viii) the appointment and dismissal of managers and other important employees;
- (ix) the disposition and acquisition of important assets;
- (x) the borrowing of substantial amounts;
- (xi) the approval of a basic policy for the establishment of internal governance systems; and
- (xii) other matters prescribed by laws and regulations or in the Articles of Incorporation.

**Article 9. (Matters to be Reported)**

1. Directors shall report to the Board of Directors without delay if any of the matters set forth below occurs:

- (1) a transaction between the Company and a Director, a conflict of interest transaction or a transaction by a Director competing with the Company’s business is undertaken;
- (2) a Director 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 Representative Director shall report to the Board of Directors on the state of the performance of the business at least once every three (3) months.

3. If a Director notifies all of the Directors and the Corporate Auditors 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.

4. The provision of the preceding paragraph does not apply to any reporting that is set out in paragraph 2 of this article.

**Article 10. (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 and the Corporate Auditors present thereat shall affix their names and seals.

**Article 11. (Consultation)**

The Executive Adviser and the Special Adviser shall respond to any inquiries made by the Board of Directors or the Representative Directors.

**Article 12. (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

-End-

[Translation]

**REGULATIONS OF THE BOARD OF CORPORATE AUDITORS**

Established: June 29, 1994  
Amended: May 1, 2002  
Amended: June 23, 2004  
Amended: January 28, 2005  
Amended: July 27, 2005  
Amended: June 23, 2006  
Amended: September 14, 2006  
Amended: October 22, 2008  
Amended: May 8, 2015

**HONDA MOTOR CO., LTD.**



## **REGULATIONS OF THE BOARD OF CORPORATE AUDITORS**

### **Article 1. (Purpose)**

These Regulations shall govern the matters concerning the Board of Corporate Auditors of the Company under laws and ordinances and its Articles of Incorporation.

### **Article 2. (Composition)**

1. The Board of Corporate Auditors shall be composed of all of the Corporate Auditors of the Company.
2. The Board of Corporate Auditors shall have a Full-time Corporate Auditor.

3. In addition to the preceding paragraph, the Board of Corporate Auditors shall have a chairman of the Board of Corporate Auditors and a Specified Corporate Auditor as stipulated in Article 7 hereof.

### **Article 3. (Purpose of the Board of Corporate Auditors)**

The Board of Corporate Auditors shall be reported to on important matters concerning audits and shall discuss and resolve those matters, but that does not preclude the Corporate Auditors from exercising their powers.

### **Article 4. (Duties of the Corporate Auditors)**

Corporate Auditors shall perform the duties set out below. However, the determination set out in Item 3 may not preclude any Corporate Auditor from exercising his or her powers as a Corporate Auditor.

- (1) Preparation of audit report.
- (2) Election and discharge of Full-time Corporate Auditors.
- (3) Determination of audit policies, methods of investigating the state of the Company's business and assets, and other matters relating to the performance of Corporate Auditors' duties.

### **Article 5. (Election and Discharge of Full-time Corporate Auditor)**

The Board of Corporate Auditors shall, by its resolution, elect a Full-time Corporate Auditor from among the Corporate Auditors and discharge the Full-time Corporate Auditor.

### **Article 6. (Chairman)**

1. The Board of Corporate Auditors shall, by its resolution, determine a chairman of the Board of Corporate Auditors.
2. In addition to the duties set out in Article 9, Paragraph 1, the chairman shall also carry out the duties that are delegated by the Board of Corporate Auditors, but that does not preclude each Corporate Auditor from exercising his or her powers.

### **Article 7 (Specified Corporate Auditor)**

1. The Board of Corporate Auditors shall, by its resolution, determine a person to carry out the duties set out below (the "Specified Corporate Auditor"):

- (1) to receive from the Board of Directors the business report and schedules attached thereto and the accounts-related documents, all of which the Board of Corporate Auditors should receive, and submit them to the Board of Corporate Auditors;

- (2) to provide notice of the contents of the Board of Corporate Auditors' audit report relating to the business report and schedules attached thereto to the Director stipulated as the person to receive that notice (the "Specified Director");
  - (3) to agree with the Specified Director on a date to provide the notice set out in the preceding Item;
  - (4) to receive from the accounting auditor a notice on the contents of the accounting audit report and notify the other Corporate Auditors of the contents of that audit report;
  - (5) to agree with the Specified Director and the accounting auditor on a date to receive the notice set out in the preceding Item;
  - (6) to notify the Specified Director and the accounting auditor of the contents of the Board of Corporate Auditors' audit report relating to the accounts-related documents; and
  - (7) to agree with the Specified Director on a date to provide the notice set out in the preceding Item.
2. The Specified Corporate Auditor shall be a Full-time Corporate Auditor.

**Article 8. (Timing of Meetings)**

Meetings of the Board of Corporate Auditors shall be held regularly. However, meetings may be held from time to time whenever necessary.

**Article 9. (Convener)**

1. The chairman of the Board of Corporate Auditors shall convene and operate the meetings of the Board of Corporate Auditors.
2. Each Corporate Auditor is entitled to request the chairman to convene a meeting of the Board of Corporate Auditors.
3. If the chairman does not convene a meeting of the Board of Corporate Auditors despite a request made under the preceding paragraph, the Corporate Auditor who made the request will be entitled to convene and operate the meeting himself or herself.

**Article 10. (Convocation Procedures)**

1. To convene a meeting of the Board of Corporate Auditors, a notice of convocation shall be dispatched to each Corporate Auditor at least three (3) days before the date of the meeting. However, in case of urgent need that period may be shortened.
2. If the unanimous consent of all of the Corporate Auditors is obtained, a meeting of the Board of Corporate Auditors may be held without following the procedures for convocation.

**Article 11. (Method of Resolutions)**

1. Resolutions of a meeting of the Board of Corporate Auditors shall be adopted by a majority of all the Corporate Auditors.
2. Before adopting any resolution, Corporate Auditors shall conduct deliberations based on sufficient materials.

**Article 12. (Resolutions of Audit Policies, etc.)**

1. The Board of Corporate Auditors shall resolve the audit policy, audit plan and audit method, and the allotment of audit services.

2. In addition to resolving the matters set out in the preceding paragraph, the Board of Corporate Auditors shall resolve any matters it deems necessary for performing its duties, such as the budget for audit expenses.

3. The Board of Corporate Auditors shall resolve the contents of the systems set out below and request Directors establish these systems:

- (1) Matters relating to employees who should assist the Corporate Auditors (“Corporate Auditor Staff”);
- (2) Matters relating to the independence from Directors of the Corporate Auditor Staff;
- (3) Matters relating to ensure that the directions to Corporate Auditor Staff set out in Item 1 are carried out effectively;
- (4) Systems of reports to Corporate Auditors including those set out below:
  - i) A system for Directors and employees to report to Corporate Auditors; and
  - ii) A system for directors, corporate auditors and employees of the Company’s subsidiaries or a person who has received reports from such persons to report to Corporate Auditors;
- (5) A system to ensure that a person who made a report to Corporate Auditors referred to in the preceding Item shall not be treated unfavorably due to such report;
- (6) Matters relating to policies on dealing with expenses or liabilities caused by the performance of Corporate Auditors’ duties including procedures of advanced payment or redemption of expenses caused by such performance of duties;
- (7) Any other system to ensure that Corporate Auditors’ audits are carried out effectively.

**Article 13. (Explanations to Representative Directors)**

1. The Board of Corporate Auditors shall, as appropriate, report to the Representative Directors and the Board of Directors on audit policies and audit plans and the progress and results of audits.

2. In addition to determining matters stipulated under law, the Board of Corporate Auditors shall, upon consultation with Directors, determine the matters on which the Board of Directors and employees should report to the Board of Corporate Auditors under the systems set out in Item 4, Paragraph 3 of the preceding Article, and it shall be reported such matters.

**Article 14. (Reports to the Board of Corporate Auditors)**

1. Corporate Auditors shall report to the Board of Corporate Auditors on the progress of their business and shall report on that progress whenever required by the Board of Corporate Auditors.

2. A Corporate Auditor who has been reported by an accounting auditor, Director, employee of the Audit Office, or any other relevant person shall report thereon to the Board of Corporate Auditors.

3. When necessary, the Board of Corporate Auditors shall request reports from accounting auditors, Directors, employees of the Audit Office, and other relevant persons.

4. If a Corporate Auditor, accounting auditor, Director, an employee of, for example, the Audit Office, or any other person notifies all of the members of the Board of Corporate Auditors of matters that should be reported to the Board of Corporate Auditors as set out in the preceding three (3) paragraphs, those matters shall not be required to be reported to the Board of Corporate Auditors.

**Article 15. (Measures to be Taken on Receiving Reports)**

If the Board of Corporate Auditors receives a report as set out below, it shall conduct the necessary investigation and take measures appropriate to the circumstances:

- (1) A report from a Director that a fact has been discovered that might cause significant damage to the Company;
- (2) A report from an accounting auditor that (i) a Director has acted improperly in relation to carrying out his or her duties or (ii) a material fact has been discovered such as a breach of the Articles of Incorporation or a breach of laws or regulations; or
- (3) A report from a Director or an employee on matters stipulated in advance on consultation with Directors.

**Article 16. (Preparation of Audit Reports)**

1. The Board of Corporate Auditors shall, after its deliberation, prepare the audit report of the Board of Corporate Auditors based on audit reports prepared by each Corporate Auditor.

2. If the contents of the Board of Corporate Auditors' audit report differ from the contents of a Corporate Auditor's audit report and that Corporate Auditor requests that the contents of his or her audit report be attached to the audit report of the Board of Corporate Auditors, then those contents shall be so attached.

3. Each Corporate Auditor shall sign or affix his or her name and seal to the Board of Corporate Auditors' audit report. Full-time Corporate Auditors and outside corporate auditors shall enter or record in the audit report that they are Full-time Corporate Auditors or outside corporate auditors.

4. If the Company is to prepare extraordinary financial reports or consolidated financial reports, the preceding three (3) paragraphs shall apply *mutatis mutandis* to the preparation of those documents.

**Article 17 (Consent etc. Concerning Appointment of Corporate Auditors)**

1. The following matters concerning the appointment of Corporate Auditors shall be resolved at a meeting of the Board of Corporate Auditors:

- (1) Consent for submission of a proposal concerning the appointment of Corporate Auditors to a general meeting of shareholders;
- (2) Request for deliberation on the appointment of a Corporate Auditor at a general meeting of shareholders; and
- (3) Request for submission of a proposal concerning the appointment of a Corporate Auditor to a general meeting of shareholders.

2. The preceding paragraph shall also apply *mutatis mutandis* to the appointment of Corporate Auditors to fill vacancies of Corporate Auditors.

**Article 18. (Determination etc. Concerning Appointment of Accounting Auditors)**

1. The following matters concerning appointment, non-reappointment or discharge of accounting auditors shall be resolved at a meeting of the Board of Corporate Auditors:

- (1) Implementation of the policies of determining discharge or non-reappointment of an accounting auditor;
- (2) Determining whether reappointment of an accounting auditor is appropriate;
- (3) Determining contents of a proposal to a general meeting of shareholders concerning discharge or non-reappointment of an accounting auditor;
- (4) Determining contents of a proposal to a general meeting of shareholders concerning appointment of an accounting auditor; and
- (5) Appointment of the person to temporarily perform the duties of an accounting auditor in its absence.

2. The consent of all Corporate Auditors to the discharge of an accounting auditor in accordance with statutory grounds for discharge may be obtained upon consultation at a meeting of the Board of Corporate Auditors. In such case, the Corporate Auditor appointed by the Board of Corporate Auditors must report on the discharge and the reasons therefor at the first general meeting of shareholders after such discharge.

3. The consent set out in the preceding paragraph may be obtained in writing or by electromagnetic record in case of urgent necessity.

**Article 19. (Consent to Remuneration etc. of the Accounting Auditor)**

The consent to the remuneration etc. of the accounting auditor and any person who temporarily performs the duties of an accounting auditor may be obtained by resolution of the Board of Corporate Auditors.

**Article 20. (Consent of the Board of Corporate Auditors to the Exemption of Directors from Some of their Liability, etc.)**

1. The consent of all Corporate Auditors set out below may be obtained upon consultation at a meeting of the Board of Corporate Auditors:

- (1) Consent for submission of a proposal concerning exemption of a Director from some of his or her liability to a general meeting of shareholders;
- (2) Consent for submission of a proposal concerning an amendment to the Articles of Incorporation so as to enable the exemption of Directors from some of their liability by a resolution of a meeting of the Board of Directors to a general meeting of shareholders;
- (3) Consent for submission of a proposal concerning exemption of a Director from some of his or her liability to a meeting of the Board of Directors in accordance with the Articles of Incorporation; and
- (4) Consent for submission of a proposal by the Board of Directors for an amendment to the Articles of Incorporation so as to enable the execution of an agreement limiting some of the liability of Outside Directors to a general meeting of shareholders.

2. The consent set out in the preceding paragraph may be obtained in writing or by electromagnetic record in case of urgent necessity.

**Article 21. (Consent to Auxiliary Intervention)**

1. The consent of all of the Corporate Auditors for the Company's providing auxiliary intervention for a Director defendant in a shareholder class action may be obtained upon consultation at the Board of Corporate Auditors.

2. The consent set out in the preceding paragraph may be obtained in writing or by electromagnetic record in case of urgent necessity.

**Article 22. (Deliberation on Exercise of Powers by Corporate Auditors)**

Corporate Auditors may deliberate on the following matters in advance at a meeting of the Board of Corporate Auditors when they exercise their powers or fulfill their obligations with respect to those matters:

- (1) Explanation about questions to a Corporate Auditor notified by a shareholder before a general meeting of shareholders;
- (2) Report to the Board of Directors and request for convocation of a meeting of the Board of Directors, etc.;
- (3) Report of opinions concerning proposals or documents or other things to be submitted to a general meeting of shareholders;
- (4) Request for suspension of the acts of Directors that are beyond the scope of the Company's purpose or that breach law, ordinance, or the Company's Articles of Incorporation;
- (5) Statement of opinions on appointment, discharge, resignation and remuneration etc. of Corporate Auditors at a general meeting of shareholders;
- (6) Expression of opinions to be notified to shareholders when an issuance of shares causes a change of control of the Company;
- (7) Matters about lawsuits between the Company and a Director; and
- (8) Any other matters concerning the bringing of lawsuits, etc.

**Article 23. (Deliberation on Remuneration etc.)**

Deliberation of the remuneration etc. of Corporate Auditors may, if all Corporate Auditors have so consented, be made at a meeting of the Board of Corporate Auditors.

**Article 24. (Minutes)**

1. The Board of Corporate Auditors shall prepare minutes for its meetings, the contents of the minutes being the matters set out below, and each Corporate Auditor present shall sign or affix his or her name and seal to the minutes.

- (1) Place, date, and time of meeting (including the method of attendance of any Corporate Auditor, Director, or accounting auditor who was not at the location of the meeting but who attended the meeting of the Board of Corporate Auditors);
- (2) Outline of the proceedings and the results thereof;

- (3) If a Corporate Auditor stated his or her opinion or made a statement at the Board of Corporate Auditors' meeting on any of the following matters, an outline of the details of the opinion or statement:
  - (A) A report from a Director that a fact has been discovered that might cause significant damage to the Company; and
  - (B) A report from an accounting auditor that (i) a Director has acted improperly in relation to carrying out his or her duties or (ii) a material fact has been discovered such as a breach of the Articles of Incorporation or a breach of laws or ordinances;
- (4) The name or trade name of the Directors and the accounting auditors present at the meeting; and
- (5) The name of the chairman of the meeting.

2. If the report to the Board of Corporate Auditors is not necessary pursuant to Article 14, Paragraph 4, minutes the contents of which shall be the matters set out below shall be prepared:

- (1) The content of matters that do not need to be reported to the Board of Corporate Auditors;
- (2) The day the report to the Board of Corporate Auditors was no longer required; and
- (3) The name of the Corporate Auditors who performed their duties in connection with preparing the minutes.

3. The Company shall retain the minutes set out in the preceding two (2) paragraphs at its head office for ten (10) years.

**Article 25. (Secretariat of the Board of Corporate Auditors)**

The Corporate Auditor Staff shall take charge of duties concerning the convocation of the meetings of the Board of Corporate Auditors, preparation of the minutes and any other general matters concerning operation of the Board of Corporate Auditors.

**Article 26. (Code of Corporate Auditors Auditing Standards)**

In addition to being governed by laws, ordinances, the Articles of Incorporation, and these Regulations, matters concerning the Board of Corporate Auditors and the performance of the duties of Corporate Auditors shall be governed by the Code of Corporate Auditors Auditing Standards, which are determined by the Board of Corporate Auditors.

**Article 27. (Amendment to and Abolition of Regulations)**

Any amendment to or abolition of these Regulations shall be made by a resolution of the Board of Corporate Auditors.

**(Supplementary Provision)**

These amendments to the Regulations are effective as of May 8, 2015.

—End of Body of Regulations—







**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, 2015 (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 26, 2015

By:           /s/ Takahiro Hachigo            
Name: **Takahiro Hachigo**  
Title: **President, Chief Executive Officer and  
Representative Director  
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, 2015 (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 26, 2015

By: \_\_\_\_\_ /s/ Kohei Takeuchi  
Name: **Kohei Takeuchi**  
Title: **Managing Officer and Director**  
**Chief Financial Officer**  
**Honda Motor Co., Ltd.**