

HONDA MOTOR CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Interim Financial Statements  
September 30, 2015

HONDA MOTOR CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Statements of Financial Position  
March 31, 2015 and September 30, 2015

Assets	Note	Yen (millions)	
		March 31, 2015	September 30, 2015
		unaudited	unaudited
<b>Current assets:</b>			
Cash and cash equivalents		¥ 1,471,730	¥ 1,643,627
Trade receivables		820,681	724,242
Receivables from financial services		2,098,951	1,990,240
Other financial assets		92,708	61,299
Inventories		1,498,312	1,371,274
Other current assets		313,758	271,287
Total current assets		<u>6,296,140</u>	<u>6,061,969</u>
<b>Non-current assets:</b>			
Investments accounted for using the equity method		614,975	668,247
Receivables from financial services		3,584,654	3,428,550
Other financial assets		350,579	338,593
Equipment on operating leases	6	3,335,367	3,632,015
Property, plant and equipment	7	3,189,511	3,115,430
Intangible assets		759,535	796,357
Deferred tax assets		138,069	123,064
Other non-current assets		157,007	158,044
Total non-current assets		<u>12,129,697</u>	<u>12,260,300</u>
<b>Total assets</b>		<u>¥18,425,837</u>	<u>¥18,322,269</u>
Liabilities and Equity	Note	Yen (millions)	
		March 31, 2015	September 30, 2015
		unaudited	unaudited
<b>Current liabilities:</b>			
Trade payables		¥ 1,157,738	¥ 992,165
Financing liabilities		2,833,563	2,667,772
Accrued expenses		377,372	358,751
Other financial liabilities		109,715	100,073
Income taxes payable		53,654	87,826
Provisions	8	294,281	369,569
Other current liabilities		474,731	471,933
Total current liabilities		<u>5,301,054</u>	<u>5,048,089</u>
<b>Non-current liabilities:</b>			
Financing liabilities		3,926,276	4,134,023
Other financial liabilities		61,147	51,318
Retirement benefit liabilities		592,724	598,856
Provisions	8	182,661	160,831
Deferred tax liabilities		744,410	704,611
Other non-current liabilities		234,744	230,416
Total non-current liabilities		<u>5,741,962</u>	<u>5,880,055</u>
<b>Total liabilities</b>		<u>11,043,016</u>	<u>10,928,144</u>
<b>Equity:</b>			
Common stock		86,067	86,067
Capital surplus		171,118	171,118
Treasury stock		(26,165)	(26,172)
Retained earnings		6,083,573	6,317,809
Other components of equity		794,034	590,589
Equity attributable to owners of the parent		<u>7,108,627</u>	<u>7,139,411</u>
Non-controlling interests		274,194	254,714
<b>Total equity</b>		<u>7,382,821</u>	<u>7,394,125</u>
<b>Total liabilities and equity</b>		<u>¥18,425,837</u>	<u>¥18,322,269</u>

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

For the six months ended September 30, 2014 and 2015

	Note	Yen (millions)	
		September 30,	September 30,
		2014	2015
		<u>unaudited</u>	<u>unaudited</u>
Sales revenue		¥ 6,338,678	¥ 7,326,039
Operating costs and expenses:			
Cost of sales		(4,942,088)	(5,714,351)
Selling, general and administrative		(730,577)	(913,555)
Research and development		(291,509)	(294,005)
Total operating costs and expenses		<u>(5,964,174)</u>	<u>(6,921,911)</u>
Operating profit		374,504	404,128
Share of profit of investments accounted for using the equity method	5	41,362	72,514
Finance income and finance costs:			
Interest income		12,377	14,094
Interest expense		(9,558)	(9,132)
Other, net		15,474	11,662
Total finance income and finance costs		<u>18,293</u>	<u>16,624</u>
Profit before income taxes		434,159	493,266
Income tax expense	9	<u>(134,946)</u>	<u>(147,049)</u>
Profit for the period		<u>¥ 299,213</u>	<u>¥ 346,217</u>
Profit for the period attributable to:			
Owners of the parent		275,134	313,788
Non-controlling interests		24,079	32,429
		<u>September 30,</u>	<u>September 30,</u>
		<u>2014</u>	<u>2015</u>
Earnings per share attributable to owners of the parent			
Basic and diluted	12	¥ 152.66	¥ 174.11

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Income  
For the six months ended September 30, 2014 and 2015

	Note	Yen (millions)	
		September 30,	September 30,
		2014	2015
		<u>unaudited</u>	<u>unaudited</u>
Profit for the period		¥ 299,213	¥ 346,217
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(6,591)	—
Net changes in revaluation of financial assets measured at fair value through other comprehensive income		10,953	(12,628)
Share of other comprehensive income of investments accounted for using the equity method		1,055	(2,193)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		221,077	(199,042)
Share of other comprehensive income of investments accounted for using the equity method		18,499	(8,404)
Total other comprehensive income, net of tax		<u>244,993</u>	<u>(222,267)</u>
Comprehensive income for the period		<u>¥ 544,206</u>	<u>¥ 123,950</u>
Comprehensive income for the period attributable to:			
Owners of the parent		509,884	110,091
Non-controlling interests		34,322	13,859

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

For the three months ended September 30, 2014 and 2015

	Note	Yen (millions)	
		September 30,	September 30,
		2014	2015
		<u>unaudited</u>	<u>unaudited</u>
Sales revenue		¥ 3,131,935	¥ 3,621,277
Operating costs and expenses:			
Cost of sales		(2,440,476)	(2,828,705)
Selling, general and administrative		(368,169)	(479,067)
Research and development		(154,293)	(148,663)
Total operating costs and expenses		<u>(2,962,938)</u>	<u>(3,456,435)</u>
Operating profit		<u>168,997</u>	<u>164,842</u>
Share of profit of investments accounted for using the equity method	5	5,124	34,199
Finance income and finance costs:			
Interest income		6,222	6,302
Interest expense		(4,820)	(4,307)
Other, net		15,037	9,903
Total finance income and finance costs		<u>16,439</u>	<u>11,898</u>
Profit before income taxes		190,560	210,939
Income tax expense		<u>(58,430)</u>	<u>(68,598)</u>
Profit for the period		<u>¥ 132,130</u>	<u>¥ 142,341</u>
Profit for the period attributable to:			
Owners of the parent		119,530	127,751
Non-controlling interests		12,600	14,590
		<u>Yen</u>	
		<u>September 30,</u>	<u>September 30,</u>
		<u>2014</u>	<u>2015</u>
Earnings per share attributable to owners of the parent			
Basic and diluted	12	¥ 66.32	¥ 70.88

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Income  
For the three months ended September 30, 2014 and 2015

	Note	Yen (millions)	
		September 30, 2014	September 30, 2015
		<u>unaudited</u>	<u>unaudited</u>
Profit for the period		¥ 132,130	¥ 142,341
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		326	—
Net changes in revaluation of financial assets measured at fair value through other comprehensive income		2,067	(15,206)
Share of other comprehensive income of investments accounted for using the equity method		1,699	(2,557)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		259,209	(278,654)
Share of other comprehensive income of investments accounted for using the equity method		19,574	(16,120)
Total other comprehensive income, net of tax		<u>282,875</u>	<u>(312,537)</u>
Comprehensive income for the period		<u>¥ 415,005</u>	<u>¥ (170,196)</u>
Comprehensive income for the period attributable to:			
Owners of the parent		388,034	(165,942)
Non-controlling interests		26,971	(4,254)

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Statements of Changes in Equity  
For the six months ended September 30, 2014 and 2015

		Yen (millions)							
		Equity attributable to owners of the parent							
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2014 (unaudited)		¥ 86,067	¥171,117	¥ (26,149)	¥5,831,140	¥ 273,359	¥6,335,534	¥ 223,394	¥6,558,928
Comprehensive income for the period									
Profit for the period					275,134		275,134	24,079	299,213
Other comprehensive income, net of tax						234,750	234,750	10,243	244,993
Total comprehensive income for the period					275,134	234,750	509,884	34,322	544,206
Reclassification to retained earnings					(6,522)	6,522	—		—
Transactions with owners and other									
Dividends paid	13				(79,300)		(79,300)	(15,395)	(94,695)
Purchases of treasury stock				(8)			(8)		(8)
Disposal of treasury stock				1			1		1
Equity transactions and others								(2,924)	(2,924)
Total transactions with owners and other				(7)	(79,300)		(79,307)	(18,319)	(97,626)
Balance as of September 30, 2014 (unaudited)		¥ 86,067	¥171,117	¥ (26,156)	¥6,020,452	¥ 514,631	¥6,766,111	¥ 239,397	¥7,005,508

		Yen (millions)							
		Equity attributable to owners of the parent							
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2015 (unaudited)		¥ 86,067	¥171,118	¥ (26,165)	¥6,083,573	¥ 794,034	¥7,108,627	¥ 274,194	¥7,382,821
Comprehensive income for the period									
Profit for the period					313,788		313,788	32,429	346,217
Other comprehensive income, net of tax						(203,697)	(203,697)	(18,570)	(222,267)
Total comprehensive income for the period					313,788	(203,697)	110,091	13,859	123,950
Reclassification to retained earnings					(252)	252	—		—
Transactions with owners and other									
Dividends paid	13				(79,300)		(79,300)	(30,739)	(110,039)
Purchases of treasury stock				(7)			(7)		(7)
Disposal of treasury stock									
Equity transactions and others								(2,600)	(2,600)
Total transactions with owners and other				(7)	(79,300)		(79,307)	(33,339)	(112,646)
Balance as of September 30, 2015 (unaudited)		¥ 86,067	¥171,118	¥ (26,172)	¥6,317,809	¥ 590,589	¥7,139,411	¥ 254,714	¥7,394,125

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the six months ended September 30, 2014 and 2015

	Note	Yen (millions)	
		September 30,	September 30,
		2014	2015
		unaudited	unaudited
<b>Cash flows from operating activities:</b>			
Profit before income taxes		¥ 434,159	¥ 493,266
Depreciation, amortization and impairment losses excluding equipment on operating leases		294,624	326,092
Share of profit of investments accounted for using the equity method		(41,362)	(72,514)
Finance income and finance costs, net		(13,618)	2,707
Interest income and interest costs from financial services, net		(85,958)	(80,846)
<b>Changes in assets and liabilities</b>			
Trade receivables		26,932	36,657
Inventories		(21,176)	78,041
Trade payables		(46,835)	(35,541)
Accrued expenses		(23,152)	(25,100)
Provisions and retirement benefit liabilities		4,113	66,212
Receivables from financial services		106,890	200,799
Equipment on operating leases		(268,788)	(320,178)
Other assets and liabilities		13,002	(11,828)
Other, net		(7,813)	(3,164)
Dividends received		29,973	53,091
Interest received		113,457	120,247
Interest paid		(45,951)	(45,943)
Income taxes paid, net of refunds		(116,722)	(76,484)
Net cash provided by (used in) operating activities		351,775	705,514
<b>Cash flows from investing activities:</b>			
Payments for additions to property, plant and equipment		(313,708)	(314,887)
Payments for additions to and internally developed intangible assets		(94,599)	(115,462)
Proceeds from sales of property, plant and equipment and intangible assets		16,673	14,406
Payments for acquisitions of other financial assets		(45,581)	(74,024)
Proceeds from sales and redemptions of other financial assets		46,626	63,100
Other, net		(126)	(1,656)
Net cash provided by (used in) investing activities		(390,715)	(428,523)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term financing liabilities		4,017,079	4,239,202
Repayments of short-term financing liabilities		(3,846,338)	(4,541,807)
Proceeds from long-term financing liabilities		607,999	1,056,529
Repayments of long-term financing liabilities		(641,597)	(662,588)
Dividends paid to owners of the parent		(79,300)	(79,300)
Dividends paid to non-controlling interests		(15,933)	(30,722)
Purchases and sales of treasury stock, net		(7)	(7)
Other, net		(24,730)	(24,677)
Net cash provided by (used in) financing activities		17,173	(43,370)
Effect of exchange rate changes on cash and cash equivalents		40,723	(61,724)
Net change in cash and cash equivalents		18,956	171,897
Cash and cash equivalents at beginning of year		1,193,584	1,471,730
Cash and cash equivalents at end of period		¥ 1,212,540	¥ 1,643,627

See accompanying notes to condensed consolidated interim financial statements.



## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim 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 Interim Financial Reporting Standards*

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the fiscal year ended March 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

*(b) Functional Currency and Presentation Currency*

The condensed consolidated interim 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.

*(c) Use of Estimates and Judgments*

The preparation of condensed consolidated interim financial statements 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.

The condensed consolidated interim financial statements are prepared based on the same judgements and estimations as those applied and described in the Company’s consolidated financial statements for the fiscal year ended March 31, 2015.

**(3) Summary of Significant Accounting Policies**

The condensed consolidated interim financial statements are prepared based on the same accounting policies as those applied and described in the Company’s consolidated financial statements for the fiscal year ended March 31, 2015.

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

**(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 condensed consolidated interim financial statements.

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

Segment	Principal products and services	Functions
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs) 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 and for the six months ended September 30, 2014 and 2015 is as follows:

**As of and for the six months ended September 30, 2014**

	Yen (millions)						Consolidated
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	
Sales revenue:							
External customers	¥ 859,252	¥ 4,604,728	¥ 723,462	¥ 151,236	¥ 6,338,678	¥ —	¥ 6,338,678
Intersegment	—	58,467	5,502	10,922	74,891	(74,891)	—
Total	<u>859,252</u>	<u>4,663,195</u>	<u>728,964</u>	<u>162,158</u>	<u>6,413,569</u>	<u>(74,891)</u>	<u>6,338,678</u>
Segment profit (loss)	<u>¥ 85,757</u>	<u>¥ 188,234</u>	<u>¥ 98,225</u>	<u>¥ 2,288</u>	<u>¥ 374,504</u>	<u>¥ —</u>	<u>¥ 374,504</u>
Segment assets	¥ 1,356,057	¥ 7,099,827	¥ 8,643,687	¥ 335,090	¥ 17,434,661	¥ (494,740)	¥ 16,939,921
Depreciation and amortization	33,405	251,530	216,428	5,960	507,323	—	507,323
Capital expenditures	30,806	355,429	800,181	4,744	1,191,160	—	1,191,160

**As of and for the six months ended September 30, 2015**

	Yen (millions)						Consolidated
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	
Sales revenue:							
External customers	¥ 925,994	¥ 5,297,540	¥ 935,678	¥ 166,827	¥ 7,326,039	¥ —	¥ 7,326,039
Intersegment	—	64,086	6,368	9,669	80,123	(80,123)	—
Total	<u>925,994</u>	<u>5,361,626</u>	<u>942,046</u>	<u>176,496</u>	<u>7,406,162</u>	<u>(80,123)</u>	<u>7,326,039</u>
Segment profit (loss)	<u>¥ 104,638</u>	<u>¥ 198,527</u>	<u>¥ 104,309</u>	<u>¥ (3,346)</u>	<u>¥ 404,128</u>	<u>¥ —</u>	<u>¥ 404,128</u>
Segment assets	¥ 1,356,427	¥ 7,478,846	¥ 9,377,731	¥ 343,048	¥ 18,556,052	¥ (233,783)	¥ 18,322,269
Depreciation and amortization	36,356	281,526	301,048	6,575	625,505	—	625,505
Capital expenditures	32,976	360,776	1,030,924	6,356	1,431,032	—	1,431,032

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

Segment information for the three months ended September 30, 2014 and 2015 is as follows:

**For the three months ended September 30, 2014**

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥ 432,777	¥ 2,266,514	¥ 359,056	¥ 73,588	¥ 3,131,935	¥ —	¥ 3,131,935
Intersegment	—	39,404	2,953	5,280	47,637	(47,637)	—
Total	<u>432,777</u>	<u>2,305,918</u>	<u>362,009</u>	<u>78,868</u>	<u>3,179,572</u>	<u>(47,637)</u>	<u>3,131,935</u>
Segment profit (loss)	<u>¥ 44,091</u>	<u>¥ 77,395</u>	<u>¥ 48,599</u>	<u>¥ (1,088)</u>	<u>¥ 168,997</u>	<u>¥ —</u>	<u>¥ 168,997</u>

**For the three months ended September 30, 2015**

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥ 453,291	¥ 2,621,653	¥ 462,006	¥ 84,327	¥ 3,621,277	¥ —	¥ 3,621,277
Intersegment	—	33,899	3,179	3,971	41,049	(41,049)	—
Total	<u>453,291</u>	<u>2,655,552</u>	<u>465,185</u>	<u>88,298</u>	<u>3,662,326</u>	<u>(41,049)</u>	<u>3,621,277</u>
Segment profit (loss)	<u>¥ 49,068</u>	<u>¥ 67,773</u>	<u>¥ 51,867</u>	<u>¥ (3,866)</u>	<u>¥ 164,842</u>	<u>¥ —</u>	<u>¥ 164,842</u>

## Explanatory notes:

1. Segment profit (loss) of each segment is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable.
2. Segment assets of each segment are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.
3. Intersegment sales revenues are generally made at values that approximate arm's-length prices.
4. Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of September 30, 2014 and 2015 amounted to ¥289,228 million and ¥430,679 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 Condensed Consolidated Interim Financial Statements

*(b) 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 six months ended September 30, 2014**

	Yen (millions)							Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total			
Sales revenue:									
External customers	¥ 1,049,517	¥ 3,214,185	¥ 337,242	¥ 1,261,861	¥ 475,873	¥ 6,338,678	¥ —	¥ 6,338,678	
Inter-geographic areas	902,564	174,673	35,688	276,802	1,823	1,391,550	(1,391,550)	—	
Total	1,952,081	3,388,858	372,930	1,538,663	477,696	7,730,228	(1,391,550)	6,338,678	
Operating profit (loss)	¥ 125,862	¥ 109,255	¥ (3,945)	¥ 130,093	¥ 22,209	¥ 383,474	¥ (8,970)	¥ 374,504	
Assets	¥ 3,989,531	¥ 9,463,807	¥ 626,232	¥ 2,232,441	¥ 767,870	¥ 17,079,881	¥ (139,960)	¥ 16,939,921	
Non-current assets other than financial instruments and deferred tax assets	¥ 2,101,119	¥ 3,564,177	¥ 132,426	¥ 666,003	¥ 202,035	¥ 6,665,760	¥ —	¥ 6,665,760	

**As of and for the six months ended September 30, 2015**

	Yen (millions)							Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total			
Sales revenue:									
External customers	¥ 988,830	¥ 4,105,050	¥ 318,139	¥ 1,464,644	¥ 449,376	¥ 7,326,039	¥ —	¥ 7,326,039	
Inter-geographic areas	909,724	182,718	41,611	315,743	1,810	1,451,606	(1,451,606)	—	
Total	1,898,554	4,287,768	359,750	1,780,387	451,186	8,777,645	(1,451,606)	7,326,039	
Operating profit (loss)	¥ 53,971	¥ 146,489	¥ 2,179	¥ 181,573	¥ 11,717	¥ 395,929	¥ 8,199	¥ 404,128	
Assets	¥ 4,127,849	¥ 10,564,347	¥ 639,202	¥ 2,431,728	¥ 584,145	¥ 18,347,271	¥ (25,002)	¥ 18,322,269	
Non-current assets other than financial instruments and deferred tax assets	¥ 2,329,318	¥ 4,369,043	¥ 112,638	¥ 723,554	¥ 167,293	¥ 7,701,846	¥ —	¥ 7,701,846	

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

## For the three months ended September 30, 2014

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Sales revenue:								
External customers	¥ 504,835	¥ 1,584,271	¥ 164,987	¥ 641,596	¥ 236,246	¥ 3,131,935	¥ —	¥ 3,131,935
Inter-geographic areas	461,615	75,495	15,338	143,403	1,178	697,029	(697,029)	—
Total	966,450	1,659,766	180,325	784,999	237,424	3,828,964	(697,029)	3,131,935
Operating profit (loss)	¥ 63,012	¥ 42,587	¥ (5,735)	¥ 61,104	¥ 13,672	¥ 174,640	¥ (5,643)	¥ 168,997

## For the three months ended September 30, 2015

	Yen (millions)						Reconciling Items	Consolidated
	Japan	North America	Europe	Asia	Other Regions	Total		
Sales revenue:								
External customers	¥ 525,761	¥ 2,000,518	¥ 166,132	¥ 719,479	¥ 209,387	¥ 3,621,277	¥ —	¥ 3,621,277
Inter-geographic areas	456,234	95,634	22,807	161,977	1,196	737,848	(737,848)	—
Total	981,995	2,096,152	188,939	881,456	210,583	4,359,125	(737,848)	3,621,277
Operating profit (loss)	¥ 26,161	¥ 37,466	¥ 3,135	¥ 86,003	¥ 7,213	¥ 159,978	¥ 4,864	¥ 164,842

## 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 September 30, 2014 and 2015 amounted to ¥289,228 million and ¥430,679 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

**(5) Impairment loss on investments accounted for using the equity method**

For the six months ended September 30, 2014, the Company recognized impairment losses of ¥17,365 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 condensed consolidated statement of income. For the six months ended September 30, 2015, the Company did not recognize any significant impairment losses.

**(6) Equipment on Operating Leases**

The additions to equipment on operating leases for the six months ended September 30, 2014 and 2015 are ¥798,446 million and ¥1,028,556 million, respectively.

The sales or disposals of equipment on operating leases for the six months ended September 30, 2014 and 2015 are ¥312,823 million and ¥405,172 million, respectively.

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

**(7) Property, Plant and Equipment**

The additions to property, plant and equipment for the six months ended September 30, 2014 and 2015 are ¥308,320 million and ¥292,806 million, respectively.

The sales or disposals of property, plant and equipment for the six months ended September 30, 2014 and 2015 are ¥22,895 million and ¥22,999 million, respectively.

**(8) Provisions**

The components of and changes in provisions for the six months ended September 30, 2015 are as follows:

	Yen (millions)		
	Product warranties*	Other	Total
Balance as of March 31, 2015	¥ 421,523	¥55,419	¥ 476,942
Provision	¥ 180,016	¥11,148	¥ 191,164
Charge-offs	(108,230)	(8,297)	(116,527)
Reversal	(5,495)	(699)	(6,194)
Exchange differences on translating foreign operations	(10,628)	(4,357)	(14,985)
Balance as of September 30, 2015	¥ 477,186	¥53,214	¥ 530,400

Current liabilities and non-current liabilities of provisions as of March 31, 2015 and September 30, 2015 are as follows:

	Yen (millions)	
	As of March 31, 2015	As of September 30, 2015
Current liabilities	¥ 294,281	¥ 369,569
Non-current liabilities	182,661	160,831
Total	¥ 476,942	¥ 530,400

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.

**(9) Income Taxes**

In May 2015, the lawsuit related to transfer pricing involving the Company's foreign transactions with certain consolidated subsidiaries in Brazil was concluded, and it was ruled that the Company shall receive a tax refund plus interest in Japan. As a result, income tax expense decreased by ¥19,145 million for the six months ended September 30, 2015.

**(10) 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

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety. Honda recognizes the transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

*(b) Method of Fair Value Measurement*

The fair values of assets and liabilities are determined based on relevant market information and through the use of an appropriate valuation method.

The measurement methods and assumptions used in the measurement of assets and liabilities are as follows:

*(Cash and cash equivalents, trade receivables and trade payables)*

The fair values approximate their carrying amounts due to their short-term maturities.

*(Receivables from financial services)*

The fair value of receivables from financial services is measured primarily by discounting future cash flows using the current interest rates applicable for these receivables of similar remaining maturities. Fair value measurement for receivables from financial services is classified as Level 3.

*(Debt securities)*

Debt securities consist mainly of mutual funds, corporate bonds, local bonds and auction rate securities.

The fair value of mutual funds with an active market is measured by using quoted market prices. Fair value measurement for mutual funds with an active market is classified as Level 1.

The fair values of corporate bonds and local bonds are measured based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair value measurements for corporate bonds and local bonds are classified as Level 2.

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.

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

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.

*(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 March 31, 2015 and September 30, 2015 consist of the following:

As of March 31, 2015	Yen (millions)			
	Level 1	Level 2	Level 3	Total
<b>Other financial assets:</b>				
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
<b>Total</b>	<b>¥188,306</b>	<b>¥68,079</b>	<b>¥22,414</b>	<b>¥278,799</b>
<b>Other financial liabilities:</b>				
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
<b>Total</b>	<b>¥ —</b>	<b>¥47,528</b>	<b>¥ —</b>	<b>¥ 47,528</b>

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2015.



## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

As of September 30, 2015	Yen (millions)			
	Level 1	Level 2	Level 3	Total
<b>Other financial assets:</b>				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥19,447	¥ —	¥ 19,447
Interest rate instruments	—	32,555	—	32,555
Total	—	52,002	—	52,002
Debt securities	17,394	35,146	5,998	58,538
Financial assets measured at fair value through other comprehensive income:				
Equity securities	150,216	—	13,262	163,478
Total	<u>¥167,610</u>	<u>¥87,148</u>	<u>¥19,260</u>	<u>¥274,018</u>
<b>Other financial liabilities:</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥ —	¥30,044	¥ —	¥ 30,044
Interest rate instruments	—	18,375	—	18,375
Total	—	48,419	—	48,419
Total	<u>¥ —</u>	<u>¥48,419</u>	<u>¥ —</u>	<u>¥ 48,419</u>

There were no transfers between Level 1 and Level 2 for the six months ended September 30, 2015.

(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 March 31, 2015 and September 30, 2015 are as follows:

	Yen (millions)			
	As of March 31, 2015		As of September 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from financial services	¥5,683,605	¥5,714,504	¥5,418,790	¥5,422,794
Debt securities	18,231	18,235	23,742	23,745
Financing liabilities	6,759,839	6,825,427	6,801,795	6,840,963

The table does not include financial assets and financial liabilities measured at amortized cost whose fair values approximate their carrying amounts.

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

**(11) Contingent Liabilities***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.

**(12) Earnings Per Share**

Earnings per share attributable to owners of the parent for the six months ended September 30, 2014 and 2015 are calculated based on the following information. There were no potentially dilutive common shares outstanding for the six months ended September 30, 2014 and 2015.

	2014	2015
Profit for the period attributable to owners of the parent (millions of yen)	¥ 275,134	¥ 313,788
Weighted average number of common shares outstanding, basic (shares)	1,802,290,363	1,802,285,931
Basic earnings per share attributable to owners of the parent (yen)	¥ 152.66	¥ 174.11

Earnings per share attributable to owners of the parent for the three months ended September 30, 2014 and 2015 are calculated based on the following information. There were no potentially dilutive common shares outstanding for the three months ended September 30, 2014 and 2015.

	2014	2015
Profit for the period attributable to owners of the parent (millions of yen)	¥ 119,530	¥ 127,751
Weighted average number of common shares outstanding, basic (shares)	1,802,289,860	1,802,285,514
Basic earnings per share attributable to owners of the parent (yen)	¥ 66.32	¥ 70.88

## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

**(13) Dividend***(a) Dividend payout***For the six months ended September 30, 2014**

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

**For the six months ended September 30, 2015**

Resolution	The Ordinary General Meeting of Shareholders on June 17, 2015
Type of shares	Common shares
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

Resolution	The Board of Directors Meeting on July 31, 2015
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	June 30, 2015
Effective date	August 25, 2015

*(b) Dividends payable of which record date was in the six months ended September 30, 2015, effective after the period*

Resolution	The Board of Directors Meeting on November 4, 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	September 30, 2015
Effective date	November 30, 2015

**(14) Approval of Release of Condensed Consolidated Interim Financial Statements**

The release of the condensed consolidated interim 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 November 11, 2015.