

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2014 and December 31, 2014

Assets	Yen (millions)	
	March 31, 2014	December 31, 2014
	unaudited	unaudited
Current assets:		
Cash and cash equivalents	¥ 1,168,914	¥ 1,331,632
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥9,677 million as of March 31, 2014 and ¥8,396 million as of December 31, 2014 (note 3)	1,158,671	1,101,426
Finance subsidiaries-receivables, net (notes 2 and 3)	1,464,215	1,690,457
Inventories (note 4)	1,302,895	1,488,602
Deferred income taxes	202,123	157,595
Other current assets (notes 3, 5 and 9)	474,448	569,595
Total current assets	<u>5,771,266</u>	<u>6,339,307</u>
Finance subsidiaries-receivables, net (notes 2 and 3)	3,317,553	3,727,525
Investments and advances:		
Investments in and advances to affiliates	564,266	656,293
Other, including marketable equity securities (notes 3 and 5)	253,661	311,237
Total investments and advances	<u>817,927</u>	<u>967,530</u>
Property on operating leases:		
Vehicles	2,718,131	3,556,758
Less accumulated depreciation	481,410	614,395
Net property on operating leases	<u>2,236,721</u>	<u>2,942,363</u>
Property, plant and equipment, at cost:		
Land	521,806	541,763
Buildings	1,895,140	2,091,190
Machinery and equipment	4,384,255	4,950,255
Construction in progress	339,093	359,698
	<u>7,140,294</u>	<u>7,942,906</u>
Less accumulated depreciation and amortization	4,321,862	4,827,064
Net property, plant and equipment	<u>2,818,432</u>	<u>3,115,842</u>
Other assets, net of allowance for doubtful accounts of ¥22,100 million as of March 31, 2014 and ¥21,516 million as of December 31, 2014 (notes 3 and 9)	660,132	732,267
Total assets	<u>¥15,622,031</u>	<u>¥17,824,834</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2014 and December 31, 2014

	Yen (millions)	
	March 31, 2014	December 31, 2014
	unaudited	unaudited
Liabilities and Equity		
Current liabilities:		
Short-term debt	¥ 1,319,344	¥ 1,688,288
Current portion of long-term debt	1,303,464	1,401,026
Trade payables:		
Notes	28,501	28,958
Accounts	1,071,179	1,006,572
Accrued expenses (note 10)	626,503	626,961
Income taxes payable	43,085	42,539
Other current liabilities (note 9)	319,253	381,191
Total current liabilities	<u>4,711,329</u>	<u>5,175,535</u>
Long-term debt, excluding current portion	3,234,066	3,831,984
Other liabilities (note 10)	1,563,238	1,807,655
Total liabilities	<u>9,508,633</u>	<u>10,815,174</u>
Equity:		
Honda Motor Co., Ltd. shareholders' equity:		
Common stock, authorized 7,086,000,000 shares as of March 31, 2014 and as of December 31, 2014; issued 1,811,428,430 shares as of March 31, 2014 and as of December 31, 2014	86,067	86,067
Capital surplus	171,117	171,117
Legal reserves	49,276	50,951
Retained earnings (note 11(a))	6,431,682	6,735,982
Accumulated other comprehensive income (loss), net (notes 5, 7 and 9)	(793,014)	(235,079)
Treasury stock, at cost 9,137,234 shares as of March 31, 2014 and 9,140,126 shares as of December 31, 2014	(26,149)	(26,159)
Total Honda Motor Co., Ltd. shareholders' equity	<u>5,918,979</u>	<u>6,782,879</u>
Noncontrolling interests	194,419	226,781
Total equity	<u>6,113,398</u>	<u>7,009,660</u>
Commitments and contingent liabilities (note 10)		
Total liabilities and equity	<u>¥15,622,031</u>	<u>¥17,824,834</u>

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the nine months ended December 31, 2013 and 2014

	Yen (millions)	
	December 31, 2013	December 31, 2014
	unaudited	unaudited
Net sales and other operating revenue	¥8,745,205	¥9,293,019
Operating costs and expenses:		
Cost of sales (note 6)	6,484,067	6,954,661
Selling, general and administrative (note 6)	1,225,873	1,325,416
Research and development	450,277	473,204
	<u>8,160,217</u>	<u>8,753,281</u>
Operating income	584,988	539,738
Other income (expenses):		
Interest income	17,540	18,311
Interest expense	(9,661)	(13,595)
Other, net (notes 5 and 9)	(38,633)	28,339
	<u>(30,754)</u>	<u>33,055</u>
Income before income taxes and equity in income of affiliates	554,234	572,793
Income tax expense (note 1(c)):		
Current	168,527	114,224
Deferred	51,853	92,003
	<u>220,380</u>	<u>206,227</u>
Income before equity in income of affiliates	333,854	366,566
Equity in income of affiliates (note 1(d))	95,084	89,901
Net income	428,938	456,467
Less: Net income attributable to noncontrolling interests	25,339	31,541
Net income attributable to Honda Motor Co., Ltd.	<u>¥ 403,599</u>	<u>¥ 424,926</u>
	<u>¥ 223.94</u>	<u>¥ 235.77</u>

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2013 and 2014

	Yen (millions)	
	December 31, 2013	December 31, 2014
	<u>unaudited</u>	<u>unaudited</u>
Net income	¥ 428,938	¥ 456,467
Other comprehensive income (loss), net of tax:		
Adjustments from foreign currency translation	356,124	564,559
Unrealized gains (losses) on available-for-sale securities, net	22,647	13,734
Unrealized gains (losses) on derivative instruments, net	(241)	—
Pension and other postretirement benefits adjustments (note 6)	69,298	1,058
Other comprehensive income (loss), net of tax (note 7)	<u>447,828</u>	<u>579,351</u>
Comprehensive income (loss)	876,766	1,035,818
Less: Comprehensive income attributable to noncontrolling interests	<u>34,917</u>	<u>52,957</u>
Comprehensive income (loss) attributable to Honda Motor Co., Ltd.	<u>¥ 841,849</u>	<u>¥ 982,861</u>

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the three months ended December 31, 2013 and 2014

	Yen (millions)	
	December 31, 2013	December 31, 2014
	<u>unaudited</u>	<u>unaudited</u>
Net sales and other operating revenue	¥3,020,889	¥3,289,964
Operating costs and expenses:		
Cost of sales (note 6)	2,208,846	2,445,502
Selling, general and administrative (note 6)	425,949	499,430
Research and development	157,520	167,779
	<u>2,792,315</u>	<u>3,112,711</u>
Operating income	228,574	177,253
Other income (expenses):		
Interest income	5,620	6,702
Interest expense	(3,849)	(4,796)
Other, net (notes 5 and 9)	(13,733)	14,956
	<u>(11,962)</u>	<u>16,862</u>
Income before income taxes and equity in income of affiliates	216,612	194,115
Income tax expense (note 1(c)):		
Current	65,519	(23,920)
Deferred	14,592	98,007
	<u>80,111</u>	<u>74,087</u>
Income before equity in income of affiliates	136,501	120,028
Equity in income of affiliates (note 1(d))	31,631	28,562
Net income	168,132	148,590
Less: Net income attributable to noncontrolling interests	7,400	12,074
Net income attributable to Honda Motor Co., Ltd.	<u>¥ 160,732</u>	<u>¥ 136,516</u>
	<u>¥ 89.18</u>	<u>¥ 75.75</u>

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended December 31, 2013 and 2014

	Yen (millions)	
	December 31, 2013	December 31, 2014
	<u>unaudited</u>	<u>unaudited</u>
Net income	¥ 168,132	¥ 148,590
Other comprehensive income (loss), net of tax:		
Adjustments from foreign currency translation	190,374	383,778
Unrealized gains (losses) on available-for-sale securities, net	4,197	3,755
Unrealized gains (losses) on derivative instruments, net	(587)	—
Pension and other postretirement benefits adjustments (note 6)	(12,096)	1,162
Other comprehensive income (loss), net of tax (note 7)	<u>181,888</u>	<u>388,695</u>
Comprehensive income (loss)	350,020	537,285
Less: Comprehensive income attributable to noncontrolling interests	<u>11,778</u>	<u>27,265</u>
Comprehensive income (loss) attributable to Honda Motor Co., Ltd.	<u>¥ 338,242</u>	<u>¥ 510,020</u>

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended December 31, 2013 and 2014

	Yen (millions)	
	December 31, 2013	December 31, 2014
	unaudited	unaudited
Cash flows from operating activities:		
Net income	¥ 428,938	¥ 456,467
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation excluding property on operating leases	327,932	362,269
Depreciation of property on operating leases	253,920	312,367
Deferred income taxes	51,853	92,003
Equity in income of affiliates	(95,084)	(89,901)
Dividends from affiliates	17,027	30,429
Provision for credit and lease residual losses on finance subsidiaries-receivables	15,828	13,751
Impairment loss on property on operating leases	2,798	3,111
Loss (gain) on derivative instruments, net	(24,656)	(5,657)
Decrease (increase) in assets:		
Trade accounts and notes receivable	42,855	137,318
Inventories	(9,686)	(64,897)
Other current assets	10,633	(46,924)
Other assets	(16,228)	(48,732)
Increase (decrease) in liabilities:		
Trade accounts and notes payable	(33,090)	(136,846)
Accrued expenses	(33,446)	(39,927)
Income taxes payable	(2,323)	(3,632)
Other current liabilities	56,701	20,140
Other liabilities	(47,431)	3,503
Other, net	(76,044)	(76,647)
Net cash provided by operating activities	870,497	918,195
Cash flows from investing activities:		
Increase in investments and advances	(33,959)	(26,495)
Decrease in investments and advances	32,342	24,915
Payments for purchases of available-for-sale securities	(35,771)	(17,122)
Proceeds from sales of available-for-sale securities	6,614	17,098
Payments for purchases of held-to-maturity securities	(19,146)	(31,489)
Proceeds from redemptions of held-to-maturity securities	1,762	34,110
Capital expenditures	(519,034)	(489,815)
Proceeds from sales of property, plant and equipment	20,475	42,608
Proceeds from insurance recoveries for damaged property, plant and equipment	6,800	—
Acquisitions of finance subsidiaries-receivables	(2,159,681)	(1,843,049)
Collections of finance subsidiaries-receivables	1,748,239	1,891,745
Purchases of operating lease assets	(833,232)	(1,078,016)
Proceeds from sales of operating lease assets	440,102	493,730
Other, net	—	328
Net cash used in investing activities	(1,344,489)	(981,452)
Cash flows from financing activities:		
Proceeds from short-term debt	7,016,475	6,373,898
Repayments of short-term debt	(6,910,816)	(6,174,781)
Proceeds from long-term debt	1,348,115	1,073,303
Repayments of long-term debt	(897,783)	(973,143)
Dividends paid (note 11(a))	(106,335)	(118,951)
Dividends paid to noncontrolling interests	(8,703)	(17,755)
Sales (purchases) of treasury stock, net	(21)	(10)
Other, net	(27,653)	(35,547)
Net cash provided by financing activities	413,279	127,014
Effect of exchange rate changes on cash and cash equivalents	69,179	98,961
Net change in cash and cash equivalents	8,466	162,718
Cash and cash equivalents at beginning of period	1,206,128	1,168,914
Cash and cash equivalents at end of period	¥ 1,214,594	¥ 1,331,632

See accompanying notes to consolidated financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) General and Summary of Significant Accounting Policies*(a) Financial Statements*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In the opinion of management, all adjustments which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the year. For further information, refer to the March 31, 2014 consolidated financial statements and notes thereto included in Honda Motor Co., Ltd. and Subsidiaries Annual Report for the year ended March 31, 2014.

(b) Basis of Presenting Consolidated Financial Statements

The Company and its Japanese subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries generally maintain their books of account in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner and reflect the adjustments which are necessary to conform them with U.S. GAAP.

*(c) Accounting Policies Specifically Applied for Quarterly Consolidated Financial Statements**Income taxes*

Honda computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the nine months ended December 31, 2014. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

(d) Impairment Loss on Investments in Affiliates

For the nine months ended December 31, 2014, Honda recognized impairment loss of ¥15,901 million on certain investments in affiliates which have quoted market values because of other-than-temporary decline in fair value below their carrying values. The fair values of the investments were based on quoted market price. The impairment loss is included in equity in income of affiliates in the accompanying consolidated statement of income. For the three months ended December 31, 2014, Honda did not recognize any significant impairment losses.

(2) Allowances for Finance Subsidiaries-receivables

	Yen (millions)	
	March 31, 2014	December 31, 2014
Finance subsidiaries-receivables		
Allowance for credit losses	¥21,559	¥ 23,628
Allowance for losses on lease residual values	2,131	1,855

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Credit Quality of Finance Receivables and Allowance for Credit Losses

The finance subsidiaries of the Company provide retail lending and leasing to customers and wholesale financing to dealers primarily to support sales of our products. Honda classifies retail and direct financing lease receivables (consumer finance receivables) derived from those services as finance subsidiaries-receivables. Operating leases are classified as property on operating leases. Certain finance receivables related to sales of inventory are included in trade accounts and notes receivable and other assets in the consolidated balance sheets.

Finance subsidiaries-receivables, net, consisted of the following at March 31, 2014 and December 31, 2014:

	Yen (millions)	
	March 31, 2014	December 31, 2014
Retail	¥4,678,741	¥5,294,441
Direct financing lease	422,936	451,761
Wholesale flooring	434,219	447,521
Commercial loans	63,176	95,146
Total finance receivables	5,599,072	6,288,869
Less:		
Allowance for credit losses	24,851	26,757
Allowance for losses on lease residual values	2,131	1,855
Unearned interest income and fees	38,093	40,460
	5,533,997	6,219,797
Less:		
Finance receivables included in trade accounts and notes receivables, net	498,230	524,661
Finance receivables included in other assets, net	253,999	277,154
Finance subsidiaries-receivables, net	4,781,768	5,417,982
Less current portion	1,464,215	1,690,457
Noncurrent finance subsidiaries-receivables, net	¥3,317,553	¥3,727,525

Allowance for credit losses

The majority of the credit risk is with consumer financing and to a lesser extent with dealer financing. Credit risk is affected by general economic conditions. The allowance for credit losses is management's estimate of probable losses incurred on finance receivables.

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.

Wholesales receivables are individually evaluated for impairment when specifically identified as impaired. Wholesales 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 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

Honda regularly reviews the adequacy of the allowance for credit losses. The estimates are based on information available as of each reporting date. However, actual losses may differ from the original estimates as a result of actual results varying from those assumed in our estimates with inherently uncertain items.

The following tables present the changes in the allowance for credit losses on finance receivables for the nine months ended December 31, 2013 and 2014.

For the nine months ended December 31, 2013

	Yen (millions)			
	Retail	Direct financing lease	Wholesale	Total
Balance at beginning of period	¥ 17,643	¥ 789	¥ 1,284	¥ 19,716
Provision (reversal)	13,815	245	344	14,404
Charge-offs	(20,432)	(425)	(100)	(20,957)
Recoveries	7,932	73	10	8,015
Adjustments from foreign currency translation	1,276	45	239	1,560
Balance at end of period	<u>¥ 20,234</u>	<u>¥ 727</u>	<u>¥ 1,777</u>	<u>¥ 22,738</u>

For the nine months ended December 31, 2014

	Yen (millions)			
	Retail	Direct financing lease	Wholesale	Total
Balance at beginning of period	¥ 21,637	¥ 636	¥ 2,578	¥ 24,851
Provision (reversal)	13,397	300	(26)	13,671
Charge-offs	(21,808)	(470)	(154)	(22,432)
Recoveries	8,618	104	21	8,743
Adjustments from foreign currency translation	1,777	44	103	1,924
Balance at end of period	<u>¥ 23,621</u>	<u>¥ 614</u>	<u>¥ 2,522</u>	<u>¥ 26,757</u>

In the finance subsidiaries of the Company in North America, retail and direct financing lease receivables are charged off when they become 120 days past due or earlier if they have been specifically identified as uncollectible. Wholesale receivables are charged off when they have been individually identified as uncollectible. In 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.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Delinquencies

In the finance subsidiaries of the Company in North America, retail and direct financing lease receivables are considered delinquent if more than 10% of a monthly scheduled payment is contractually past due on a cumulative basis. Wholesale receivables are considered delinquent when any principal payments are past due. In 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 following tables present the age analysis of past due finance receivables at March 31, 2014 and December 31, 2014.

As of March 31, 2014

	Yen (millions)					
	30-59 days past due	60-89 days past due	90 days and greater past due	Total past due	Current*	Total finance receivables
Retail						
New auto	¥ 15,948	¥ 2,069	¥ 2,745	¥20,762	¥4,044,290	¥4,065,052
Used & certified auto	5,557	689	281	6,527	424,872	431,399
Others	1,239	507	1,800	3,546	178,744	182,290
Total retail	22,744	3,265	4,826	30,835	4,647,906	4,678,741
Direct financing lease	1,106	214	384	1,704	421,232	422,936
Wholesale						
Wholesale flooring	526	227	758	1,511	432,708	434,219
Commercial loans	—	—	133	133	63,043	63,176
Total wholesale	526	227	891	1,644	495,751	497,395
Total finance receivables	¥ 24,376	¥ 3,706	¥ 6,101	¥34,183	¥5,564,889	¥5,599,072

As of December 31, 2014

	Yen (millions)					
	30-59 days past due	60-89 days past due	90 days and greater past due	Total past due	Current*	Total finance receivables
Retail						
New auto	¥ 26,681	¥ 4,811	¥ 3,696	¥35,188	¥4,598,746	¥4,633,934
Used & certified auto	8,684	1,591	496	10,771	443,051	453,822
Others	1,851	728	2,019	4,598	202,087	206,685
Total retail	37,216	7,130	6,211	50,557	5,243,884	5,294,441
Direct financing lease	1,049	300	387	1,736	450,025	451,761
Wholesale						
Wholesale flooring	324	59	621	1,004	446,517	447,521
Commercial loans	—	—	108	108	95,038	95,146
Total wholesale	324	59	729	1,112	541,555	542,667
Total finance receivables	¥ 38,589	¥ 7,489	¥ 7,327	¥53,405	¥6,235,464	¥6,288,869

* Includes recorded investment of finance receivables that are less than 30 days past due.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 charging off becomes significantly higher once an account becomes 60 days delinquent. The table below segments the Company's portfolio of consumer finance receivables between groups the Company considers 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.

The following tables present the balances of consumer finance receivables by this credit quality indicator at March 31, 2014 and December 31, 2014.

As of March 31, 2014

	Yen (millions)		Total consumer finance receivables
	Performing	Nonperforming	
Retail			
New auto	¥4,060,238	¥ 4,814	¥ 4,065,052
Used & certified auto	430,429	970	431,399
Others	179,983	2,307	182,290
Total retail	4,670,650	8,091	4,678,741
Direct financing lease	422,338	598	422,936
Total	<u>¥5,092,988</u>	<u>¥ 8,689</u>	<u>¥ 5,101,677</u>

As of December 31, 2014

	Yen (millions)		Total consumer finance receivables
	Performing	Nonperforming	
Retail			
New auto	¥4,625,427	¥ 8,507	¥ 4,633,934
Used & certified auto	451,735	2,087	453,822
Others	203,938	2,747	206,685
Total retail	5,281,100	13,341	5,294,441
Direct financing lease	451,074	687	451,761
Total	<u>¥5,732,174</u>	<u>¥ 14,028</u>	<u>¥ 5,746,202</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

A credit quality indicator for wholesale 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. The table below presents outstanding wholesale receivables balances by the internal risk rating group. Group A includes the loans of dealerships with the highest credit quality characteristics in the strongest risk rating tier. Group B includes the loans of all remaining dealers and are considered to have weaker credit quality characteristics. Although the likelihood of losses can be higher for dealerships in Group B, the overall risk of losses is not considered to be significant.

The following tables present the balances of wholesale receivables by this credit quality indicator at March 31, 2014 and December 31, 2014.

As of March 31, 2014

	Yen (millions)		
	Group A	Group B	Total
Wholesale			
Wholesale flooring	¥245,019	¥189,200	¥434,219
Commercial loans	36,364	26,812	63,176
Total	<u>¥281,383</u>	<u>¥216,012</u>	<u>¥497,395</u>

As of December 31, 2014

	Yen (millions)		
	Group A	Group B	Total
Wholesale			
Wholesale flooring	¥259,365	¥188,156	¥447,521
Commercial loans	60,451	34,695	95,146
Total	<u>¥319,816</u>	<u>¥222,851</u>	<u>¥542,667</u>

Other finance receivables

Except for the finance subsidiaries-receivables, the other finance receivables about which credit quality information and the allowance for credit losses are required to be disclosed of ¥29,605 million and ¥25,504 million are included in other current assets, investments and advances-other and other assets in the consolidated balance sheets at March 31, 2014 and December 31, 2014, respectively. Honda estimates, individually, the collectibility of the other finance receivables based on the financial condition of the debtor. The impaired finance receivables amounted to ¥20,094 million and ¥20,095 million at March 31, 2014 and December 31, 2014, respectively, for which the allowance for credit losses were ¥19,996 million and ¥19,997 million at March 31, 2014 and December 31, 2014, respectively.

Regarding the other finance receivables which are not impaired, there are no past due receivables.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Inventories

Inventories at March 31, 2014 and December 31, 2014 are summarized as follows:

	Yen (millions)	
	March 31, 2014	December 31, 2014
Finished goods	¥ 759,099	¥ 839,395
Work in process	69,731	91,360
Raw materials	474,065	557,847
Total	<u>¥1,302,895</u>	<u>¥1,488,602</u>

(5) Investments and Advances-Other

Investments and advances at March 31, 2014 and December 31, 2014 consist of the following:

	Yen (millions)	
	March 31, 2014	December 31, 2014
Current:		
Corporate debt securities	¥ 11,050	¥ 12,492
Government bonds	2,000	—
Local bonds	6,620	3,176
Advances	1,028	1,199
Certificates of deposit	1,558	3,558
Other	15,012	19,207
Total	<u>¥ 37,268</u>	<u>¥ 39,632</u>

Investments and advances due within one year are included in other current assets in the consolidated balance sheets.

	Yen (millions)	
	March 31, 2014	December 31, 2014
Noncurrent:		
Auction rate securities	¥ 6,999	¥ 8,197
Marketable equity securities	138,476	165,689
Corporate debt securities	8,542	8,921
Local bonds	15,850	26,649
U.S. government agency debt securities	5,455	6,389
Non-marketable equity securities accounted for under the cost method		
Non-marketable preferred stocks	969	969
Other	10,316	8,206
Guaranty deposits	18,742	18,197
Advances	1,998	2,369
Other	46,314	65,651
Total	<u>¥ 253,661</u>	<u>¥ 311,237</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Certain information with respect to available-for-sale securities and held-to-maturity securities at March 31, 2014 and December 31, 2014 are summarized below:

	Yen (millions)	
	March 31, 2014	December 31, 2014
Available-for-sale:		
Cost	¥ 84,820	¥ 94,571
Fair value	185,960	223,334
Gross unrealized gains	101,917	129,886
Gross unrealized losses	777	1,123
Held-to-maturity:		
Amortized cost	¥ 34,650	¥ 41,046
Fair value	34,667	41,043
Gross unrealized gains	17	—
Gross unrealized losses	—	3

Maturities of debt securities classified as available-for-sale at December 31, 2014 are as follows:

	Yen (millions)
Due within one year	¥ 3,496
Due after one year through five years	15,310
Due after five years through ten years	10,367
Due after ten years	17,480
Total	¥ 46,653

Maturities of debt securities classified as held-to-maturity at December 31, 2014 are as follows:

	Yen (millions)
Due within one year	¥ 21,543
Due after one year through five years	5,265
Due after five years through ten years	9,460
Due after ten years	4,778
Total	¥ 41,046

There were no significant realized gains and losses from available-for-sale securities included in other income (expenses) – other, net for the nine months and the three months ended December 31, 2013 and 2014.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Gross unrealized losses on available-for-sale securities and held-to-maturity securities, and fair value of the related securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at March 31, 2014 and December 31, 2014 are as follows:

	Yen (millions)			
	March 31, 2014		December 31, 2014	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:				
Less than 12 months	¥ 8,877	¥ 224	¥12,883	¥ 558
12 months or longer	7,351	553	8,570	565
Total	<u>¥16,228</u>	<u>¥ 777</u>	<u>¥21,453</u>	<u>¥ 1,123</u>
Held-to-maturity:				
Less than 12 months	¥ —	¥ —	¥16,246	¥ 3
12 months or longer	—	—	—	—
Total	<u>¥ —</u>	<u>¥ —</u>	<u>¥16,246</u>	<u>¥ 3</u>

Honda does not believe the decline in fair value of any of its investment securities to be other than temporary, based on factors such as financial and operating conditions of the issuer, the industry in which the issuer operates, degree and period of the decline in fair value and other relevant factors.

(6) Pension and Other Postretirement Benefits

In September 2013, certain consolidated subsidiaries in North America amended their defined benefit pension plans, effective January 1, 2014.

This plan amendment resulted in a reduction of the projected benefit obligation and recognition of the prior service benefit at the date of the plan amendment which is amortized over the average remaining service period from the date of the plan amendment. The consolidated subsidiaries also remeasured their projected benefit obligation and the fair value of related plan assets at the date of the plan amendment. The effects of the plan amendment and the remeasurement are recorded in other comprehensive income (loss), net of tax during the three months ended September 30, 2013.

Following this plan amendment, certain employees elected to move to the defined contribution pension plan in October 2013, resulting in a curtailment in the defined benefit pension plans. As a result, Honda recognized ¥21,368 million of the prior service benefit included in accumulated other comprehensive income (loss) as a curtailment gain, of which ¥15,407 million is included in cost of sales and ¥5,961 million is included in selling, general and administrative expense in the accompanying consolidated statements of income for the three months ended December 31, 2013. The consolidated subsidiaries also remeasured their projected benefit obligation and the fair value of plan assets in the defined benefit pension plans at the date of the curtailment. The effect of the remeasurement is recorded in other comprehensive income (loss), net of tax during the three months ended December 31, 2013.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Other Comprehensive Income (Loss)

The following tables present the changes in accumulated other comprehensive income (loss) by component for the nine months and the three months ended December 31, 2013 and 2014.

For the nine months ended December 31, 2013

	Yen (millions)				
	Adjustments from foreign currency translation	Unrealized gains (losses) on available-for-sale securities, net	Unrealized gains (losses) on derivative instruments, net	Pension and other postretirement benefits adjustments	Total
Balance at beginning of period	¥(969,583)	¥ 44,131	¥ (237)	¥ (311,103)	¥(1,236,792)
Other comprehensive income (loss) before reclassifications*	356,124	22,402	(19)	76,267	454,774
Amounts reclassified from accumulated other comprehensive income (loss)	—	245	(222)	(6,969)	(6,946)
Net other comprehensive income (loss)	356,124	22,647	(241)	69,298	447,828
Less: Other comprehensive income attributable to noncontrolling interests	9,412	38	—	128	9,578
Balance at end of period	¥(622,871)	¥ 66,740	¥ (478)	¥ (241,933)	¥ (798,542)

* The tax effects for other comprehensive income (loss) before reclassifications of Pension and other postretirement benefits adjustments include ¥44,842 million loss for the nine months ended December 31, 2013.

For the nine months ended December 31, 2014

	Yen (millions)				
	Adjustments from foreign currency translation	Unrealized gains (losses) on available-for-sale securities, net	Unrealized gains (losses) on derivative instruments, net	Pension and other postretirement benefits adjustments	Total
Balance at beginning of period	¥(649,159)	¥ 59,350	¥ —	¥ (203,205)	¥ (793,014)
Other comprehensive income (loss) before reclassifications	561,993	15,008	—	(1,944)	575,057
Amounts reclassified from accumulated other comprehensive income (loss)	2,566	(1,274)	—	3,002	4,294
Net other comprehensive income (loss)	564,559	13,734	—	1,058	579,351
Less: Other comprehensive income attributable to noncontrolling interests	19,779	30	—	1,607	21,416
Balance at end of period	¥(104,379)	¥ 73,054	¥ —	¥ (203,754)	¥ (235,079)

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended December 31, 2013

	Yen (millions)				
	Adjustments from foreign currency translation	Unrealized gains (losses) on available-for-sale securities, net	Unrealized gains (losses) on derivative instruments, net	Pension and other postretirement benefits adjustments	Total
Balance at beginning of period	¥(808,930)	¥ 62,565	¥ 109	¥ (229,796)	¥ (976,052)
Other comprehensive income (loss) before reclassifications	190,374	4,177	(478)	(34)	194,039
Amounts reclassified from accumulated other comprehensive income (loss)	—	20	(109)	(12,062)	(12,151)
Net other comprehensive income (loss)	190,374	4,197	(587)	(12,096)	181,888
Less: Other comprehensive income attributable to noncontrolling interests	4,315	22	—	41	4,378
Balance at end of period	¥(622,871)	¥ 66,740	¥ (478)	¥ (241,933)	¥ (798,542)

For the three months ended December 31, 2014

	Yen (millions)				
	Adjustments from foreign currency translation	Unrealized gains (losses) on available-for-sale securities, net	Unrealized gains (losses) on derivative instruments, net	Pension and other postretirement benefits adjustments	Total
Balance at beginning of period	¥(473,025)	¥ 69,314	¥ —	¥ (204,872)	¥ (608,583)
Other comprehensive income (loss) before reclassifications	383,778	5,184	—	—	388,962
Amounts reclassified from accumulated other comprehensive income (loss)	—	(1,429)	—	1,162	(267)
Net other comprehensive income (loss)	383,778	3,755	—	1,162	388,695
Less: Other comprehensive income attributable to noncontrolling interests	15,132	15	—	44	15,191
Balance at end of period	¥(104,379)	¥ 73,054	¥ —	¥ (203,754)	¥ (235,079)

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the reclassifications out of accumulated other comprehensive income (loss) by component for the nine months and the three months ended December 31, 2013 and 2014.

For the nine months ended December 31, 2013 and 2014

Details about accumulated other comprehensive income (loss) components	Yen (millions)		
	December 31, 2013	December 31, 2014	Affected line items in the statement where net income is presented
Adjustments from foreign currency translation	¥ —	¥ (2,613)	Other income (expenses)—Other, net
	—	47	Income tax expense
	<u>¥ —</u>	<u>¥ (2,566)</u>	Net income
Unrealized gains (losses) on available-for-sale securities, net	¥ (377)	¥ 1,963	Other income (expenses)—Other, net
	132	(689)	Income tax expense
	<u>¥ (245)</u>	<u>¥ 1,274</u>	Net income
Unrealized gains (losses) on derivative instruments, net	¥ 358	¥ —	Other income (expenses)—Other, net
	(136)	—	Income tax expense
	<u>¥ 222</u>	<u>¥ —</u>	Net income
Pension and other postretirement benefits adjustments	¥ 11,351	¥ (4,913)	*
	(4,382)	1,911	Income tax expense
	<u>¥ 6,969</u>	<u>¥ (3,002)</u>	Net income
Total reclassifications for the period	<u>¥ 6,946</u>	<u>¥ (4,294)</u>	

* This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended December 31, 2013 and 2014

Details about accumulated other comprehensive income (loss) components	Yen (millions)		
	December 31, 2013	December 31, 2014	Affected line items in the statement where net income is presented
Unrealized gains (losses) on available-for-sale securities, net	¥ (30)	¥ 2,202	Other income (expenses)—Other, net
	10	(773)	Income tax expense
	<u>¥ (20)</u>	<u>¥ 1,429</u>	Net income
Unrealized gains (losses) on derivative instruments, net	¥ 175	¥ —	Other income (expenses)—Other, net
	(66)	—	Income tax expense
	<u>¥ 109</u>	<u>¥ —</u>	Net income
Pension and other postretirement benefits adjustments	¥ 19,253	¥ (1,858)	*
	(7,191)	696	Income tax expense
	<u>¥ 12,062</u>	<u>¥ (1,162)</u>	Net income
Total reclassifications for the period	<u>¥ 12,151</u>	<u>¥ 267</u>	

* This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Fair Value Measurements

In accordance with the FASB Accounting Standards Codification (ASC) 820 “Fair Value Measurements and Disclosures”, 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.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and December 31, 2014.

As of March 31, 2014

	Yen (millions)					
	Level 1	Level 2	Level 3	Gross fair value	Netting adjustment	Net amount
Assets:						
Derivative instruments						
Foreign exchange instruments (note 9)	¥ —	¥ 11,036	¥ —	¥ 11,036	¥ —	¥ —
Interest rate instruments (note 9)	—	19,814	—	19,814	—	—
Total derivative instruments	—	30,850	—	30,850	(10,804)	20,046
Available-for-sale securities						
Marketable equity securities	138,476	—	—	138,476	—	138,476
Auction rate securities	—	—	6,999	6,999	—	6,999
Debt securities	—	31,905	—	31,905	—	31,905
Others	5,146	3,434	—	8,580	—	8,580
Total available-for-sale securities	143,622	35,339	6,999	185,960	—	185,960
Total	¥143,622	¥ 66,189	¥6,999	¥216,810	¥(10,804)	¥206,006
Liabilities:						
Derivative instruments						
Foreign exchange instruments (note 9)	¥ —	¥(14,852)	¥ —	¥(14,852)	¥ —	¥ —
Interest rate instruments (note 9)	—	(10,887)	—	(10,887)	—	—
Total derivative instruments	—	(25,739)	—	(25,739)	10,804	(14,935)
Total	¥ —	¥(25,739)	¥ —	¥(25,739)	¥ 10,804	¥(14,935)

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2014

	Yen (millions)					
	Level 1	Level 2	Level 3	Gross fair value	Netting adjustment	Net amount
Assets:						
Derivative instruments						
Foreign exchange instruments (note 9)	¥ —	¥ 5,381	¥ —	¥ 5,381	¥ —	¥ —
Interest rate instruments (note 9)	—	25,039	—	25,039	—	—
Total derivative instruments	—	30,420	—	30,420	(8,261)	22,159
Available-for-sale securities						
Marketable equity securities	165,689	—	—	165,689	—	165,689
Auction rate securities	—	—	8,197	8,197	—	8,197
Debt securities	—	38,456	—	38,456	—	38,456
Others	7,112	3,880	—	10,992	—	10,992
Total available-for-sale securities	172,801	42,336	8,197	223,334	—	223,334
Total	¥172,801	¥ 72,756	¥8,197	¥253,754	¥ (8,261)	¥245,493
Liabilities:						
Derivative instruments						
Foreign exchange instruments (note 9)	¥ —	¥(26,520)	¥ —	¥ (26,520)	¥ —	¥ —
Interest rate instruments (note 9)	—	(6,258)	—	(6,258)	—	—
Total derivative instruments	—	(32,778)	—	(32,778)	8,261	(24,517)
Total	¥ —	¥(32,778)	¥ —	¥(32,778)	¥ 8,261	¥(24,517)

Derivative asset and liability positions are presented net by counterparty on the consolidated balance sheets when valid master netting agreement exists and the other conditions set out in ASC 210-20 "Balance Sheet-Offsetting" are met.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present reconciliation during the nine months ended December 31, 2013 and 2014 for all Level 3 assets and liabilities measured at fair value on a recurring basis.

For the nine months ended December 31, 2013

	<u>Yen (millions)</u>
	<u>Auction rate securities</u>
Balance at beginning of period	¥ 6,928
Total realized/unrealized gains or losses	
Included in earnings	—
Included in other comprehensive income (loss)	99
Purchases, issuances, settlements and sales	
Purchases	—
Issuances	—
Settlements	—
Sales	(790)
Foreign currency translation	824
Balance at end of period	¥ <u>7,061</u>

The amounts of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets and liabilities still held at the reporting date

Included in earnings	¥ —
Included in other comprehensive income (loss)	—

For the nine months ended December 31, 2014

	<u>Yen (millions)</u>
	<u>Auction rate securities</u>
Balance at beginning of period	¥ 6,999
Total realized/unrealized gains or losses	
Included in earnings	—
Included in other comprehensive income (loss)	—
Purchases, issuances, settlements and sales	
Purchases	—
Issuances	—
Settlements	—
Sales	—
Foreign currency translation	1,198
Balance at end of period	¥ <u>8,197</u>

The amounts of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets and liabilities still held at the reporting date

Included in earnings	¥ —
Included in other comprehensive income (loss)	—

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The valuation methodologies for the assets and liabilities measured at fair value on a recurring basis are as follows:

Foreign exchange and interest rate instruments (note 9)

The fair values of foreign currency forward exchange contracts and foreign currency option contracts are estimated by using market observable inputs such as spot exchange rates, discount rates and implied volatility. Fair value measurements for foreign currency forward exchange contracts and foreign currency option contracts are classified as Level 2. The fair values of currency swap agreements and interest rate swap agreements are estimated by discounting future cash flows using market observable inputs such as LIBOR rates, swap rates, and foreign exchange rates. Fair value measurements for these currency swap agreements and interest rate swap agreements are classified as Level 2.

The credit risk of Honda and its counterparties are considered in the valuation of foreign exchange and interest rate instruments.

Marketable equity securities

The fair value of marketable equity securities is estimated by using quoted market prices. Fair value measurement for marketable equity securities is classified as Level 1.

Auction rate securities

The subsidiary's auction rate securities holdings were AAA rated and are insured by qualified guarantee agencies, and reinsured by the Secretary of Education and United States Government, and are guaranteed about 95% by the United States Government. To estimate 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.

Debt securities

Debt securities consist mainly of corporate bonds and local bonds and the fair values are estimated 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 measurement for debt securities is classified as Level 2.

Honda did not have significant assets and liabilities measured at fair value on a nonrecurring basis as of and for the year ended March 31, 2014. For the nine months ended December 31, 2014, Honda measured certain investments in affiliates which have quoted market values at fair value on a nonrecurring basis due to the recognition of impairment loss (note 1(d)). The fair value of the investments was ¥21,454 million and estimated by using quoted market price. Fair value measurement for the investment is classified as Level 1.

For the three months ended December 31, 2014, Honda did not have significant assets and liabilities measured at fair value on a nonrecurring basis.

Honda has not elected the fair value option for the year ended March 31, 2014 and the nine months ended December 31, 2014.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The estimated fair values of significant financial instruments at March 31, 2014 and December 31, 2014 are as follows:

	Yen (millions)			
	March 31, 2014		December 31, 2014	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Finance subsidiaries-receivables*	¥ 5,140,064	¥ 5,175,564	¥ 5,797,044	¥ 5,818,131
Held-to-maturity securities	34,650	34,667	41,046	41,043
Debt	(5,856,874)	(5,917,087)	(6,921,298)	(6,978,138)

* The carrying amounts of finance subsidiaries-receivables at March 31, 2014 and December 31, 2014 in the table exclude ¥393,933 million and ¥422,753 million, respectively, of direct financing leases, net, classified as finance subsidiaries-receivables in the consolidated balance sheets. The carrying amounts of finance subsidiaries-receivables at March 31, 2014 and December 31, 2014 in the table also include ¥752,229 million and ¥801,815 million of finance receivables classified as trade accounts and notes receivable and other assets in the consolidated balance sheets, respectively.

The estimated fair values have been determined using relevant market information and appropriate valuation methodologies. However, these estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The effect of using different assumptions and/or estimation methodologies may be significant to the estimated fair values.

The methodologies and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents, trade receivables and trade payables

The carrying amounts approximate fair values because of the short maturity of these instruments.

Finance subsidiaries-receivables

The fair values of retail receivables and commercial loans are estimated by discounting future cash flows using the current rates for these instruments of similar remaining maturities. Given the short maturities of wholesale flooring receivables, the carrying amount of those receivables approximates fair value. Fair value measurements for retail receivables and commercial loans are mainly classified as Level 3.

Held-to-maturity securities

The fair value of Government bonds is estimated by using quoted market prices. Fair value measurement of those Government bonds is classified as Level 1. The fair values of corporate bonds and local bonds are estimated 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 measurement for these securities is classified as Level 2.

Debt

The fair values of bonds are estimated by using quoted market prices. Fair value measurement of those bonds is mainly classified as Level 1. The fair values of short-term loans and long-term loans are estimated by discounting future cash flows using interest rates currently available for loans of similar terms and remaining maturities. Fair value measurements for these loans are mainly classified as Level 2.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Risk Management Activities and Derivative Financial Instruments

Honda uses derivative financial instruments in the normal course of business to reduce their exposure to fluctuations in foreign exchange rates and interest rates (note 8). Currency swap agreements are used to manage currency risk exposure on foreign currency denominated debt. 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 written option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts. Interest rate swap agreements are mainly used to manage interest rate risk exposure and to convert floating rate financing, such as commercial paper, to (normally three-five years) fixed rate financing in order to match financing costs with income from finance receivables. These instruments involve, to varying degrees, elements of credit, exchange rate and interest rate risks in excess of the amount recognized in the consolidated balance sheets.

The aforementioned instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Honda minimizes the risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. Management of Honda does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default. Honda currently does not require or place collateral for these financial instruments with any counterparties.

Contract amounts outstanding for foreign currency forward exchange contracts, foreign currency option contracts and currency swap agreements and the notional principal amounts of interest rate swap agreements at March 31, 2014 and December 31, 2014 are as follows:

Derivatives not designated as hedging instruments

	Yen (millions)	
	March 31, 2014	December 31, 2014
Foreign currency forward exchange contracts	¥ 506,734	¥ 514,843
Foreign currency option contracts	3,721	3,191
Currency swap agreements	366,031	272,829
Total foreign exchange instruments	<u>¥ 876,486</u>	<u>¥ 790,863</u>
Interest rate swap agreements	¥4,809,037	¥5,975,323
Total interest rate instruments	<u>¥4,809,037</u>	<u>¥5,975,323</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Cash flow hedges

The Company applies hedge accounting for certain foreign currency forward exchange contracts related to forecasted foreign currency transactions between the Company and its subsidiaries. Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognized in other comprehensive income (loss). The amounts are reclassified into earnings in the same period when forecasted hedged transactions affect earnings. The Company did not hold any derivative financial instruments designated as cash flow hedges and there was no amount recognized in accumulated other comprehensive income (loss) at March 31, 2014.

The period that hedges the changes in cash flows related to the risk of foreign currency rate was at most around two months for the year ended March 31, 2014. There were no derivative financial instruments where hedge accounting had been discontinued due to the forecasted transaction no longer being probable. The Company excluded financial instruments' time value component from the assessment of hedge effectiveness. There was no portion of hedging instruments that had been assessed ineffective.

There are no derivative financial instruments designated as cash flow hedges for the nine months ended December 31, 2014.

Derivative financial instruments not designated as accounting hedges

Changes in the fair value of derivative financial instruments not designated as accounting hedges are recognized in earnings in the period of the change.

The estimated fair values of derivative instruments at March 31, 2014 and December 31, 2014 are as follows:

As of March 31, 2014*Derivatives not designated as hedging instruments*

	Yen (millions)				
	Gross fair value		Balance sheet location		
	Asset derivatives	Liability derivatives	Other current assets	Other assets	Other current liabilities
Foreign exchange instruments	¥ 11,036	¥ (14,852)	¥ 4,910	¥ 2,288	¥ (11,014)
Interest rate instruments	19,814	(10,887)	593	12,255	(3,921)
Total	¥ 30,850	¥ (25,739)	¥ 5,503	¥ 14,543	¥ (14,935)
Netting adjustment	(10,804)	10,804			
Net amount	¥ 20,046	¥ (14,935)			

As of December 31, 2014*Derivatives not designated as hedging instruments*

	Yen (millions)				
	Gross fair value		Balance sheet location		
	Asset derivatives	Liability derivatives	Other current assets	Other assets	Other current liabilities
Foreign exchange instruments	¥ 5,381	¥ (26,520)	¥ 2,816	¥ —	¥ (23,955)
Interest rate instruments	25,039	(6,258)	2,559	16,784	(562)
Total	¥ 30,420	¥ (32,778)	¥ 5,375	¥ 16,784	¥ (24,517)
Netting adjustment	(8,261)	8,261			
Net amount	¥ 22,159	¥ (24,517)			

Derivative asset and liability positions are presented net by counterparty on the consolidated balance sheets when valid master netting agreement exists and the other conditions set out in the FASB Accounting Standards Codification (ASC) 210-20 "Balance Sheet-Offsetting" are met.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The pre-tax effects of derivative instruments on the Company's results of operations for the nine months and the three months ended December 31, 2013 and 2014 are as follows:

For the nine months ended December 31, 2013Derivatives designated as hedging instruments

Cash flow hedges:

	Yen (millions)				
	Gain (Loss) recognized in other comprehensive income (loss) (effective portion)		Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion)		Gain (Loss) recognized in earnings (financial instruments' time value component excluded from the assessment of hedge effectiveness)
	Amount	Location	Amount	Location	Amount
Foreign exchange instruments	¥ (29)	Other income (expenses) - Other, net	¥ 358	Other income (expenses) - Other, net	¥ (714)

Derivatives not designated as hedging instruments

	Yen (millions)	
	Gain (Loss) recognized in earnings	
	Location	Amount
Foreign exchange instruments	Other income (expenses) - Other, net	¥(31,110)
Interest rate instruments	Other income (expenses) - Other, net	(11,863)
Total		<u>¥(42,973)</u>

For the nine months ended December 31, 2014Derivatives designated as hedging instruments

Cash flow hedges:

	Yen (millions)				
	Gain (Loss) recognized in other comprehensive income (loss) (effective portion)		Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion)		Gain (Loss) recognized in earnings (financial instruments' time value component excluded from the assessment of hedge effectiveness)
	Amount	Location	Amount	Location	Amount
Foreign exchange instruments	¥ —	Other income (expenses) - Other, net	¥ —	Other income (expenses) - Other, net	¥ —

Derivatives not designated as hedging instruments

	Yen (millions)	
	Gain (Loss) recognized in earnings	
	Location	Amount
Foreign exchange instruments	Other income (expenses) - Other, net	¥(39,369)
Interest rate instruments	Other income (expenses) - Other, net	1,879
Total		<u>¥(37,490)</u>

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended December 31, 2013Derivatives designated as hedging instruments

Cash flow hedges:

	Yen (millions)				
	Gain (Loss) recognized in other comprehensive income (loss) (effective portion)	Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion)		Gain (Loss) recognized in earnings (financial instruments' time value component excluded from the assessment of hedge effectiveness)	
		Amount	Location	Amount	Location
Foreign exchange instruments	¥ (769)	Other income (expenses) - Other, net	¥ 175	Other income (expenses) - Other, net	¥ (629)

Derivatives not designated as hedging instruments

	Yen (millions)	
	Gain (Loss) recognized in earnings	
	Location	Amount
Foreign exchange instruments	Other income (expenses) - Other, net	¥ (17,959)
Interest rate instruments	Other income (expenses) - Other, net	(3,236)
Total		¥ (21,195)

For the three months ended December 31, 2014Derivatives designated as hedging instruments

Cash flow hedges:

	Yen (millions)				
	Gain (Loss) recognized in other comprehensive income (loss) (effective portion)	Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion)		Gain (Loss) recognized in earnings (financial instruments' time value component excluded from the assessment of hedge effectiveness)	
		Amount	Location	Amount	Location
Foreign exchange instruments	¥ —	Other income (expenses) - Other, net	¥ —	Other income (expenses) - Other, net	¥ —

Derivatives not designated as hedging instruments

	Yen (millions)	
	Gain (Loss) recognized in earnings	
	Location	Amount
Foreign exchange instruments	Other income (expenses) - Other, net	¥ (16,638)
Interest rate instruments	Other income (expenses) - Other, net	651
Total		¥ (15,987)

The gains and losses are included in other income (expenses) – other, net on a net basis with related items, such as foreign currency translation.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Contingent Liabilities

Honda has entered into various guarantee and indemnification agreements. At March 31, 2014 and December 31, 2014, Honda has guaranteed ¥25,368 million and ¥22,775 million of bank loans of employees for their housing costs, respectively. If an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. The undiscounted maximum amounts of Honda's obligation to make future payments in the event of defaults at March 31, 2014 and December 31, 2014 are ¥25,368 million and ¥22,775 million, respectively. At December 31, 2014, no amount has been accrued for any estimated losses under the obligations, as it is probable that the employees will be able to make all scheduled payments.

Honda warrants its products for specific periods of time. Honda also provides specific warranty programs, including product recalls, as needed. Product warranties vary depending upon the nature of the product, the geographic location of its sale and other factors.

The changes in the accrued liabilities for those product warranties for the year ended March 31, 2014 and the nine months ended December 31, 2014 are as follows:

	Yen (millions)	
	March 31, 2014	December 31, 2014
Balance at beginning of period	¥ 208,033	¥ 269,620
Warranty claims paid during the period	(104,090)	(98,579)
Liabilities accrued for warranties issued during the period	153,898	130,484
Changes in liabilities for pre-existing warranties during the period	397	274
Foreign currency translation	11,382	27,518
Balance at end of period	<u>¥ 269,620</u>	<u>¥ 329,317</u>

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 accrued liabilities. Punitive damages are claimed in certain of these lawsuits. Honda is also subject to potential liability under other various lawsuits and claims. Honda recognizes an accrued liability for loss contingencies when it is probable that an obligation has been incurred and the amount of loss can be reasonably estimated. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recorded 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. 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, results of operations or cash flows.

(Loss related to defects of airbag inflators)

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

Honda recognizes an accrued warranty liability for specific warranty costs we deem probable and which can be reasonably estimated related to the product recalls and SIC.

In the North America, various lawsuits related to the above mentioned product recalls and SIC have been filed against Honda. Honda recognizes an accrued liability for loss contingencies when it is probable that an obligation has incurred and the amount of loss can be reasonably estimated. Regarding the above, Honda does not recognize an accrued liability for loss contingencies because the conditions have not been met as of the date of this report. Also, it is not possible to reasonably estimate the amount of a possible future loss at this time.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11) Information Related to Honda Motor Co., Ltd. Shareholders' Equity**For the nine months ended December 31, 2013***(a) Information concerning dividends**1. Dividend payout*

Resolution	The ordinary general meeting of shareholders on June 19, 2013
Type of shares	Common stock
Total amount of dividends (million yen)	34,243
Dividend per share of common stock (yen)	19.00
Record date	March 31, 2013
Effective date	June 20, 2013
Resource for dividend	Retained earnings

Resolution	The board of directors meeting on July 31, 2013
Type of shares	Common stock
Total amount of dividends (million yen)	36,045
Dividend per share of common stock (yen)	20.00
Record date	June 30, 2013
Effective date	August 26, 2013
Resource for dividend	Retained earnings

Resolution	The board of directors meeting on October 30, 2013
Type of shares	Common stock
Total amount of dividends (million yen)	36,045
Dividend per share of common stock (yen)	20.00
Record date	September 30, 2013
Effective date	November 28, 2013
Resource for dividend	Retained earnings

2. Dividends payable of which record date was in the nine months ended December 31, 2013, effective after the period

Resolution	The board of directors meeting on January 31, 2014
Type of shares	Common stock
Total amount of dividends (million yen)	36,045
Dividend per share of common stock (yen)	20.00
Record date	December 31, 2013
Effective date	February 27, 2014
Resource for dividend	Retained earnings

(b) Significant changes in Honda Motor Co., Ltd. shareholders' equity

None

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the nine months ended December 31, 2014*(a) Information concerning dividends**1. Dividend payout*

Resolution	The ordinary general meeting of shareholders on June 13, 2014
Type of shares	Common stock
Total amount of dividends (million yen)	39,650
Dividend per share of common stock (yen)	22.00
Record date	March 31, 2014
Effective date	June 16, 2014
Resource for dividend	Retained earnings

Resolution	The board of directors meeting on July 29, 2014
Type of shares	Common stock
Total amount of dividends (million yen)	39,650
Dividend per share of common stock (yen)	22.00
Record date	June 30, 2014
Effective date	August 25, 2014
Resource for dividend	Retained earnings

Resolution	The board of directors meeting on October 28, 2014
Type of shares	Common stock
Total amount of dividends (million yen)	39,650
Dividend per share of common stock (yen)	22.00
Record date	September 30, 2014
Effective date	November 28, 2014
Resource for dividend	Retained earnings

2. Dividends payable of which record date was in the nine months ended December 31, 2014, effective after the period

Resolution	The board of directors meeting on January 30, 2015
Type of shares	Common stock
Total amount of dividends (million yen)	39,650
Dividend per share of common stock (yen)	22.00
Record date	December 31, 2014
Effective date	February 26, 2015
Resource for dividend	Retained earnings

(b) Significant changes in Honda Motor Co., Ltd. shareholders' equity

None

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) 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 components of Honda's about 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 Honda'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 & Development Manufacturing Sales and related services
Automobile Business	Automobiles and relevant parts	Research & Development Manufacturing Sales and related services
Financial Services Business	Financial, insurance services	Retail loan and lease related to Honda products Others
Power Product and Other Businesses	Power products and relevant parts, and others	Research & Development Manufacturing Sales and related services Others

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Segment Information**As of and for the nine months ended December 31, 2013**

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥ 1,215,108	¥ 6,798,093	¥ 510,428	¥ 221,576	¥ 8,745,205	¥ —	¥ 8,745,205
Intersegment	—	13,803	7,749	10,937	32,489	(32,489)	—
Total	¥ 1,215,108	¥ 6,811,896	¥ 518,177	¥ 232,513	¥ 8,777,694	¥ (32,489)	¥ 8,745,205
Segment income (loss)	¥ 122,644	¥ 330,772	¥ 133,937	¥ (2,365)	¥ 584,988	¥ —	¥ 584,988
Segment assets	¥ 1,255,574	¥ 6,218,830	¥ 8,082,774	¥ 347,236	¥ 15,904,414	¥ (357,495)	¥ 15,546,919
Depreciation and amortization	¥ 34,171	¥ 284,338	¥ 255,567	¥ 7,776	¥ 581,852	¥ —	¥ 581,852
Capital expenditures	¥ 37,863	¥ 436,741	¥ 835,991	¥ 10,347	¥ 1,320,942	¥ —	¥ 1,320,942

As of and for the nine months ended December 31, 2014

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥ 1,309,590	¥ 7,168,524	¥ 593,102	¥ 221,803	¥ 9,293,019	¥ —	¥ 9,293,019
Intersegment	—	20,886	8,213	10,474	39,573	(39,573)	—
Total	¥ 1,309,590	¥ 7,189,410	¥ 601,315	¥ 232,277	¥ 9,332,592	¥ (39,573)	¥ 9,293,019
Segment income (loss)	¥ 135,698	¥ 255,428	¥ 151,157	¥ (2,545)	¥ 539,738	¥ —	¥ 539,738
Segment assets	¥ 1,437,196	¥ 6,956,367	¥ 9,457,478	¥ 333,706	¥ 18,184,747	¥ (359,913)	¥ 17,824,834
Depreciation and amortization	¥ 36,588	¥ 315,446	¥ 314,516	¥ 8,086	¥ 674,636	¥ —	¥ 674,636
Capital expenditures	¥ 34,694	¥ 423,381	¥ 1,080,674	¥ 7,652	¥ 1,546,401	¥ —	¥ 1,546,401

For the three months ended December 31, 2013

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥ 400,149	¥ 2,372,498	¥ 175,016	¥ 73,226	¥ 3,020,889	¥ —	¥ 3,020,889
Intersegment	—	5,213	2,590	5,380	13,183	(13,183)	—
Total	¥ 400,149	¥ 2,377,711	¥ 177,606	¥ 78,606	¥ 3,034,072	¥ (13,183)	¥ 3,020,889
Segment income (loss)	¥ 34,520	¥ 154,242	¥ 42,709	¥ (2,897)	¥ 228,574	¥ —	¥ 228,574

For the three months ended December 31, 2014

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Net sales and other operating revenue:							
External customers	¥ 463,479	¥ 2,538,528	¥ 213,419	¥ 74,538	¥ 3,289,964	¥ —	¥ 3,289,964
Intersegment	—	10,639	2,911	5,300	18,850	(18,850)	—
Total	¥ 463,479	¥ 2,549,167	¥ 216,330	¥ 79,838	¥ 3,308,814	¥ (18,850)	¥ 3,289,964
Segment income (loss)	¥ 53,583	¥ 76,443	¥ 51,073	¥ (3,846)	¥ 177,253	¥ —	¥ 177,253

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Explanatory notes:

1. Segment income (loss) of each segment is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses). 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 derivative financial instruments, investments in affiliates, 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 and revenues are generally made at values that approximate arm's-length prices.
4. Unallocated corporate assets, included in reconciling items, amounted to ¥305,906 million as of December 31, 2013 and ¥290,623 million as of December 31, 2014, respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of intersegment transactions.
5. Depreciation and amortization of Financial services business include ¥253,920 million for the nine months ended December 31, 2013 and ¥312,367 million for the nine months ended December 31, 2014, respectively, of depreciation of property on operating leases.
6. Capital expenditure of Financial services business includes ¥833,232 million for the nine months ended December 31, 2013 and ¥1,078,016 million for the nine months ended December 31, 2014, respectively, of purchase of operating lease assets.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Supplemental Geographical Information

In addition to the disclosure required by U.S. GAAP, Honda provides the following supplemental information in order to provide financial statements users with additional useful information:

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

As of and for the nine months ended December 31, 2013

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Net sales and other operating revenue:								
External customers	¥1,525,930	¥ 4,276,802	¥467,107	¥1,719,827	¥755,539	¥ 8,745,205	¥ —	¥ 8,745,205
Transfers between geographic areas	1,557,227	287,851	64,110	358,802	9,615	2,277,605	(2,277,605)	—
Total	¥3,083,157	¥ 4,564,653	¥531,217	¥2,078,629	¥765,154	¥11,022,810	¥(2,277,605)	¥ 8,745,205
Operating income (loss)	¥ 170,834	¥ 249,015	¥(32,065)	¥ 163,836	¥ 31,977	¥ 583,597	¥ 1,391	¥ 584,988
Assets	¥3,358,668	¥ 8,971,157	¥680,265	¥1,901,843	¥754,394	¥15,666,327	¥ (119,408)	¥ 15,546,919
Long-lived assets	¥1,231,875	¥ 2,987,988	¥136,349	¥ 545,648	¥155,123	¥ 5,056,983	¥ —	¥ 5,056,983

As of and for the nine months ended December 31, 2014

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Net sales and other operating revenue:								
External customers	¥1,563,492	¥ 4,609,755	¥489,251	¥1,941,293	¥689,228	¥ 9,293,019	¥ —	¥ 9,293,019
Transfers between geographic areas	1,353,842	259,629	54,713	416,297	2,386	2,086,867	(2,086,867)	—
Total	¥2,917,334	¥ 4,869,384	¥543,964	¥2,357,590	¥691,614	¥11,379,886	¥(2,086,867)	¥ 9,293,019
Operating income (loss)	¥ 164,139	¥ 188,567	¥(13,074)	¥ 207,118	¥ 26,788	¥ 573,538	¥ (33,800)	¥ 539,738
Assets	¥3,551,995	¥10,592,574	¥678,318	¥2,408,953	¥769,181	¥18,001,021	¥ (176,187)	¥ 17,824,834
Long-lived assets	¥1,304,912	¥ 3,906,777	¥143,513	¥ 682,699	¥181,693	¥ 6,219,594	¥ —	¥ 6,219,594

For the three months ended December 31, 2013

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Net sales and other operating revenue:								
External customers	¥ 587,390	¥ 1,486,584	¥153,428	¥ 552,569	¥240,918	¥ 3,020,889	¥ —	¥ 3,020,889
Transfers between geographic areas	505,413	104,848	27,332	125,439	3,068	766,100	(766,100)	—
Total	¥1,092,803	¥ 1,591,432	¥180,760	¥ 678,008	¥243,986	¥ 3,786,989	¥ (766,100)	¥ 3,020,889
Operating income (loss)	¥ 59,366	¥ 131,128	¥ (8,751)	¥ 50,061	¥ 7,911	¥ 239,715	¥ (11,141)	¥ 228,574

For the three months ended December 31, 2014

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Net sales and other operating revenue:								
External customers	¥ 501,515	¥ 1,726,984	¥145,506	¥ 680,829	¥235,130	¥ 3,289,964	¥ —	¥ 3,289,964
Transfers between geographic areas	452,337	84,568	19,024	154,327	1,197	711,453	(711,453)	—
Total	¥ 953,852	¥ 1,811,552	¥164,530	¥ 835,156	¥236,327	¥ 4,001,417	¥ (711,453)	¥ 3,289,964
Operating income (loss)	¥ 42,099	¥ 82,133	¥ (4,060)	¥ 73,345	¥ 13,006	¥ 206,523	¥ (29,270)	¥ 177,253

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Explanatory notes:

1. 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
2. Operating income (loss) of each geographical area is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses).
3. Assets of each geographical area are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets.
4. Sales and revenues between geographic areas are generally made at values that approximate arm's-length prices.
5. Unallocated corporate assets, included in reconciling items, amounted to ¥305,906 million as of December 31, 2013 and ¥290,623 million as of December 31, 2014, respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of transactions between geographic areas.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Per Share Data

Basic net income attributable to Honda Motor Co., Ltd. per common share and the bases of computation are as follows:

For the nine months ended December 31, 2013 and 2014

	Yen	
	December 31, 2013	December 31, 2014
Basic net income attributable to Honda Motor Co., Ltd. per common share	¥ 223.94	¥ 235.77

	Yen (millions)	
	December 31, 2013	December 31, 2014
The bases of computation		
Net income attributable to Honda Motor Co., Ltd.	¥ 403,599	¥ 424,926
Amount not applicable to common stock	—	—
Net income attributable to Honda Motor Co., Ltd. applicable to common stock	¥ 403,599	¥ 424,926
Weighted average number of common shares	1,802,295,286 shares	1,802,289,849 shares

* Diluted net income attributable to Honda Motor Co., Ltd. per common share is not provided as there is no potential dilution effect.

For the three months ended December 31, 2013 and 2014

	Yen	
	December 31, 2013	December 31, 2014
Basic net income attributable to Honda Motor Co., Ltd. per common share	¥ 89.18	¥ 75.75

	Yen (millions)	
	December 31, 2013	December 31, 2014
The bases of computation		
Net income attributable to Honda Motor Co., Ltd.	¥ 160,732	¥ 136,516
Amount not applicable to common stock	—	—
Net income attributable to Honda Motor Co., Ltd. applicable to common stock	¥ 160,732	¥ 136,516
Weighted average number of common shares	1,802,293,973 shares	1,802,288,789 shares

* Diluted net income attributable to Honda Motor Co., Ltd. per common share is not provided as there is no potential dilution effect.