

**HONDA**

The Power of Dreams



# Annual Report 2015

Year Ended March 31, 2015

Honda Motor Co., Ltd.

## Corporate Profile

Honda Motor Co., Ltd., operates under the basic principles of “Respect for the Individual” and “The Three Joys”—expressed as “The Joy of Buying,” “The Joy of Selling” and “The Joy of Creating.” “Respect for the Individual” reflects our desire to respect the unique character and ability of each individual person, trusting each other as equal partners in order to do our best in every situation. Based on this, “The Three Joys” express our belief and desire that each person working in or coming into contact with our company, directly or through our products, should share a sense of joy through that experience.

In line with these basic principles, since its establishment in 1948, Honda has remained on the leading edge by creating new value and providing products of the highest quality at a reasonable price, for worldwide customer satisfaction. In addition, the Company has conducted its activities with a commitment to protecting the environment and enhancing safety in a mobile society.

The Company has grown to become the world’s largest motorcycle manufacturer and one of the leading automakers. With a global network of 372\* subsidiaries and 85\* affiliates accounted for under the equity method, Honda develops, manufactures and markets a wide variety of products to earn the Company an outstanding reputation from customers worldwide.

\* As of March 31, 2015



Acura RLX



### On the Cover: VEZEL (Japan model)

The VEZEL is a completely new vehicle that belongs to a new category of automobiles that fuses together multifaceted values at a high level, including the dynamic qualities of an SUV, the elegance of a coupe, the functionality of a minivan and excellent fuel economy. In the global market, it is sold as the VEZEL in China, and the HR-V in North America, South America and Asia, among other markets.

## User Guide

This PDF has various features to make it easy to use and to search for information. It also contains links to external web sites to allow you to refer to external information easily.



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The consolidated financial statements of the Company in this Annual Report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Please refer to the annual reports (Form 20-F) the Company filed with the U.S. Securities and Exchange Commission ("U.S. SEC") if more comprehensive information is required.

**Caution with Respect to Forward-Looking Statements**

This annual report contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on management's assumptions and beliefs, taking into account information currently available to it. Therefore, please be advised that Honda's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in Honda's principal markets; foreign exchange rates between the Japanese yen and the U.S. dollar and other major currencies; and extensive environmental and other governmental regulations, as well as other factors detailed from time to time.

**1** The Power of Dreams*Honda FCV CONCEPT*

# The Power of Dreams

Dreams inspire us to create innovative products that enhance mobility and benefit society. To meet the particular needs of customers in different regions around the world, we base our sales networks, research and development centers, and manufacturing facilities in each region. Furthermore, as a socially responsible corporate citizen, we strive to address important environmental and safety issues.

**2** Financial Highlights

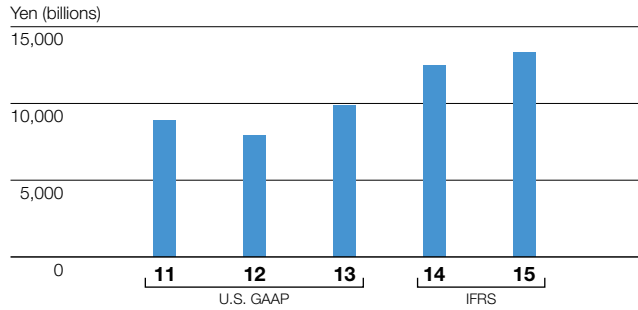
**Financial Highlights**

Years ended March 31

Honda voluntarily adopted IFRS for the consolidated financial statements incorporated in Form 20-F for the fiscal year ended March 31, 2015.

**Sales Revenue**

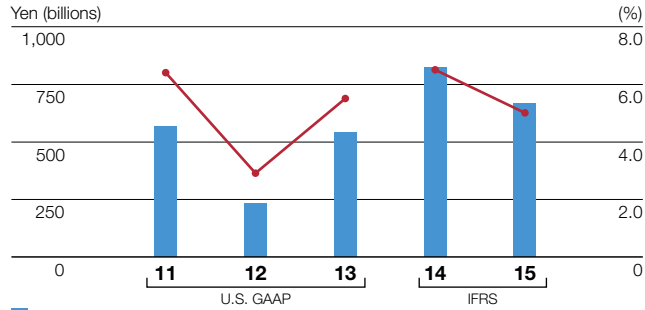
\* From fiscal 2011 to 2013, the above was named "Net Sales and Other Operating Revenue" and stated in accordance with U.S. GAAP.



2015 **Sales Revenue**  
**13,328.0** billion yen

**Operating Profit / Operating Margin**

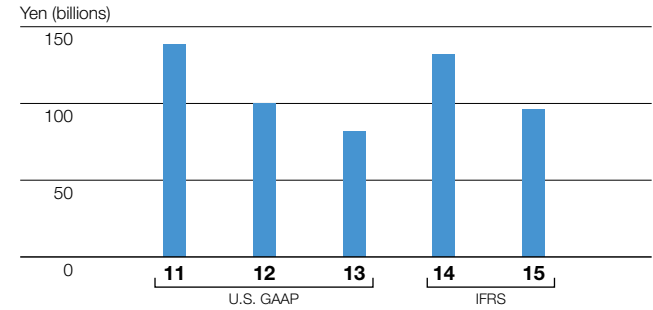
\* From fiscal 2011 to 2013, the above was named "Operating Income" and stated in accordance with U.S. GAAP.



2015 **Operating Profit**  
**670.6** billion yen  
**Operating Margin**  
**5.0** %

**Share of Profit of Investments Accounted for Using the Equity Method**

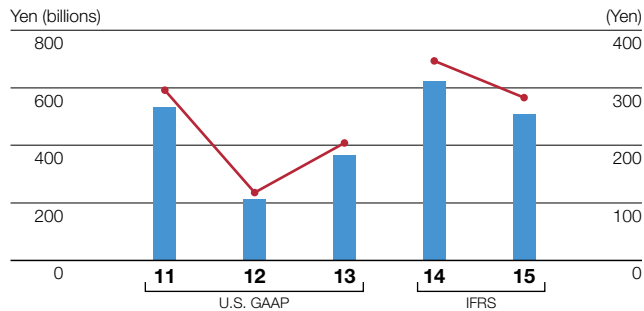
\* From fiscal 2011 to 2013, the above was named "Equity in Income of Affiliates" and stated in accordance with U.S. GAAP.



2015 **Share of Profit of Investments Accounted for Using the Equity Method**  
**96.0** billion yen

**Profit for the Year Attributable to Owners of the Parent / Basic Earnings per Share Attributable to Owners of the Parent**

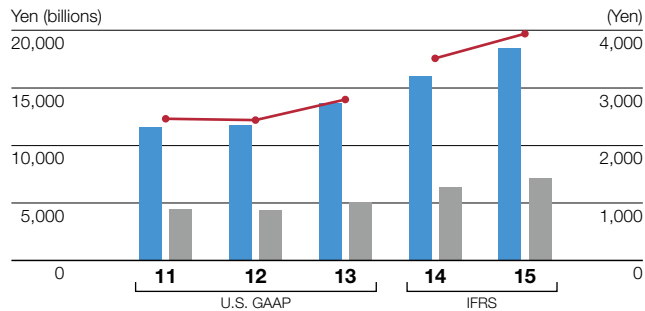
\* From fiscal 2011 to 2013, the above were named "Net Income Attributable to Honda Motor Co., Ltd." and "Basic Net Income Attributable to Honda Motor Co., Ltd. per Common Share," and stated in accordance with U.S. GAAP.



2015 **Profit for the Year Attributable to Owners of the Parent**  
**509.4** billion yen  
**Basic Earnings per Share Attributable to Owners of the Parent**  
**282.66** yen

**Total Assets / Equity Attributable to Owners of the Parent / Equity Attributable to Owners of the Parent per Share**

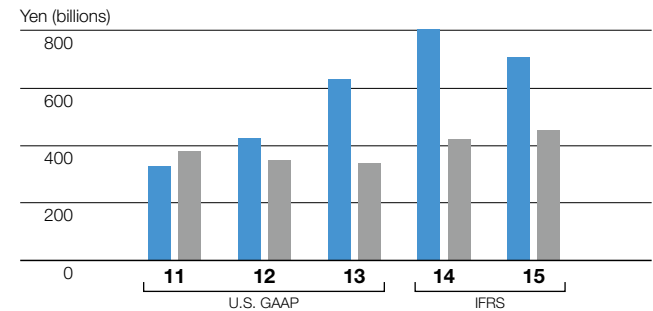
\* From fiscal 2011 to 2013, the above were named "Total Honda Motor Co., Ltd. Shareholders' Equity" and "Total Honda Motor Co., Ltd. Shareholders' Equity per Common Share," and stated in accordance with U.S. GAAP.



2015 **Total Assets**  
**18,425.8** billion yen  
**Equity Attributable to Owners of the Parent**  
**7,108.6** billion yen  
**Equity Attributable to Owners of the Parent per Share**  
**3,944.23** yen

**Additions to Property, Plant and Equipment / Depreciation**

\* From fiscal 2011 to 2013, the above were named "Capital Expenditures (Excluding Purchase of Operating Lease Assets)" and "Depreciation (Excluding Property on Operating Leases)," and stated in accordance with U.S. GAAP.



2015 **Additions to Property, Plant and Equipment**  
**703.9** billion yen  
**Depreciation**  
**451.0** billion yen

**3** To Our Shareholders

**Takahiro Hachigo**  
President &  
Chief Executive Officer

# To Our Shareholders

My name is Takahiro Hachigo and it is an honor and pleasure to address you as the new president of Honda as of June 2015.

On behalf of Honda, I would like to express my heartfelt thanks to all of our shareholders for your continued interest and ongoing support of Honda's business activities.

I would also like to extend our sincere gratitude to all of our customers, suppliers and those who live in the local communities where Honda sites are situated. Your support has been vital to our growth and development.

### 3 To Our Shareholders

## Fiscal Year Ended March 31, 2015 in Review

Looking at the economic environment surrounding Honda, the United States experienced a gradual recovery in business conditions, mainly due to an improving jobs market, along with firm growth in housing investment and personal consumption. In Europe, economic activity returned to a recovery path, mainly due to gradual improvement in employment conditions. In the Asian economies, India saw an economic upturn, while China grew at a more gradual pace. Indonesia experienced a slower pace of expansion, while Thailand's economy weakened. In Japan, economic performance was sluggish, mainly due to weak personal consumption, despite an improving employment picture.

In such an economic environment, Honda's consolidated sales revenue for the fiscal year ended March 31, 2015 amounted to ¥13,328.0 billion, an increase of 6.6% compared to the previous fiscal year, due mainly to increased sales revenue in motorcycle business operations and favorable currency effects. Operating profit amounted to ¥670.6 billion, a decrease of 18.6% compared to the previous fiscal year, due mainly to increased SG&A expenses including product warranty expenses, despite continuing cost reduction efforts as well as positive currency translation effects. Profit before income taxes amounted to ¥806.2 billion, a decrease of 13.7% compared to the previous fiscal year, and profit for the year attributable to owners of the parent amounted to ¥509.4 billion, a decrease of 18.5%.

## Our Future Initiatives

### Creating a new Honda under two themes:

As I assume the presidency, I decided to promote two themes for creating a new Honda for the future. First is the further advancement of the six-region global operation structure and second is the continuous development of challenging products unique to Honda. In pursuit of these themes, I chose "Team Honda" as our key phrase.

Honda's strength is demonstrated when associates "at the spot" share high goals and work as "one team" with all the team members acting with strong aspirations.

During my career in Honda, I have amassed a broad range of experiences "at the spot" in North America, Japan, Europe and China through the development of products like the U.S. Odyssey. Through these experiences I learned how important it is for each and every associate to share a common goal and work together as "one team."

In order for such a team to produce good results, it is important to create opportunities for each team member to voice his or her own opinions and to have enough time for in-depth discussions. In short, it is essential to create a bottom-up environment where the team can take action on its own initiative based on new discoveries or ideas.

My role as the president of the company, therefore, is to foster an environment where associates can work with energy and enthusiasm to create "Team Honda." Moreover, what Team Honda is striving to achieve is to have a strong bond with our customers and all Honda stakeholders through challenging products we create "at the spot."



### 3 To Our Shareholders

#### Continue advancing with the six-region global operation structure:

Let me talk about how we are going to pursue the two themes under the key phrase of “Team Honda.” First, the advancement of the six-region global operation structure.

Honda employs a unique matrix management structure, which divides the world into six regions and each region operates as an autonomous organization. Under this structure, each region has built up its own production capacity and established sales, development and purchasing functions. It has made it possible for some regions, including North America, Asia and China, to develop, produce and sell exclusive models for customers in those regions.

However, in the automobile business, there are some regions where sales volume has not grown as we expected due to changes in the business environments. In the meantime, investment was made based on the original plans. As a result, our overall global production capacity has expanded in excess of demand, and we recognize that it started to have a negative impact on our cost structure.

As the next step, therefore, I believe it is necessary to further advance this six-region structure. Maintaining a global vantage point on the status of regional production expansion, we will leverage our flexible production system to promote complementary relationships between each of the regions. To this end, we must enhance the operational functions of the global headquarters and introduce initiatives to promote this mutual inter-regional relationship.

Let me give you some examples of our recent initiatives. We decided to supply a portion of the North American *Fit* and European *Jazz* models from Japan. The next generation *Civic* 5-door, which will be produced in Europe, will be supplied to other regions, and the Canadian-made *CR-V* will be sold in Europe as well.

Advancing the six-region global operation structure means establishing a flexible production and supply system that features a mutually complementary function.

As for new production operations, in Nigeria, we created a new automobile assembly area within the property of the existing Honda motorcycle plant. We began production of the *Accord* in July 2015 using a semi-knockdown assembly method which utilizes parts and components supplied from Thailand. Annual production capacity of 1,000 units is a small step, however, we will continue moving forward steadily with our customers in Africa.

I firmly believe that enabling our six-region structure to function as a “team” will be the key to future advancement.

#### Delivering challenging products unique to Honda to our customers around the world:

Next, I would like to introduce some of the concrete initiatives we will take on for the pursuit of the second theme—the continuous development of challenging products unique to Honda.

Challenging products means products that feature unprecedented technologies and provide our customers with joy and inspiration. We can accomplish this only when the team works as one and thinks through each issue comprehensively.

The *S660*, which we introduced to the market in April 2015, is the embodiment of such a team effort. The team was newly-formed after a young associate proposed the ideal sports car he wanted to build. Furthermore, we will soon begin delivery of the *HF120* jet engine and the *HondaJet*, a light business jet, after pursuing the dream for nearly 30 years. These are good examples of where team members thoroughly conceived a plan and worked as one toward a common goal while doggedly pursuing unprecedented technologies.

In the area of automobile operations, the introduction of the all-new *Civic*, one of our global models, will begin in fall 2015 starting in North America. This all-new *Civic* will be built on a new platform and equipped with a new downsized turbo engine, and we will continue expanding the application of these new technologies to other models. Moreover, two other core models, *CR-V* and *Accord*, will undergo full model changes to make them even more appealing through the application of additional new technologies and innovative designs. Please look forward to the introduction of these all-new models.

In the area of next-generation energy technology, we are aiming to begin sales of the successor to *FCX Clarity* in Japan before the end of this fiscal year (ending March 31, 2016). Honda will evolve products, such as this fuel-cell vehicle, which uses electricity as a core technology, in order to usher in the next generation of mobility.

In the area of motorcycle operations, we will introduce the *CRF1000L*, a dual-purpose model, to European markets at the end of 2015, and then in Japan and North America. We are also ready to introduce other new products which will enable customers to experience qualities unique to Honda.



HondaJet



### 3 To Our Shareholders

In the area of power product operations, Honda has been continuing its research and development of a Walking Assist Device which assists walking people with weakened leg muscles. As the first step, in November 2015 we are planning to begin lease sales of a Walking Assist Device to institutional customers in Japan as rehabilitation equipment or as an assistive device for walking therapy.

Team Honda in each area of motorcycles, automobiles and power products will continue creating challenging products that feature unprecedented ideas and technologies. I will be sincerely committed to increase such a corporate climate so that we can continue delivering joy and inspiration to our customers.

### Returning Profit to Shareholders

Honda is striving to increase its corporate value by conducting business in each country while maintaining a global viewpoint. We consider the return of profits to our shareholders as one of our most important management responsibilities. We determine dividends while giving full consideration to our consolidated financial results from a long-term perspective. Moreover, Honda will implement necessary capital policy in a flexible manner, including the acquisition of our own shares, when needed for the purpose of improving capital efficiency.

The quarterly dividend for the fiscal fourth quarter is 22 yen per share, and the total cash dividend to be paid for the fiscal year ended March 31, 2015 is 88 yen per share, which includes a 22 yen per share dividend paid in each of the first, second and third quarters.

For the fiscal year ending March 31, 2016, we forecast 22 yen per share quarterly dividends, which add up to an annual dividend of 88 yen per share. We will continue to do our utmost to meet the expectations of our shareholders.

Honda is a company where each and every associate maintains a high level of initiative and works toward our dream to realize the joy of our customers. Honda associates always seek further advancement and growth while envisioning and carving out a better future. With the passion of our associates, Honda is striving to be a “company society wants to exist.” Driven by “The Power of Dreams,” Honda will continue taking on new challenges to create advanced innovations characteristic of Honda so that we can continue fulfilling the expectations of society and provide joy, inspiration and satisfaction to our customers.

Honda appreciates the continuous and long-term understanding and support of our shareholders and other investors toward our business operations.

July 6, 2015



Takahiro Hachigo  
President, Chief Executive Officer



**4** Review of Operations

**Motorcycle Business**



**Automobile Business**



**Power Product and Other Businesses**

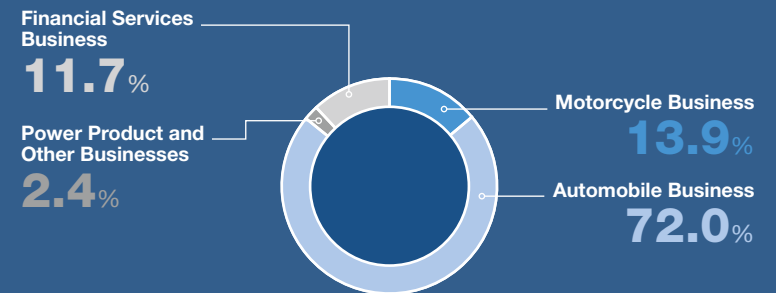


**Financial Services Business**



# Review of Operations

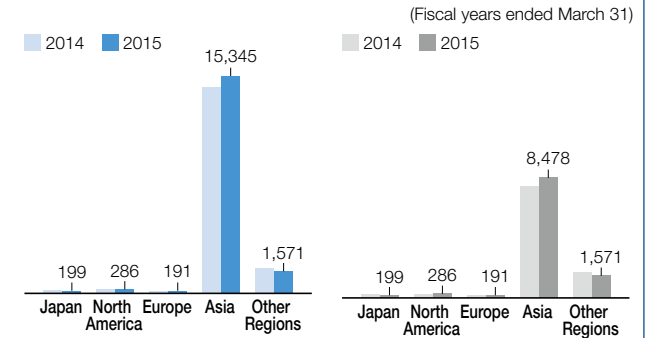
Percentage of Net Sales by Business



4 Review of Operations



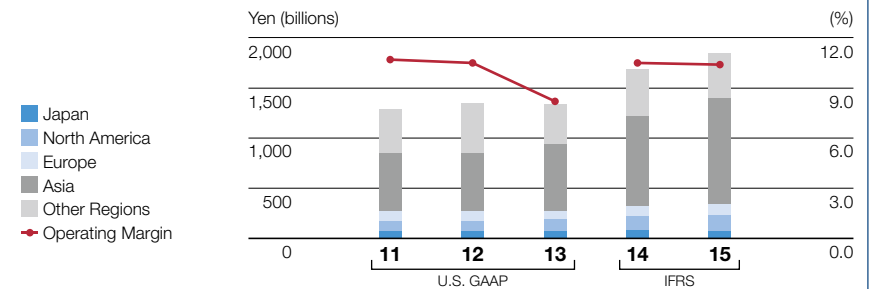
**Honda Group Unit Sales\*1 / Consolidated Unit Sales\*2**  
(Thousands)



\*1 The total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method  
\*2 The total unit sales of completed products of Honda and its consolidated subsidiaries

**Sales Revenue by Region**  
Yen (millions)

	2014	2015	% change
Japan	¥ 79,532	¥ 72,487	(8.9)%
North America	141,397	154,714	9.4
Europe	102,837	116,998	13.8
Asia	894,033	1,050,490	17.5
Other Regions	471,429	451,977	(4.1)
<b>Total</b>	<b>¥1,689,228</b>	<b>¥1,846,666</b>	<b>9.3 %</b>

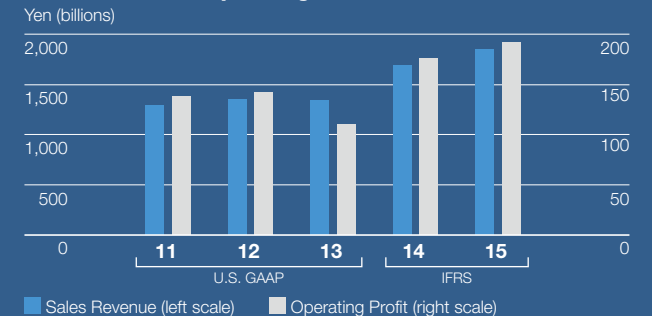


## Review of Operations Motorcycle Business

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

Sales revenue from external customers increased by ¥157.4 billion, or 9.3%, to ¥1,846.6 billion from the previous fiscal year, due mainly to increased consolidated unit sales and positive foreign currency translation effects. Operating profit increased by ¥15.2 billion, or 8.6%, to ¥192.1 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

**Sales Revenue / Operating Profit**



## 4 Review of Operations

## Japan

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

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

\* Source: JAMA (Japan Automobile Manufacturers Association)



*TACT* (Japan)

## North America

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

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

\* Source: MIC (Motorcycle Industry Council)



*CBR650F* (North America)

## Europe

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

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

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

## 4 Review of Operations

### Asia

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

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

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

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

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

### Other Regions

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

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

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



**ACTIVA** (India)



**Wave** (Vietnam)

4 Review of Operations



Acura TLX (North America)

**Honda Group Unit Sales\*1 / Consolidated Unit Sales\*2**

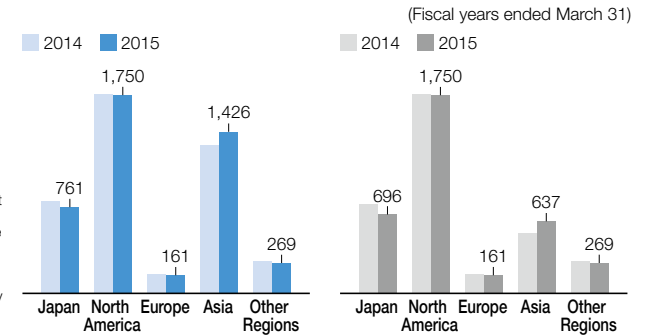
(Thousands)

Note:

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

**Sales Revenue by Region**

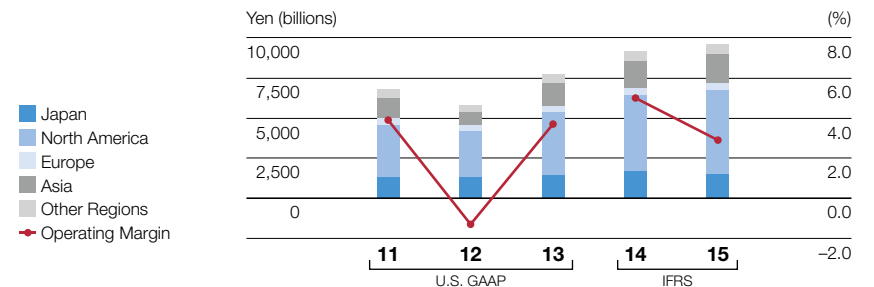
Yen (millions)



\*1 The total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method

\*2 The total unit sales of completed products of Honda and its consolidated subsidiaries

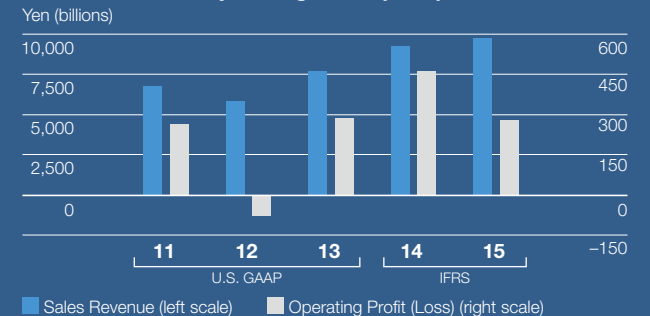
	2014	2015	% change
Japan	¥1,677,530	<b>¥1,526,054</b>	(9.0)%
North America	4,723,319	<b>5,199,008</b>	10.1
Europe	493,087	<b>456,562</b>	(7.4)
Asia	1,641,585	<b>1,795,791</b>	9.4
Other Regions	643,252	<b>625,920</b>	(2.7)
<b>Total</b>	<b>¥9,178,773</b>	<b>¥9,603,335</b>	4.6 %



# Review of Operations Automobile Business

Honda's consolidated unit sales of automobiles totaled 3,513 thousand units in fiscal year 2015, a decrease of 0.5% from the previous fiscal year, due mainly to a unit sales decline in Japan and Thailand, where market conditions were unfavorable. This was despite an increase in unit sales, primarily in Indonesia and India, due to the launch of new automobile models. Sales revenue from external customers increased by ¥424.5 billion, or 4.6%, to ¥9,603.3 billion from the previous fiscal year, due mainly to positive foreign currency translation effects. Operating profit decreased by ¥181.4 billion, or 39.3%, to ¥279.7 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses including product warranty expenses, which was partially offset by continuing cost reduction efforts and positive foreign currency effects.

**Sales Revenue / Operating Profit (Loss)**



## 4 Review of Operations

### Japan

Total demand for automobiles in Japan\*<sup>1</sup> decreased around 7% from the previous fiscal year to approximately 5,290 thousand units in fiscal year 2015. This was greatly influenced by the impact of an increase in Japan's consumption tax rate in April 2014 and a fall-back from a spike in demand prior to the increase.

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

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

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

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

### North America

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

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

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

\* Source: Autodata

### Europe

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

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

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

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



*FIT* (North America)

## 4 Review of Operations

### Asia

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

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

Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd., both of which are joint

ventures accounted for using the equity method in China. Unit sales in China increased 1.1% from the previous fiscal year to 789 thousand units in fiscal year 2015. The increase was mainly attributable to a full model change of the *Fit* and introduction of the *VEZEL* and *XR-V* models.

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

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

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

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

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

### Other Regions

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

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

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

\* Source: ANFAVEA (Associação Nacional dos Fabricantes de Veículos Automotores (the Brazilian Automobile Association)) Includes passenger cars and light commercial vehicles.



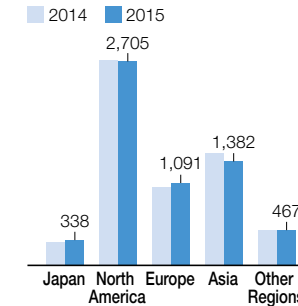
*City* (India)



4 Review of Operations



**Honda Group Unit Sales / Consolidated Unit Sales**  
(Thousands)

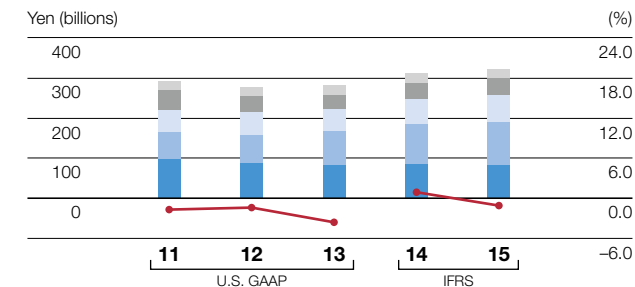


(Fiscal years ended March 31)  
Note: In power product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales

**Sales Revenue by Region**  
Yen (millions)

	2014	2015	% change
Japan	¥ 85,857	¥ 82,176	(4.3)%
North America	97,344	107,615	10.6
Europe	64,114	67,536	5.3
Asia	40,345	40,632	0.7
Other Regions	24,404	24,589	0.8
<b>Total</b>	<b>¥312,064</b>	<b>¥322,548</b>	<b>3.4 %</b>

Yen (billions) (%)  
Legend: Japan, North America, Europe, Asia, Other Regions, Operating Margin



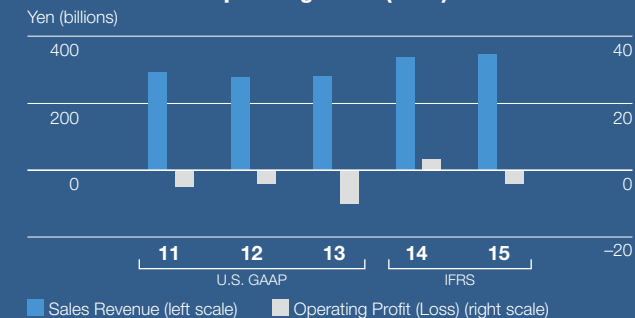
## Review of Operations Power Product and Other Businesses

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

Sales revenue from external customers increased by ¥10.4 billion, or 3.4%, to ¥322.5 billion from the previous fiscal year, due mainly to positive foreign currency translation effects, which was partially offset by a decreased consolidated unit sales in the Power product business area.

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

**Sales Revenue / Operating Profit (Loss)**



## 4 Review of Operations

### Japan

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

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

### North America

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

### Europe

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

### Asia

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

### Other Regions

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



HS720 (Snow Throwers)



GX160 (Engine)

4 Review of Operations

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

Sales revenue from external customers increased by ¥229.5 billion, or 17.3%, to ¥1,555.5 billion from the previous fiscal year, due mainly to an increase in operating lease revenues and positive foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥106.5 billion, or 8.0%, compared to the increase as reported of ¥229.5 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥230.1 billion, or 17.2%, to ¥1,567.9 billion from the previous fiscal year.

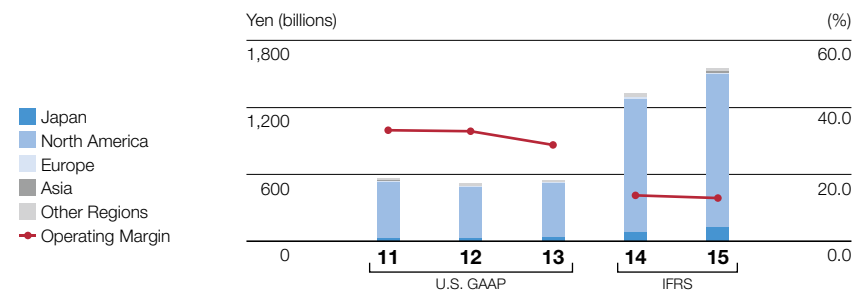
Operating costs and expenses increased by ¥210.3 billion, or 18.2%, to ¥1,365.3 billion from the previous fiscal year. Cost of sales increased by ¥203.0 billion, or 19.0%, to ¥1,271.8 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased operating lease revenues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

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



**Sales Revenue by Region**  
Yen (millions)

	(Fiscal years ended March 31)		
	2014	2015	% change
Japan	¥ 77,195	¥ 119,722	55.1%
North America	1,198,302	1,376,287	14.9
Europe	14,175	14,249	0.5
Asia	8,056	12,157	50.9
Other Regions	28,298	33,135	17.1
<b>Total</b>	<b>¥1,326,026</b>	<b>¥1,555,550</b>	<b>17.3%</b>



**Receivables from Financial Services / Equipment on Operating Leases**

\* From fiscal 2011 to 2013, the above were named "Financial Receivables" and "Property on Operating Leases," and stated in accordance with U.S. GAAP.

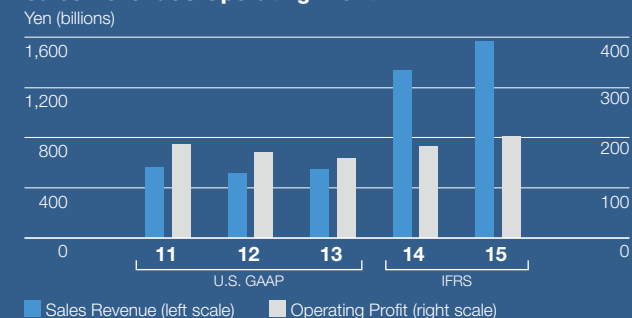
Yen (billions)	2011	2012	2013	2014	2015
Receivables from Financial Services	¥3,480.0	¥3,446.1	¥4,031.1	¥5,351.2	<b>¥5,683.6</b>
Equipment on Operating Leases	1,357.6	1,472.7	1,843.1	2,427.4	<b>3,335.3</b>
<b>Total</b>	<b>¥4,837.6</b>	<b>¥4,918.8</b>	<b>¥5,874.2</b>	<b>¥7,778.6</b>	<b>¥9,018.9</b>

## Review of Operations

# Financial Services Business

To support the sale of its products, Honda provides retail lending and leasing to customers and wholesale financing to dealers through its finance subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany, Brazil, Thailand and other countries.

**Sales Revenue / Operating Profit**



## Corporate Governance

Companies listed on the New York Stock Exchange (the “NYSE”) must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual.

However, listed companies that are foreign private issuers, such as Honda, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Honda.

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

A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.

### Corporate Governance Practices Followed by Honda

For certain large-scale Japanese companies, which employ a corporate governance system based on a Board of Corporate Auditors (the “Board of Corporate Auditors system”), including Honda, Japan’s Company Law (to which amendments were effected as of May 1, 2015) requires that, if a company does not have any outside director at the end of a fiscal year, the company shall explain and disclose the reason why it is not appropriate to have an outside director at the annual general meeting of shareholders as well as in its convocation documents and business report.

Outside director is defined as a director who meets all of the following independence requirements: (1) a person who is not an executive director, executive officer, manager or any other employee of the company or its subsidiaries and has not been in such position for ten years prior to the assumption of office; (2) if the relevant person assumed an office of a non-executive director, accounting councilor or corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been an executive director, executive officer, manager or any other employee of the company or any of its subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the company; and (5) a person who is not a spouse or a certain relative of (a) a director, executive officer, manager or any other important employee of the company or (b) the natural person controlling the company.

The responsibility of overseeing management and outside directors is assigned to the corporate auditors who also work with the accounting audit firm to oversee accounting. Corporate auditors are separate from the company’s management and meet certain independence requirements under Japan’s Company Law.

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

Outside corporate auditor is defined as a corporate auditor who meets all of the following independence requirements: (1) a person who has not been a director, accounting councilor, executive officer, manager or any other employee of the company or any of its subsidiaries for ten years prior to the assumption of office; (2) if the relevant person assumed an office of corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been a director, accounting councilor, executive officer, manager or any other employee of the company or any of its subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the company; and (5) a person who is not a spouse or a certain relative of (a) a director, manager or any other important employee of the company or (b) the natural person controlling the company.

In addition, the listing rules of the Tokyo Stock Exchange, which Honda is subject to, require listed companies to have at least one “independent” director or corporate auditor, and to make efforts to have at least one “independent” director. Requirements for an independent director/corporate auditor are more stringent than those for outside directors or outside corporate auditors. Unlike an outside director/corporate auditor, an independent director/corporate auditor may not be (a) a person who is, or has been until recently, a major business counterparty or an executive director, executive officer, manager or employee of the major business counterparties, (b) a person who is, or has been until recently, a professional advisor receiving significant remuneration from the company, (c) a person who has been until recently a director, executive officer, corporate auditor, manager or employee of the parent company or a director, executive officer, manager or employee of the parent company’s subsidiaries, or (d) a relative of persons mentioned in (a), (b) and (c) or a relative of certain scope of persons such as directors of the parent company or its subsidiaries. Now Honda has one independent Director out of two outside Directors and three independent Corporate Auditors out of three outside Corporate Auditors.

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

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

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

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

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

### Corporate Governance Practices Followed by Honda

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

Japanese companies which employ the Board of Corporate Auditors system, including Honda, are required to have at least three corporate auditors. Currently, Honda has five Corporate Auditors. Each Corporate Auditor has a four-year term. In contrast, the term of each Director of Honda is one year. With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Honda relies on an exemption under that rule which is available to foreign private issuers with Board of Corporate Auditors meeting certain criteria.

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

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

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

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

\* For information about Honda's corporate governance practices, please refer to (<http://world.honda.com/sustainability/management/governance/>)

## Board of Directors, Corporate Auditors and Operating Officers



Senior Managing Officer  
**Toshiaki Mikoshiba**

Senior Managing Officer  
**Takuji Yamada**

Senior Managing Officer  
**Sho Minekawa**

Senior Managing Officer  
and Director  
**Koichi Fukuo**

Senior Managing Officer  
and Director  
**Yoshiyuki Matsumoto**

Senior Managing Officer  
and Director  
**Yoshi Yamane**








Chairman and  
Representative Director  
**Fumihiko Ike**

President, Chief Executive Officer  
and Representative Director  
**Takahiro Hachigo**

Executive Vice President,  
Executive Officer and Representative Director  
**Tetsuo Iwamura**

**5 Corporate Governance**

**Directors**

 <p>Chairman, Representative Director <b>Fumihiko Ike</b></p>	 <p>President, Chief Executive Officer and Representative Director <b>Takahiro Hachigo</b></p>	 <p>Executive Vice President, Executive Officer and Representative Director <b>Tetsuo Iwamura</b></p>	 <p>Senior Managing Officer and Director <b>Koichi Fukuo</b></p>	 <p>Senior Managing Officer and Director <b>Yoshiyuki Matsumoto</b></p>	 <p>Senior Managing Officer and Director <b>Yoshi Yamane</b></p>	 <p>Managing Officer and Director <b>Masahiro Yoshida</b></p>
 <p>Managing Officer and Director <b>Kohei Takeuchi</b></p>	 <p>Director <b>Nobuo Kuroyanagi</b></p>	 <p>Director <b>Hideko Kunii</b></p>	 <p>Director and Advisor <b>Takanobu Ito</b></p>	 <p>Operating Officer and Director <b>Shinji Aoyama</b></p>	 <p>Operating Officer and Director <b>Noriya Kaihara</b></p>	 <p>Operating Officer and Director <b>Masayuki Igarashi</b></p>

\*1 Nobuo Kuroyanagi and Hideko Kunii are outside directors as provided for in Article 2, Item 15 of the Company Law.  
 \*2 Hideko Kunii has been designated by the Company as an Independent Director as provided for in the rules of the Tokyo Stock Exchange and registered with the Tokyo Stock Exchange.

**Corporate Auditors**

 <p>Corporate Auditor (full-time) <b>Masaya Yamashita</b></p>	 <p>Corporate Auditor (full-time) <b>Kunio Endo</b></p>	 <p>Corporate Auditor <b>Toshiaki Hiwatari</b></p>	 <p>Corporate Auditor <b>Hideo Takaura</b></p>	 <p>Corporate Auditor <b>Mayumi Tamura</b></p>
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\*1 Corporate Auditors Toshiaki Hiwatari, Hideo Takaura and Mayumi Tamura are outside corporate auditors as provided for in Article 2, Item 16 of the Company Law.  
 \*2 Toshiaki Hiwatari, Hideo Takaura and Mayumi Tamura have been designated by the Company as Independent Auditors as provided for in the rules of the Tokyo Stock Exchange and registered with the Tokyo Stock Exchange.

## Executive Officers

President, Chief Executive Officer

### Takahiro Hachigo

Executive Vice President, Executive Officer

### Tetsuo Iwamura

- Risk Management Officer
- Corporate Brand Officer

### Senior Managing Officers

#### Sho Minekawa

- Chief Operating Officer for Regional Operations (Japan)
- Chief Officer of Honda Driving Safety Promotion Center

#### Koichi Fukuo

- President, Chief Executive Officer and Representative Director of Honda R&D Co., Ltd.

#### Takuji Yamada

- Chief Operating Officer for Regional Operations (North America)
- President and Director of Honda North America, Inc.
- President and Chief Executive Officer of American Honda Motor Co., Inc.

#### Yoshiyuki Matsumoto

- Chief Operating Officer for Automobile Operations
- Executive in Charge of Quality Innovation for Automobile Operations

#### Toshiaki Mikoshiba

- Chief Operating Officer for Regional Operations (Europe Region)
- President and Director of Honda Motor Europe Ltd.

#### Yoshi Yamane

- Chief Production Officer
- Representative of Automobile Development, Purchasing and Production for Automobile Operations
- Head of Automobile Production for Automobile Operations
- Representative of Automobile Development, Purchasing and Production (Europe Region)

### Managing Officers

#### Toshihiko Nonaka

- President, Chief Executive Officer and Representative Director of Honda Engineering Co., Ltd.

#### Ko Katayama

- Executive Vice President and Director of Honda North America, Inc.

#### Masahiro Yoshida

- Chief Operating Officer for Business Support Operations
- Compliance Officer

#### Chitoshi Yokota

- Representative of Automobile Development, Purchasing and Production (North America)
- Executive Vice President and Director of Honda North America, Inc.

#### Seiji Kuraishi

- Chief Operating Officer for Regional Operations (China)
- President of Honda Motor (China) Investment Co., Ltd.
- President of Honda Motor Technology (China) Co., Ltd.

#### Takashi Sekiguchi

- Executive in Charge of Business Unit No. 2 for Automobile Operations
- Executive in Charge of Sales Strategy for Automobile Operations

#### Soichiro Takizawa

- Executive Vice President and Director of Honda Motor Europe Ltd.
- Managing Director of Honda of the U.K. Manufacturing Ltd.

#### Kohei Takeuchi

- Chief Operating Officer for Business Management Operations

### Operating Officers

#### Michimasa Fujino

- President and Director of Honda Aircraft Company, LLC

#### Naoto Matsui

- Chief Operating Officer for Purchasing Operations

#### Mitsugu Matsukawa

- Chief Operating Officer for IT Operations
- Head of Supply Chain Management Supervisory Unit of Automobile Production for Automobile Operations

#### Shinji Aoyama

- Chief Operating Officer for Motorcycle Operations

#### Noriya Kaihara

- Chief Quality Officer
- Chief Operating Officer for Customer Service Operations
- Head of Service Supervisory Unit for Automobile Operations

#### Tetsuo Suzuki

- Representative of Motorcycle Development, Purchasing and Production for Motorcycle Operations

#### Issao Mizoguchi

- Chief Operating Officer for Regional Operations (Latin America)
- President and Director of Honda South America Ltda.
- President and Director of Honda Automoveis do Brazil Ltda.
- President and Director of Moto Honda da Amazonia Ltda.

#### Toshihiro Mibe

- Executive in Charge of Powertrain Business and Drivetrain Business for Automobile Operations
- Head of Powertrain Production Supervisory Unit of Automobile Production for Automobile Operations
- Head of Drivetrain Business Unit in Automobile Production for Automobile Operations

#### Yusuke Hori

- Head of Regional Unit (Africa & the Middle East)

#### Tomomi Kosaka

- Executive Vice President and Director of Honda North America, Inc.
- President and Director of Honda of America Mfg., Inc.

#### Noriaki Abe

- Chief Operating Officer for Regional Operations (Asia & Oceania)
- President and Director of Asian Honda Motor Co., Ltd.

#### Toshiyuki Shimabara

- Executive in Charge of Motorcycle Production for Motorcycle Operations
- General Manager of Kumamoto Factory for Motorcycle Operations
- Executive in Charge of Power Product Production for Power Product Operations

#### Yasuhide Mizuno

- President of Guangqi Honda Automobile Co., Ltd.

#### Kazuhiro Odaka

- Responsible for Human Resources and Associate Relations for Business Support Operations
- General Manager of Human Resources Division for Business Support Operations

#### Masayuki Igarashi

- Chief Operating Officer for Power Product Operations

#### Hiroyuki Kachi

- Representative of Automobile Development, Purchasing and Production (Japan)
- Head of Automobile Production for Regional Operations (Japan)
- Head of Production Supervisory Unit of Automobile Production for Regional Operations (Japan)

\* The Company has introduced an operating officer system to strengthen operations in regions and local workplaces and implement quick and appropriate decisions.



## Financial Section: Financial Review

In the fiscal year ended March 31, 2015, we changed the basis of the accounting principles used to prepare our consolidated financial statements from U.S. GAAP to IFRS. Accordingly, the consolidated financial statements of the Company in this Annual Report have been prepared in accordance with IFRS, as issued by IASB.

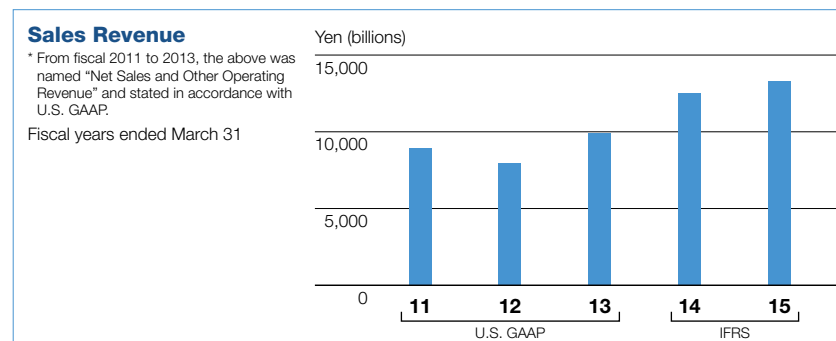
### Operating and Financial Review

#### Sales Revenue

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

#### Operating Costs and Expenses

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



#### Operating Profit

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

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

#### Profit before Income Taxes

Profit before income taxes decreased by ¥127.6 billion, or 13.7%, to ¥806.2 billion. The main factors behind this decrease, except factors relating to operating profit, are as follows:

Share of profit of investments accounted for using the equity method had a negative impact of ¥34.8 billion, due mainly to a recognition of impairment loss on certain investments in affiliates and a decrease in profit attributable to decreased sales revenue at affiliates and joint ventures in Asia.

Finance income and finance costs had a positive impact of ¥60.4 billion, due mainly to an increase in gains on foreign exchange.

#### Income Tax Expense

Income tax expense decreased by ¥22.8 billion, or 8.5%, to ¥245.1 billion from the previous fiscal year. The average effective tax rate increased 1.7 percentage points to 30.4% from the previous fiscal year.

#### Profit for the Year

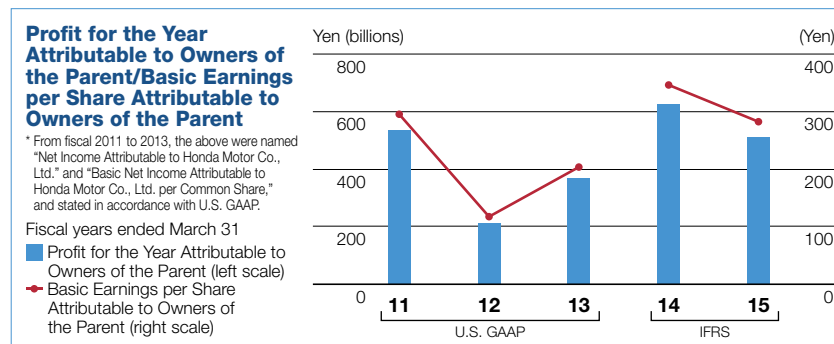
Profit for the year decreased by ¥104.8 billion, or 15.7%, to ¥561.0 billion from the previous fiscal year.

### Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent decreased by ¥115.2 billion, or 18.5%, to ¥509.4 billion from the previous fiscal year.

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

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



## Business Segments

### Motorcycle Business

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

Sales revenue from external customers increased by ¥157.4 billion, or 9.3%, to ¥1,846.6 billion from the previous fiscal year, due mainly to increased consolidated unit sales and positive foreign currency translation effects. The impact of price changes was immaterial. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥70.8 billion, or 4.2%, compared to the increase as reported of ¥157.4 billion, which includes positive foreign currency translation effects.

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

increased consolidated unit sales and negative foreign currency effects. Research and development expenses increased by ¥7.3 billion, or 10.5%, to ¥77.7 billion.

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

### Automobile Business

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

Sales revenue from external customers increased by ¥424.5 billion, or 4.6%, to ¥9,603.3 billion from the previous fiscal year, due mainly to positive foreign currency translation effects. The impact of price changes was immaterial. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥107.9 billion, or 1.2%, compared to the increase as reported of ¥424.5 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥508.5 billion, or 5.5%, to ¥9,757.8 billion from the previous fiscal year.

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

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

### Financial Services Business

To support the sale of its products, Honda provides retail lending and leasing to customers and wholesale financing to dealers through its finance subsidiaries in Japan, the United States, Canada, the United Kingdom, Germany, Brazil, Thailand and other countries.

Total amount of receivables from financial services and equipment on operating leases of finance subsidiaries on March 31, 2015 increased by ¥1,240.3 billion, or 15.9%, to ¥9,018.9 billion from the March 31, 2014. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2015 would have increased by

approximately ¥257.8 billion, or 3.3%, compared to the increase as reported of ¥1,240.3 billion, which includes positive foreign currency translation effects.

Sales revenue from external customers increased by ¥229.5 billion, or 17.3%, to ¥1,555.5 billion from the previous fiscal year, due mainly to an increase in operating lease revenues and positive foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥106.5 billion, or 8.0%, compared to the increase as reported of ¥229.5 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥230.1 billion, or 17.2%, to ¥1,567.9 billion from the previous fiscal year.

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

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

### Power Product and Other Businesses

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

Sales revenue from external customers increased by ¥10.4 billion, or 3.4%, to ¥322.5 billion from the previous fiscal year, due mainly to positive foreign currency translation effects, which was partially offset by a decrease in consolidated unit sales in Power product business operations. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥2.0 billion, or 0.7%, compared to the increase as reported of ¥10.4 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥9.0 billion, or 2.7%, to ¥346.9 billion from the previous fiscal year.

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

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

## Geographical Information

### Japan

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

### North America

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

### Europe

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

### Asia

In Asia, sales revenue increased by ¥438.1 billion, or 15.2%, to ¥3,328.5 billion from the previous fiscal year, due mainly to an increase in sales revenue in the Automobile business and Motorcycle business and positive foreign currency translation effects. Operating profit increased by ¥46.8 billion, or 20.2%, to ¥278.8 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue and model mix, continuing cost reduction and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

## 6 Financial Section

### Other Regions

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

### Research and Development

The Company and its consolidated subsidiaries use the most-advanced technologies and conduct R&D activities with the goal of creating distinctive products that are internationally competitive. To attain this goal, Honda's main R&D divisions operate independently as subsidiaries, allowing engineers to pursue their tasks with significant freedom. Product-related R&D is spearheaded by Honda R&D Co., Ltd. in Japan; Honda R&D Americas, Inc. in the United States; and Honda R&D Asia Pacific Co., Ltd. in Thailand. R&D on production technologies centers around Honda Engineering Co., Ltd. in Japan and Honda Engineering North America, Inc. in the United States. All of these entities work in close association with our other entities and businesses in their respective regions.

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

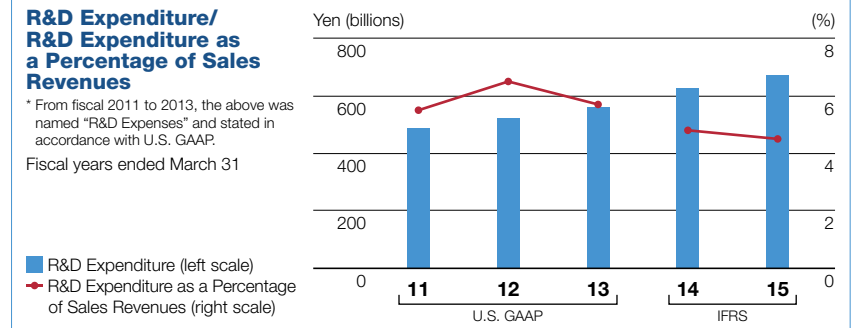
R&D activities by segment are as follows.

#### Motorcycle Business

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

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

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



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

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

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

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

#### Automobile Business

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

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

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

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

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

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

### Power Product and Other Businesses

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

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

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

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

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

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

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

### Patents and Licenses

As of March 31, 2015, Honda owned more than 21,000 patents in Japan and more than 25,000 patents abroad. Honda also had applications pending for more than 7,600 patents in Japan and for more than 15,200 patents abroad. While

Honda considers that, in the aggregate, Honda’s patents are important, it does not consider any one of such patents, or any related group of them, to be of such importance that the expiration or termination thereof would materially affect Honda’s business.

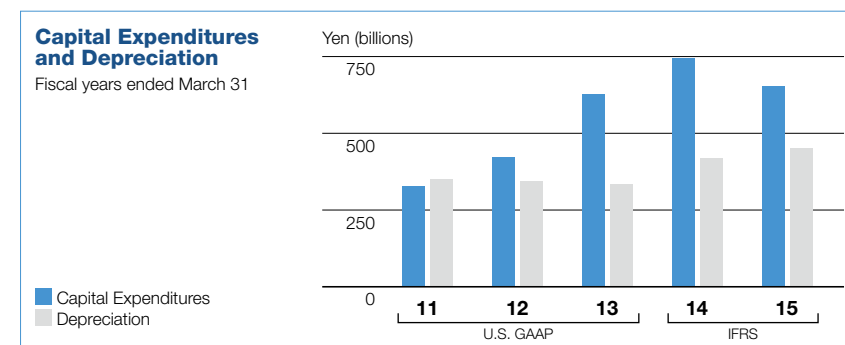
### Capital Expenditures

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

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

Fiscal years ended March 31	Yen (millions)	
	2014	2015
Motorcycle Business	¥ 55,394	¥ 68,171
Automobile Business	673,038	573,312
Financial Services Business (Excluding Equipment on Operating Leases)	473	432
Power Product and Other Businesses	17,146	11,896
Total	¥ 746,051	¥ 653,811
Equipment on Operating Leases	¥1,210,679	¥1,681,178

Note: Intangible assets are not included in the table above.



Note: Capital Expenditure and Depreciation aforementioned exclude Capital Expenditure and Depreciation in operating lease assets and intangible assets.

In Motorcycle business, we made capital expenditures of ¥68,171 million in the fiscal year ended March 31, 2015. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

In Automobile business, we made capital expenditures of ¥573,312 million in the fiscal year ended March 31, 2015. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

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

## Liquidity and Capital Resources

### Overview of Capital Requirements, Sources and Uses

The policy of Honda is to support its business activities by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet.

Honda's main business is the manufacturing and sale of motorcycles, automobiles and power products. To support this business, Honda also funds financial programs for customers and dealers.

Honda requires working capital mainly to purchase parts and raw materials required for production, as well as to maintain inventory of finished products and cover receivables from dealers and for providing financial services. Honda also requires funds for capital expenditures, mainly to introduce new models, upgrade, rationalize and renew production facilities, as well as to expand and reinforce sales and R&D facilities.

Honda meets its working capital requirements primarily through cash generated by operations and bank loans. Honda believes that its working capital is sufficient for the Company's present requirements. The year-end balance of liabilities associated with the Company and its subsidiaries' funding for non-Financial services businesses was ¥592.6 billion as of March 31, 2015. In addition, the Company's finance subsidiaries fund financial programs for customers and dealers primarily from medium-term notes, bank loans, securitization of finance receivables, commercial paper and corporate bonds. The year-end balance of liabilities associated with these finance subsidiaries' funding for Financial services business was ¥6,649.8 billion as of March 31, 2015.

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

### Liquidity

The ¥1,471.7 billion in cash and cash equivalents as of March 31, 2015 is mainly denominated in U.S. dollars and in Japanese yen, with the remainder denominated in other currencies.

Honda's cash and cash equivalents as of March 31, 2015 corresponds to approximately 1.3 months of sales revenue, and Honda believes it has sufficient liquidity for its business operations.

At the same time, Honda is aware of the possibility that various factors, such as recession-induced market contraction and financial and foreign exchange market volatility, may adversely affect liquidity. For this reason, finance subsidiaries that carry total short-term borrowings of ¥1,690.9 billion have committed lines of credit equivalent to ¥1,166.5 billion that serve as alternative liquidity for the commercial paper issued regularly to replace debt. Honda believes it currently has sufficient credit limits, extended by prominent international banks, as of the date of the filing of Honda's Form 20-F.

Honda's financing liabilities as of March 31, 2015 are mainly denominated in U.S. dollars, with the remainder denominated in Japanese yen and in other currencies.

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

	Credit ratings for	
	Short-term unsecured debt securities	Long-term unsecured debt securities
Moody's Investors Service	<b>P-1</b>	<b>A1</b>
Standard & Poor's Rating Services	<b>A-1</b>	<b>A+</b>
Rating and Investment Information	<b>a-1+</b>	<b>AA</b>

The above ratings are based on information provided by Honda and other information deemed credible by the rating agencies. They are also based on the agencies' assessment of credit risk associated with designated securities issued by Honda. Each rating agency may use different standards for calculating Honda's credit rating, and also makes its own assessment. Ratings can be revised or nullified by agencies at any time. These ratings are not meant to serve as a recommendation for trading in or holding Honda's unsecured debt securities.

## Risk Factors

### Risks Relating to Honda's Industry

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

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

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

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

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

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

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

##### **Honda's operations are subject to currency fluctuations**

Honda has manufacturing operations throughout the world, including Japan, and exports products and components to various countries.

Honda purchases materials and components and sells its products and components in foreign currencies. Therefore, currency fluctuations could affect Honda's pricing of materials purchased and products sold. Accordingly, currency fluctuations have an effect on Honda's results and financial condition, as well as Honda's competitiveness, which will over time affect its results.

### Legal and Regulatory Risks

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

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

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

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

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

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

### Risks Relating to Honda's Operations

#### **Honda's Financial services business conducts business under highly competitive conditions in an industry with inherent risks**

Honda's Financial services business offers various financing plans to its customers designed to increase the opportunity for sales of its products. However, customers can also obtain financing for the lease or purchase of Honda's products through a variety of other sources that compete with our financing services, including commercial banks and finance and leasing companies. The financial services offered by Honda involve credit risk as well as risks relating to lease residual values, cost of capital and access to funding. Competition for customers and/or these risks may affect Honda's results.

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

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

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

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

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

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

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

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

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

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

**Honda is subject to risks relating to its obligations to provide post-employment benefits**

Honda has various pension plans and provides other post-employment benefits, in which the amount of benefits is basically determined based on the level of salary, service years, and other factors. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations. Defined benefit obligations and defined benefit costs are based on assumptions of many factors, including the discount rate and the rate of salary increase. Changes in assumptions could affect Honda's defined benefit costs and obligations, including Honda's cash requirements to fund such obligations in the future, which could materially affect Honda's financial condition and results.

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

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



## Consolidated Statements of Financial Position

April 1, 2013 and March 31, 2014 and 2015

Assets	Yen (millions)		
	2013	2014	2015
<b>Current assets:</b>			
Cash and cash equivalents	¥ 1,270,612	¥ 1,193,584	<b>¥ 1,471,730</b>
Trade receivables	675,310	736,871	<b>820,681</b>
Receivables from financial services	1,684,909	1,935,142	<b>2,098,951</b>
Other financial assets	83,623	102,020	<b>92,708</b>
Inventories	1,214,749	1,334,775	<b>1,498,312</b>
Other current assets	207,647	246,766	<b>313,758</b>
<b>Total current assets</b>	<b>5,136,850</b>	<b>5,549,158</b>	<b>6,296,140</b>
<b>Non-current assets:</b>			
Investments accounted for using the equity method	483,453	552,081	<b>614,975</b>
Receivables from financial services	2,874,476	3,416,080	<b>3,584,654</b>
Other financial assets	259,579	297,798	<b>350,579</b>
Equipment on operating leases	2,003,353	2,427,407	<b>3,335,367</b>
Property, plant and equipment	2,438,107	2,821,542	<b>3,189,511</b>
Intangible assets	607,137	669,783	<b>759,535</b>
Deferred tax assets	235,298	173,000	<b>138,069</b>
Other non-current assets	119,220	141,589	<b>157,007</b>
<b>Total non-current assets</b>	<b>9,020,623</b>	<b>10,499,280</b>	<b>12,129,697</b>
<b>Total assets</b>	<b>¥14,157,473</b>	<b>¥16,048,438</b>	<b>¥18,425,837</b>

Liabilities and Equity	Yen (millions)		
	2013	2014	2015
<b>Current liabilities:</b>			
Trade payables	¥ 976,065	¥ 1,079,318	<b>¥ 1,157,738</b>
Financing liabilities	2,186,448	2,622,436	<b>2,833,563</b>
Accrued expenses	384,230	356,466	<b>377,372</b>
Other financial liabilities	130,138	78,495	<b>109,715</b>
Income taxes payable	80,604	42,702	<b>53,654</b>
Provisions	136,427	185,375	<b>294,281</b>
Other current liabilities	293,211	387,008	<b>474,731</b>
<b>Total current liabilities</b>	<b>4,187,123</b>	<b>4,751,800</b>	<b>5,301,054</b>
<b>Non-current liabilities:</b>			
Financing liabilities	2,710,801	3,224,512	<b>3,926,276</b>
Other financial liabilities	46,513	72,993	<b>61,147</b>
Retirement benefit liabilities	642,300	463,163	<b>592,724</b>
Provisions	124,838	140,103	<b>182,661</b>
Deferred tax liabilities	543,846	640,150	<b>744,410</b>
Other non-current liabilities	173,747	196,789	<b>234,744</b>
<b>Total non-current liabilities</b>	<b>4,242,045</b>	<b>4,737,710</b>	<b>5,741,962</b>
<b>Total liabilities</b>	<b>8,429,168</b>	<b>9,489,510</b>	<b>11,043,016</b>
<b>Equity:</b>			
Common stock	86,067	86,067	<b>86,067</b>
Capital surplus	171,117	171,117	<b>171,118</b>
Treasury stock	(26,124)	(26,149)	<b>(26,165)</b>
Retained earnings	5,260,157	5,831,140	<b>6,083,573</b>
Other components of equity	42,017	273,359	<b>794,034</b>
Equity attributable to owners of the parent	5,533,234	6,335,534	<b>7,108,627</b>
Non-controlling interests	195,071	223,394	<b>274,194</b>
<b>Total equity</b>	<b>5,728,305</b>	<b>6,558,928</b>	<b>7,382,821</b>
<b>Total liabilities and equity</b>	<b>¥14,157,473</b>	<b>¥16,048,438</b>	<b>¥18,425,837</b>

## Consolidated Statements of Income

Years ended March 31, 2014 and 2015

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

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2015

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

## Consolidated Statements of Changes in Equity

Year ended March 31, 2014

Yen (millions)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2013	¥86,067	¥171,117	¥(26,124)	¥5,260,157	¥ 42,017	¥5,533,234	¥195,071	¥5,728,305
Comprehensive income for the year								
Profit for the year				624,703		624,703	41,208	665,911
Other comprehensive income, net of tax					320,003	320,003	4,293	324,296
Total comprehensive income for the year				624,703	320,003	944,706	45,501	990,207
Reclassification to retained earnings				88,661	(88,661)	—		—
Transactions with owners and other								
Dividends paid				(142,381)		(142,381)	(11,629)	(154,010)
Purchases of treasury stock			(26)			(26)		(26)
Disposal of treasury stock			1			1		1
Equity transactions and others							(5,549)	(5,549)
Total transactions with owners and other			(25)	(142,381)		(142,406)	(17,178)	(159,584)
Balance as of March 31, 2014	¥86,067	¥171,117	¥(26,149)	¥5,831,140	¥273,359	¥6,335,534	¥223,394	¥6,558,928

Year ended March 31, 2015

Yen (millions)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total		
Balance as of March 31, 2014	<b>¥86,067</b>	<b>¥171,117</b>	<b>¥(26,149)</b>	<b>¥5,831,140</b>	<b>¥273,359</b>	<b>¥6,335,534</b>	<b>¥223,394</b>	<b>¥6,558,928</b>
Comprehensive income for the year								
Profit for the year				509,435		509,435	51,663	561,098
Other comprehensive income, net of tax					422,274	422,274	22,865	445,139
Total comprehensive income for the year				509,435	422,274	931,709	74,528	1,006,237
Reclassification to retained earnings				(98,401)	98,401	—		—
Transactions with owners and other								
Dividends paid				(158,601)		(158,601)	(21,566)	(180,167)
Purchases of treasury stock			(17)			(17)		(17)
Disposal of treasury stock			1			1		1
Equity transactions and others		1				1	(2,162)	(2,161)
Total transactions with owners and other		1	(16)	(158,601)		(158,616)	(23,728)	(182,344)
Balance as of March 31, 2015	<b>¥86,067</b>	<b>¥171,118</b>	<b>¥(26,165)</b>	<b>¥6,083,573</b>	<b>¥794,034</b>	<b>¥7,108,627</b>	<b>¥274,194</b>	<b>¥7,382,821</b>

## Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2015

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

## Segment Information

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

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

Segment	Principal products and services	Functions
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs) and relevant parts	Research and development / Manufacturing / Sales and related services
Automobile Business	Automobiles and relevant parts	Research and development / Manufacturing / Sales and related services
Financial Services Business	Financial services	Retail loan and lease related to Honda products / Others
Power Product and Other Businesses	Power products and relevant parts, and others	Research and development / Manufacturing / Sales and related services / Others

### Segment Information

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

As of and for the year ended March 31, 2014

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥1,689,228	¥9,178,773	¥1,326,026	¥312,064	¥12,506,091	¥ —	¥12,506,091
Intersegment	—	70,591	11,696	25,811	108,098	(108,098)	—
Total	1,689,228	9,249,364	1,337,722	337,875	12,614,189	(108,098)	12,506,091
Segment profit (loss)	176,898	461,156	182,708	3,102	823,864	—	823,864
Segment assets	1,316,079	6,795,373	7,995,429	341,678	16,448,559	(400,121)	16,048,438
Depreciation and amortization	67,540	492,661	384,145	11,653	955,999	—	955,999
Capital expenditures	79,995	854,658	1,214,618	19,052	2,168,323	—	2,168,323

**Segment Information** (continued)

As of and for the year ended March 31, 2015

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	<b>¥1,846,666</b>	<b>¥9,603,335</b>	<b>¥1,555,550</b>	<b>¥322,548</b>	<b>¥13,328,099</b>	<b>¥ —</b>	<b>¥13,328,099</b>
Intersegment	<b>—</b>	<b>154,536</b>	<b>12,363</b>	<b>24,362</b>	<b>191,261</b>	<b>(191,261)</b>	<b>—</b>
Total	<b>1,846,666</b>	<b>9,757,871</b>	<b>1,567,913</b>	<b>346,910</b>	<b>13,519,360</b>	<b>(191,261)</b>	<b>13,328,099</b>
Segment profit (loss)	<b>192,154</b>	<b>279,756</b>	<b>202,574</b>	<b>(3,881)</b>	<b>670,603</b>	<b>—</b>	<b>670,603</b>
Segment assets	<b>1,489,703</b>	<b>7,653,645</b>	<b>9,318,545</b>	<b>334,858</b>	<b>18,796,751</b>	<b>(370,914)</b>	<b>18,425,837</b>
Depreciation and amortization	<b>70,881</b>	<b>525,522</b>	<b>484,526</b>	<b>12,061</b>	<b>1,092,990</b>	<b>—</b>	<b>1,092,990</b>
Capital expenditures	<b>87,762</b>	<b>791,626</b>	<b>1,685,245</b>	<b>14,588</b>	<b>2,579,221</b>	<b>—</b>	<b>2,579,221</b>

Explanatory notes:

1. Intersegment sales revenues are generally made at values that approximate arm's-length prices.
2. Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2014 and 2015 amounted to ¥299,742 million and ¥345,266 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

**Supplemental Geographical Information**

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

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

As of and for the year ended March 31, 2014

								Yen (millions)	
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated	
Sales revenue:									
External customers	¥2,236,303	¥6,189,386	¥683,680	¥2,395,533	¥1,001,189	¥12,506,091	¥ —	¥12,506,091	
Inter-geographic areas	1,977,455	373,003	97,877	494,885	11,275	2,954,495	(2,954,495)	—	
Total	4,213,758	6,562,389	781,557	2,890,418	1,012,464	15,460,586	(2,954,495)	12,506,091	
Operating profit (loss)	245,828	335,682	(33,890)	232,023	38,087	817,730	6,134	823,864	
Assets	3,914,471	8,768,285	708,540	2,000,923	775,069	16,167,288	(118,850)	16,048,438	

As of and for the year ended March 31, 2015

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

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. Sales revenues between geographic areas are generally made at values that approximate arm's-length prices.

3. Reconciling items include elimination of inter-geographic transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2014 and 2015 amounted to ¥299,742 million and ¥345,266 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.



## Unaudited Consolidated Statements of Financial Position Divided into Non-financial Services Businesses and Finance Subsidiaries

March 31, 2014 and 2015

	Yen (millions)			Yen (millions)	
	2014	2015		2014	2015
<b>Assets</b>					
<b>&lt; Non-financial Services Businesses &gt;</b>					
Current assets:	¥ 4,042,234	<b>¥ 4,483,938</b>	Current liabilities:	¥ 2,364,018	<b>¥ 2,745,267</b>
Cash and cash equivalents	1,171,991	<b>1,378,534</b>	Trade payables	1,086,638	<b>1,165,664</b>
Trade receivables	739,185	<b>833,910</b>	Financing liabilities	367,997	<b>443,216</b>
Inventories	1,325,299	<b>1,486,140</b>	Other current liabilities	909,383	<b>1,136,387</b>
Other current assets	805,759	<b>785,354</b>	Non-current liabilities:	1,028,443	<b>1,168,262</b>
Non-current assets:	4,970,709	<b>5,624,166</b>	Financing liabilities	190,580	<b>149,404</b>
Investments accounted for using the equity method	552,081	<b>614,975</b>	Retirement benefit liabilities	457,694	<b>585,757</b>
Property, plant and equipment	2,809,769	<b>3,179,323</b>	Other non-current liabilities	380,169	<b>433,101</b>
Intangible assets	662,603	<b>750,893</b>	Total liabilities	3,392,461	<b>3,913,529</b>
Other non-current assets	946,256	<b>1,078,975</b>			
Total assets	9,012,943	<b>10,108,104</b>	<b>&lt; Finance Subsidiaries &gt;</b>		
<b>&lt; Finance Subsidiaries &gt;</b>					
Cash and cash equivalents	21,593	<b>93,196</b>	Financing liabilities, current	2,780,992	<b>2,854,243</b>
Receivables from financial services, current	1,936,086	<b>2,099,944</b>	Financing liabilities, non-current	3,064,270	<b>3,795,584</b>
Receivables from financial services, non-current	3,417,888	<b>3,586,272</b>	Other liabilities	931,984	<b>1,176,496</b>
Equipment on operating leases	2,427,407	<b>3,335,367</b>	Total liabilities	6,777,246	<b>7,826,323</b>
Other assets	192,455	<b>203,766</b>			
Total assets	7,995,429	<b>9,318,545</b>	Reconciling items	(680,197)	<b>(696,836)</b>
Reconciling items	(959,934)	<b>(1,000,812)</b>	Total liabilities	9,489,510	<b>11,043,016</b>
Total assets	¥16,048,438	<b>¥18,425,837</b>	Equity attributable to owners of the parent	6,335,534	<b>7,108,627</b>
			Non-controlling interests	223,394	<b>274,194</b>
			Total equity	6,558,928	<b>7,382,821</b>
			Total liabilities and equity	¥16,048,438	<b>¥18,425,837</b>

## Unaudited Consolidated Statements of Cash Flows

### Divided into Non-financial Services Businesses and Finance Subsidiaries

Fiscal years ended March 31, 2014 and 2015

	2014				2015			
	Non-financial Services Businesses	Finance Subsidiaries	Reconciling Items	Consolidated	Non-financial Services Businesses	Finance Subsidiaries	Reconciling Items	Consolidated
<b>Cash flows from operating activities:</b>								
Profit before income taxes	¥ 752,581	¥ 181,322	¥ —	¥ 933,903	¥ 592,086	¥ 214,151	¥ —	¥ 806,237
Depreciation, amortization and impairment losses excluding equipment on operating leases	585,826	2,306	—	588,132	622,238	2,991	—	625,229
Share of profit of investments accounted for using the equity method	(130,916)	—	—	(130,916)	(96,097)	—	—	(96,097)
Decrease (increase) in trade receivables	(51,301)	(5,581)	9,798	(47,084)	(55,694)	1,383	8,472	(45,839)
Decrease (increase) in inventories	(66,233)	(758)	—	(66,991)	(55,882)	(403)	—	(56,285)
Increase (decrease) in trade payables	91,845	(269)	(7,056)	84,520	20,132	352	1,762	22,246
Decrease (increase) in receivables from financial services	—	(424,838)	1,732	(423,106)	—	317,033	(71)	316,962
Decrease (increase) in equipment on operating leases	—	(248,604)	—	(248,604)	—	(535,165)	—	(535,165)
Dividends received	107,627	2	—	107,629	114,499	2	—	114,501
Other, net	(266,521)	(79,408)	(2,446)	(348,375)	(72,899)	(48,238)	(10,248)	(131,385)
Net cash provided by (used in) operating activities	1,022,908	(575,828)	2,028	449,108	1,068,383	(47,894)	(85)	1,020,404
<b>Cash flows from investing activities:</b>								
Payments for additions to property, plant and equipment	(717,958)	(473)	—	(718,431)	(647,773)	(432)	—	(648,205)
Payments for additions to and internally developed intangible assets	(205,286)	(3,466)	—	(208,752)	(231,280)	(3,635)	—	(234,915)
Decrease (increase) in other financial assets*	(32,541)	(4,867)	4,327	(33,081)	145,452	(948)	(133,480)	11,024
Other, net	35,654	3,587	—	39,241	26,970	4,630	—	31,600
Net cash provided by (used in) investing activities	(920,131)	(5,219)	4,327	(921,023)	(706,631)	(385)	(133,480)	(840,496)
<b>Cash flows from financing activities:</b>								
Proceeds from (repayment of) short-term financing liabilities*	(88,668)	73,965	7,756	(6,947)	54,692	(58,331)	133,358	129,719
Proceeds from long-term financing liabilities*	128,567	1,485,291	(16,328)	1,597,530	53,375	1,452,391	(34)	1,505,732
Repayments of long-term financing liabilities*	(79,959)	(981,493)	2,217	(1,059,235)	(106,769)	(1,282,593)	241	(1,389,121)
Dividends paid to owners of the parent	(142,381)	—	—	(142,381)	(158,601)	—	—	(158,601)
Other, net	(33,509)	—	—	(33,509)	(75,241)	—	—	(75,241)
Net cash provided by (used in) financing activities	(215,950)	577,763	(6,355)	355,458	(232,544)	111,467	133,565	12,488
<b>Effect of exchange rate changes on cash and cash equivalents</b>	38,200	1,229	—	39,429	77,335	8,415	—	85,750
<b>Net change in cash and cash equivalents</b>	(74,973)	(2,055)	—	(77,028)	206,543	71,603	—	278,146
<b>Cash and cash equivalents at beginning of period</b>	1,246,964	23,648	—	1,270,612	1,171,991	21,593	—	1,193,584
<b>Cash and cash equivalents at end of period</b>	¥1,171,991	¥ 21,593	¥ —	¥ 1,193,584	¥1,378,534	¥ 93,196	¥ —	¥ 1,471,730

Note: Non-financial services businesses provide loans to finance subsidiaries. These cash flows are included in the decrease (increase) in other financial assets, proceeds from (repayment of) short-term financing liabilities, proceeds from and repayment of long-term financing liabilities (marked by \*). The amount of the loans to finance subsidiaries is a ¥4,327 million increase for the fiscal year ended March 31, 2014, and a ¥133,480 million decrease for the fiscal year ended March 31, 2015, respectively.

# Financial Summary

Fiscal years ended March 31

	Yen (millions)										Yen (millions)			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	U.S. GAAP	IFRS		
											2015	2015		
<b>Sales, income and dividends</b>														
Net sales and other operating revenue	¥8,650,105	¥ 9,907,996	¥11,087,140	¥12,002,834	¥10,011,241	¥ 8,579,174	¥ 8,936,867	¥ 7,948,095	¥ 9,877,947	¥11,842,451	<b>¥12,646,747</b>	Sales revenue	¥12,506,091	<b>¥13,328,099</b>
Operating income	630,920	868,905	851,879	953,109	189,643	363,775	569,775	231,364	544,810	750,281	<b>606,878</b>	Operating profit	823,864	<b>670,603</b>
Operating margin	7.3%	8.8%	7.7%	7.9%	1.9%	4.2%	6.4%	2.9%	5.5%	6.3%	<b>4.8%</b>	Operating margin	6.6%	<b>5.0%</b>
Income before income taxes and equity in income of affiliates	668,364	829,904	792,868	895,841	161,734	336,198	630,548	257,403	488,891	728,940	<b>644,809</b>	Share of profit of investments accounted for using the equity method	130,916	<b>96,097</b>
Income taxes	266,665	317,189	283,846	387,436	109,835	146,869	206,827	135,735	178,976	252,662	<b>235,204</b>	Profit before income taxes	933,903	<b>806,237</b>
Equity in income of affiliates	96,057	99,605	103,417	118,942	99,034	93,282	139,756	100,406	82,723	132,471	<b>126,570</b>	Income tax expense	267,992	<b>245,139</b>
Net income attributable to noncontrolling interests	(11,559)	(15,287)	(20,117)	(27,308)	(13,928)	(14,211)	(29,389)	(10,592)	(25,489)	(34,642)	<b>(43,168)</b>	Profit for the year	665,911	<b>561,098</b>
Net income attributable to Honda Motor Co., Ltd.	486,197	597,033	592,322	600,039	137,005	268,400	534,088	211,482	367,149	574,107	<b>493,007</b>	Profit for the year attributable to owners of the parent	624,703	<b>509,435</b>
Cash dividends paid during the period	47,797	71,061	140,482	152,590	139,724	61,696	92,170	108,138	129,765	142,381	<b>158,601</b>	Dividends paid to owners of the parent	142,381	<b>158,601</b>
Research and development	467,754	510,385	551,847	587,959	563,197	463,354	487,591	519,818	560,270	634,130	<b>662,610</b>	R&D expenditure	625,698	<b>670,331</b>
Interest expense	11,655	11,902	12,912	16,623	22,543	12,552	8,474	10,378	12,157	12,703	<b>16,598</b>	Interest expense	12,803	<b>18,194</b>
<b>Assets, long-term debt and shareholders' equity</b>														
Total assets	¥9,368,236	¥10,631,400	¥12,036,500	¥12,615,543	¥11,818,917	¥11,629,115	¥11,577,714	¥11,787,599	¥13,635,357	¥15,622,031	<b>¥18,088,839</b>	Total assets	¥16,048,438	<b>¥18,425,837</b>
Long-term debt	1,559,500	1,879,000	1,905,743	1,836,652	1,932,637	2,313,035	2,043,240	2,235,001	2,710,845	3,234,066	<b>3,933,860</b>	Financing liabilities (Non-current liabilities)	3,224,512	<b>3,926,276</b>
Total Honda Motor Co., Ltd. shareholders' equity	3,289,294	4,125,750	4,488,825	4,550,479	4,007,288	4,328,640	4,439,587	4,398,249	5,043,500	5,918,979	<b>6,696,693</b>	Equity attributable to owners of the parent	6,335,534	<b>7,108,627</b>
<b>Capital expenditures (excluding purchase of operating lease assets)</b>	373,980	457,841	627,066	654,030	633,913	348,981	326,620	424,413	630,408	782,027	<b>714,502</b>	<b>Additions to property, plant and equipment</b>	803,231	<b>703,920</b>
<b>Depreciation (excluding property on operating leases)</b>	225,752	262,225	361,747	417,393	441,868	401,743	377,272	345,105	335,536	442,318	<b>490,375</b>	<b>Depreciation</b>	419,022	<b>451,052</b>

## Financial Summary (continued)

Fiscal years ended March 31

	Yen										Yen	Yen	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014	2015
											U.S. GAAP	IFRS	
												2014	2015
<b>Per common share</b>												<b>Per share</b>	
Net income attributable to Honda Motor Co., Ltd.:												Profit for the year attributable to owners of the parent	
Basic	¥ 260.34	¥ 324.33	¥ 324.62	¥ 330.54	¥ 75.50	¥ 147.91	¥ 295.67	¥ 117.34	¥ 203.71	¥ 318.54	¥ 273.54	¥ 346.62	¥ 282.66
Diluted	260.34	324.33	324.62	330.54	75.50	147.91	295.67	117.34	203.71	318.54	273.54	346.62	282.66
Cash dividends paid during the period	25.5	38.5	77	84	77	34	51	60	72	79	88	79	88
Honda Motor Co., Ltd. shareholders' equity	1,778.24	2,259.26	2,463.69	2,507.79	2,208.35	2,385.45	2,463.29	2,440.35	2,798.37	3,284.14	3,715.66	3,515.27	3,944.23
											Yen (millions)	Yen (millions)	
<b>Sales progress</b>												<b>Sales progress</b>	
Sales amounts:*1												Sales amounts:*1	
Japan	¥1,699,205	¥ 1,694,044	¥ 1,681,190	¥ 1,585,777	¥ 1,446,541	¥ 1,577,318	¥ 1,503,842	¥ 1,517,927	¥ 1,652,995	¥ 1,912,504	¥ 1,810,283	¥ 1,920,114	¥ 1,800,439
	20%	17%	15%	13%	14%	18%	17%	19%	17%	16%	14%	15%	14%
Overseas	6,950,900	8,213,952	9,405,950	10,417,057	8,564,700	7,001,856	7,433,025	6,430,168	8,224,952	9,929,947	10,836,464	10,585,977	11,527,660
	80%	83%	85%	87%	86%	82%	83%	81%	83%	84%	86%	85%	86%
Total	¥8,650,105	¥ 9,907,996	¥11,087,140	¥12,002,834	¥10,011,241	¥ 8,579,174	¥ 8,936,867	¥ 7,948,095	¥ 9,877,947	¥11,842,451	¥12,646,747	¥12,506,091	¥13,328,099
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
											Thousands	Thousands	
Unit sales:*2												Unit sales:*2	
Motorcycles	10,482	10,271	10,369	9,320	10,114	9,639	18,331	15,061	15,494	17,021	17,765	17,008	17,592
Automobiles	3,242	3,391	3,652	3,925	3,517	3,392	3,529	3,108	4,014	4,323	4,364	4,340	4,367
Power Products	5,300	5,876	6,421	6,057	5,187	4,744	5,509	5,819	6,071	6,036	6,001	6,018	5,983
<b>Number of employees</b>	137,827	144,785	167,231	178,960	181,876	176,815	179,060	187,094	190,338	198,561	203,902	199,368	204,730
<b>Exchange rate</b>												<b>Exchange rate</b>	
(yen amounts per U.S. dollar)												(yen amounts per U.S. dollar)	
Rates for the period-end	¥ 107	¥ 117	¥ 118	¥ 100	¥ 98	¥ 93	¥ 83	¥ 82	¥ 94	¥ 103	¥ 120	¥ 103	¥ 120
Average rates for the period	108	113	117	114	101	93	86	79	83	100	110	100	110

\*1 The geographic breakdown of sales amounts is based on the location of customers.

\*2 Honda changed its counting method for unit sales as follows;

- 2005–2010: the total of unit sales of completed products of Honda and its consolidated subsidiaries, and sales of parts for local production at Honda's affiliates accounted for under the equity method
- 2011–2015: the total of unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for under the equity method (Honda Group Unit Sales)

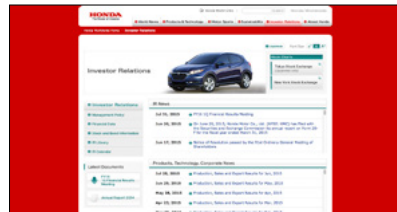
## Investor Relations Information

(As of March 31, 2015)

### Honda Motor Co., Ltd.

#### Company Information

<b>Established</b>	September 24, 1948
<b>Lines of Business</b>	Motorcycles, Automobiles, Power Product and Other Businesses, Financial Services
<b>Fiscal Year-End</b>	March 31
<b>Independent Registered Public Accounting Firm</b>	KPMG AZSA LLC
<b>Web Site</b>	Corporate Web Site: <a href="http://world.honda.com/">http://world.honda.com/</a> IR Web Site Japanese: <a href="http://www.honda.co.jp/investors/">http://www.honda.co.jp/investors/</a> IR Web Site English: <a href="http://world.honda.com/investors/">http://world.honda.com/investors/</a>



#### Stock Information

<b>Securities Code</b>	7267
<b>Number of Shares Authorized</b>	7,086,000,000 shares
<b>Total Number of Shares Issued</b>	1,811,428,430 shares
<b>Number of Shareholders</b>	196,892
<b>Number of Shares per Trading Unit</b>	100 shares
<b>Stock Exchange Listings</b>	Japan: Tokyo stock exchanges Overseas: New York stock exchanges
<b>General Meeting of Shareholders</b>	June
<b>Record Dates for Dividends</b>	June 30      September 30 December 31      March 31

#### Shareholders' Register Manager for Common Stock

##### Shareholders' Register Manager:

Sumitomo Mitsui Trust Bank, Limited  
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

##### Contact Address:

Sumitomo Mitsui Trust Bank, Limited,  
Stock Transfer Agency Department  
8-4, Izumi 2-chome, Suginami-ku,  
Tokyo 168-0063, Japan  
TEL: 0120-782-031 (toll free within Japan)

#### IR Offices

##### ■ Japan

##### Honda Motor Co., Ltd.

1-1, 2-chome, Minami-Aoyama, Minato-ku,  
Tokyo 107-8556, Japan  
TEL: 81-(0)3-3423-1111 (Switchboard)

##### ■ U.S.A.

##### Honda North America, Inc.

New York Office  
156 West 56th Street, 20th Floor  
New York, NY 10019, U.S.A.  
TEL: 1-212-707-9920

#### Depository and Transfer Agent for American Depositary Receipts

##### JPMorgan Chase Bank, N.A.

4 New York Plaza, Floor 12,  
New York, NY 10004, U.S.A.

##### Contact Address:

JPMorgan Service Center  
P.O. Box 64504  
St. Paul, MN 55164-0504, U.S.A.  
TEL: 1-800-990-1135  
E-mail: [jpmorgan.adr@wellsfargo.com](mailto:jpmorgan.adr@wellsfargo.com)  
Ratio: 1 ADR = 1 share of underlying stock  
Ticker symbol: HMC

Note: With respect to taxation and other matters relating to the acquisition, holding, and disposition of the Company's common stock or ADRs by non-residents of Japan, please also refer to "Item 10E. Taxation" of Form 20-F included in the "Investor Relations" section on our web site.

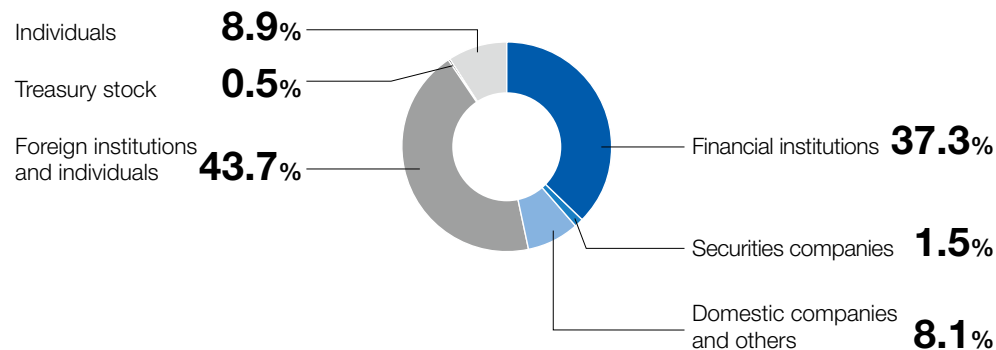
## Investor Relations Information

(As of March 31, 2015)

### Major Shareholders

Individual or Organization	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	104,755	5.8
Moxley & Co. LLC	83,945	4.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	70,922	3.9
State Street Bank and Trust Company 505223	52,503	2.9
Meiji Yasuda Life Insurance Company	51,199	2.8
State Street Bank and Trust Company	43,820	2.4
Tokio Marine & Nichido Fire Insurance Co., Ltd.	42,553	2.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36,686	2.0
Nippon Life Insurance Company	27,066	1.5
Mitsui Sumitomo Insurance Company, Ltd.	25,739	1.4

### Breakdown of Shareholders by Type



### Honda's Stock Price and Trading Volume on the Tokyo Stock Exchange

