## HONDA

The Power of Dreams

## Annual Report 2014

Year Ended March 31, 2014

Honda Motor Co., Ltd.

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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 $365^{*}$ subsidiaries and $83^{*}$ 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, 2014


On the Cover: Fit (Japan model)
The all-new third generation Fit, which went on sale in September 2013 in Japan, once again sets the global compact automobile benchmark. This all-new Fit features a completely redesigned powertrain and body and offers a whole new level of interior comfort, fuel economy, styling and driving performance.

On the Profile: VEZEL (Japan model)
The VEZEL, which went on sale in December 2013 in Japan is a new vehicle that belongs to a new category ff automobiles that fuses together multifaceted values, including the dynamic qualities of an SUV, the elegance of a coupe, the functionality of a minivan and excellent fuel economy, at a high level. Go to
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## Honda Corporate Reporting Map

http://world.honda.com/CSR/library/Honda's myriad efforts to be a company society wants to exist are reported in five major categories: Investor Relations, Corporate Social Responsibility, Safety, Philanthropy, and Environment. By engaging our stakeholders in clear, active communication, we hope to increase their understanding and appreciation of who we are and what we do. As always, we look forward to hearing from you about how we can be a better company.

Environment
Environmental policies, performance, and future targets

- Environment section
of the Honda Worldwide website
Environmental Report Site
Environmental Documentary Honda Face - Environmental Facebook page Honda e-PRESS - Environmental Annual Report (PDF)



## Safety

Efforts to improve product safety through R\&D and education

## Philanthropy

Our philosophy and endeavors in community engagement

Philanthropy online
Non-Financial information

## 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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Information

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 materialy 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, the Euro and other major currencies; and extensive environmental and other governmental regulations, as well as other factors detailed from time to time.


## 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.

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(7) To Our Shareholders

Financial Highlights
Net Sales and Other Operating Revenue


2014 Net Sales and Other Operating Revenue 11,842.4 blon yen

Net Income Attributable to Honda Motor Co., Ltd. /
Return on Equity

$\square$ Net Income Attributable to Honda Motor Co., Ltd. (left scale)

- Return on Equity (\%) (right scale)

2014 Net Income Attributable to Honda Motor Co., Ltd.
574.1 bilon ven

Return on Equity
10.5\%


2014 Operating Income
$750.2_{\text {bimon ven }}$

## Operating Margin

©. 3 \%

Total Assets / Total Honda Motor Co., Ltd. Shareholders' Equity / Total Honda Motor Co., Ltd Shareholders' Equity per Common Share


Total Assets (left scale) Total Honda Motor Co., Ltd. Shareholders' Equity (left scale) - Total Honda Motor Co., Ltd. Shareholders' Equity per Common Share (right scale)

2014 Total Assets

## 15,622 bilon , en

Total Honda Motor Co., Ltd. Shareholders' Equity
5,918.9 buion yen
Total Honda Motor Co., Ltd. Shareholders' Equity per Common Share
$3,284.14$ ee

Equity in Income of Affiliates
Yen (billions)


2014 Equity in Income of Affiliates
132.4 bulon ven

Capital Expenditures (Excluding Purchase of Operating Lease Assets) / Depreciation (Excluding Property on Operating Leases)

$\square$ Capital Expenditures (Excluding Purchase of Operating Lease Assets)
Depreciation (Excluding Property on Operating Leases)
2014 Capital Expenditures
(Excluding Purchase of Operating Lease Assets)
782 biloneryen
Depreciation
(Excluding Property on Operating Leases)
442.3
billion yen Go to
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Financial Highlights
Fiscal years ended March 31

|  |  |  |  |  |  |  | Yen (millions except per share data) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2010 |  | 2011 |  | 2012 |  |  | 2013 | 2014 |
| Net sales and other operating revenue | $\ddagger$ | 8,579,174 | $¥$ | 8,936,867 | $¥$ | 7,948,095 |  | 9,877,947 | ¥11,842,451 |
| Operating income |  | 363,775 |  | 569,775 |  | 231,364 |  | 544,810 | 750,281 |
| Operating margin |  | 4.2\% |  | 6.4\% |  | 2.9\% |  | 5.5\% | 6.3\% |
| Income before income taxes and equity in income of affiliates |  | 336,198 |  | 630,548 |  | 257,403 |  | 488,891 | 728,940 |
| Equity in income of affiliates |  | 93,282 |  | 139,756 |  | 100,406 |  | 82,723 | 132,471 |
| Net income attributable to Honda Motor Co., Ltd. |  | 268,400 |  | 534,088 |  | 211,482 |  | 367,149 | 574,107 |
| Cash dividends paid during the period |  | 61,696 |  | 92,170 |  | 108,138 |  | 129,765 | 142,381 |
| Research and development |  | 463,354 |  | 487,591 |  | 519,818 |  | 560,270 | 634,130 |
| Total equity |  | 4,456,430 |  | 4,572,524 |  | 4,525,583 |  | 5,205,423 | 6,113,398 |
| Total assets |  | 11,629,115 |  | 11,577,714 |  | 11,787,599 |  | 13,635,357 | 15,622,031 |
| Total Honda Motor Co., Ltd. shareholders' equity |  | 4,328,640 |  | 4,439,587 |  | 4,398,249 |  | 5,043,500 | 5,918,979 |
| Capital expenditures (excluding purchase of operating lease assets) |  | 348,981 |  | 326,620 |  | 424,413 |  | 630,408 | 782,027 |
| Depreciation (excluding property on operating leases) |  | 401,743 |  | 377,272 |  | 345,105 |  | 335,536 | 442,318 |
| Cash flows from operating activities |  | 1,544,212 |  | 1,096,613 |  | 761,538 |  | 800,744 | 1,229,191 |
| Cash flows from investing activities |  | $(595,751)$ |  | $(731,390)$ |  | $(673,069)$ |  | $(1,069,756)$ | $(1,708,744)$ |
| Cash flows from financing activities |  | $(559,244)$ |  | $(126,192)$ |  | $(68,230)$ |  | 119,567 | 370,555 |
| Cash and cash equivalents at end of year |  | 1,119,902 |  | 1,279,024 |  | 1,247,113 |  | 1,206,128 | 1,168,914 |
| Per share data (Yen) |  |  |  |  |  |  |  |  |  |
| Net income attributable to Honda Motor Co., Ltd. | $¥$ | 147.91 | $¥$ | 295.67 | $¥$ | 117.34 | $¥$ | 203.71 | ¥ 318.54 |
| Dividends paid |  | 34 |  | 51 |  | 60 |  | 72 | 79 |
| Total Honda Motor Co., Ltd. shareholders' equity |  | 2,385.45 |  | 2,463.29 |  | 2,440.35 |  | 2,798.37 | 3,284.14 |
| Shareholders' equity ratio* |  | 37.2\% |  | 38.3\% |  | 37.3\% |  | 37.0\% | 37.9\% |
| Return on equity |  | 6.4\% |  | 12.2\% |  | 4.8\% |  | 7.8\% | 10.5\% |
| Exchange rate (Yen amounts per U.S. dollar) |  |  |  |  |  |  |  |  |  |
| Rates for the period-end | $¥$ | 93 | $¥$ | 83 | $¥$ | 82 | $\ddagger$ | 94 | $¥ \quad 103$ |
| Average rates for the period |  | 93 |  | 86 |  | 79 |  | 83 | 100 |

[^0]
## To Our Shareholders

We would like to express our heartfelt thanks to all of our shareholders for your continued interest and ongoing support for Honda's business activities. We 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.
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During the fiscal year ended March 31, 2014, the U.S. economy continued its gradual recovery as demonstrated by some key economic indicators including an improved employment situation, a gradual increase in consumer spending and the steady performance of the housing investment market. In Europe, we started to see signs of economic recovery despite negative GDP growth, prolonged high unemployment rates and other lingering weaknesses in the economy. In Asia, the Chinese economy continued to expand, whereas the pace of economic expansion decelerated in Thailand and became more gradual in India and Indonesia. Meanwhile, the Japanese economy recovered gradually as evidenced by some positive indexes including the improvement of the employment situation and an increase in consumer spending.

In such an economic environment, Honda's consolidated net sales and operating revenue for the fiscal year ended March 31, 2014 amounted to $¥ 11,842.4$ billion, an increase of $19.9 \%$ compared to the previous fiscal year, due mainly to increased revenue in both our automobile and motorcycle businesses and favorable currency effects.

Consolidated net income amounted to $¥ 574.1$ billion, an increase of $56.4 \%$ compared to the previous fiscal year, and net income per share increased to $¥ 318.54$.

For our motorcycle business, sales increased in India and some other countries, due mainly to the positive effect of new model introductions.

For our automobile business, sales increased in Japan and North America due to the positive effect of new model introductions and full model changes.

For our power products business, sales increased in North America, whereas sales experienced a year-on-year decline in some regions including Asia.

## Future Initiatives

Offering the most appropriate products to our customers while understanding differences in business and regional characteristics
Honda operates in a broad range of business domains including motorcycles, automobiles and power products. Needless to say, we are dealing with different sets of customers and market situations for each business area.

In order for each of our business operations to build and maintain a highly competitive and robust structure in the midst of fierce competition, each operation must have a complete understanding of its own business environment and conduct its business while making decisions with a sense of speed and high motivation.

The same can be said for regional differences in the business environment. The "Lehman Shock" triggered changes in the global economic order, and since then, the mindset of our customers has been changing dramatically. These changes further increased the importance of enhancing the global competitiveness of our business while identifying and sincerely fulfilling the needs of our customers proactively. We believe
that true globalization of our business means doing these two things simultaneously.

Working toward our goal to "deliver good products to our customers with speed, affordability and low $\mathrm{CO}_{2}$ emissions," we have been striving to gain a better understanding of differences in the market environment and customer preferences for each business and each region and sharing such knowledge across the entire company. Now, we will advance our corporate structure, which enables us to pursue manufacturing that fuses together development, production and purchasing, and accelerate our initiative to create the most appropriate products for our customers in each field of business and each geographic region.

Our ultimate goal is to make Honda products the "product of choice" for more customers in each business and region around the world and provide the highest satisfaction to our customers. Toward this end, we continue to take on more and more challenges and then deliver the fruit of our efforts to our customers in the form of concrete products and technologies. In doing so, Honda strives to be a company society wants to exist.
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## Motorcycle Business Strengthening the competitiveness of our products by simultaneously enhancing product performance and achieving cost reduction

 In the motorcycle business, our unit sales is continuously expanding due to strong demand for commuter models in emerging markets. This is especially true in India, the world's largest market for commuter-type motorcycles, where we have been significantly increasing unit sales by introducing highly competitive products in the 100cc segment, the largest segment within the motorcycle market in India.In the area of motorcycle production, we have already expanded the annual production capacity of the No. 3 plant in India, which became operational in May 2013, to 4.6 million units. Moreover, in February of this year, we made a decision to build a No. 4 plant to accommodate the further growth of the motorcycle market in India. The No. 4 plant is scheduled to become operational in the second half of the fiscal year ending March 31, 2016 with an annual production capacity of 1.2 million units. Combined with the capacity of existing plants, Honda's overall annual motorcycle production capacity in India will reach 5.8 million units. Furthermore, as a part of our efforts to accommodate vigorous demand for motorcycles in emerging nations, we are currently building a No. 4 plant in Indonesia, as well.

In addition to expanding our production capacity, we are striving to increase the competitive strength of our products. Our efforts include enhancement of the product line-up and improvement of the fuel economy of scooter models, for which demand has increased rapidly in recent years. The improvement of fuel economy and overall environmental performance enables our customers to reduce gasoline consumption and $\mathrm{CO}_{2}$ emissions, and we believe that is an added value that Honda can provide to our customers and their local communities. Furthermore, in the area of manufacturing, we are striving to reduce costs by maximizing mass-production scale merit by sharing common components while promoting the
unique characteristics in each of our diverse products. We will continue fulfilling the expectations of our customers by further highlighting uniqueness and through the improved performance of our products while realizing more affordable prices.

## Highlighting the Honda brand by taking on new challenges in the art of manufacturing

 In the "FUN" segment that consists mainly of medium-to-large-sized motorcycles, we have been enhancing our product line-up while positioning several key flagship models. Such models include the Gold Wing ultimate touring machine powered by Honda's proprietary, horizontally opposed, 6 -cylinder 1,800cc engine, the CB1100 road sports model that possesses traditional appeal and the VFR1200F sports tourer that fuses together advanced technologies and unique styling. In further response to the diversifying tastes and preferences of our customers, this line-up of FUN models was even further enhanced with the addition of the all-new CTX1300 cruiser in February 2014, and the NM4-01, a new concept model unveiled in April 2014.The "FUN" models are designed to realize high recreational values in pursuit of the joy of riding and ownership. At the same time, these models represent the identity of Honda motorcycle products. For that reason, we believe it is critical for us to highlight the Honda brand by being creative and taking on new challenges as we pursue the art of manufacturing. Toward this end, in order to heighten the level of our capability as a manufacturer, we consolidated our motorcycle development and procurement divisions at Kumamoto Factory. In addition, we newly appointed a Representative of Motorcycle Development, Purchasing, and Production to establish a structure which enables the speedy and compact operation of our motorcycle business.

Moreover, under this new organizational structure, we will strengthen the development of 250 cc to 400 cc medium-sized motorcycles so that we can also fulfill increasing demand for larger-sized models in emerging markets. We will strive to further increase the efficiency of our motorcycle business in the "FUN" segment by highlighting Honda's identity with largesized motorcycles and preparing for the future growth of the market for medium-sized models.
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## Automobile Business

## Global strategy that enables us to create core models with strong competitiveness on a global basis

Against a backdrop of heightened environmental awareness, demand for small-sized cars is expected to continue to grow in automobile markets around the world. In the midst of such a market trend, the Global Compact Series, namely Fit, VEZEL and City, has been the core of Honda's global strategy. The Fit underwent a full model change and went on sale in Japan in September 2013. To prepare for this, we opened the Yorii automobile plant of the Saitama Factory and a second plant in Mexico. Both plants are dedicated to the production of smallsized vehicles in Japan and North America, respectively.
Designing these new plants exclusively for the production of small-sized vehicles, Honda has established a more rational and efficient production system. Moreover, Honda realized a production system that achieves both a highly competitive cost structure and vehicle specifications that fulfill the needs of customers in each region by establishing an efficient global parts sourcing structure in addition to utilizing the existing procurement and production infrastructure in each region. Going forward, we will increase our competitive strengths in the area of small-sized vehicles by renovating every aspect of small car production including development, production and purchasing and introducing such renovated systems and structures to our existing production plants around the world.
Furthermore, by leveraging our experience in the transformation of our global operations, which started with the development of the all-new Fit (Jazz), we will improve production efficiency at existing plants that produce Civic, Accord and other models. At Sayama Plant of the Saitama Factory, we will cultivate a new set of technical expertise and evolve it to production operations in North America and other regions. By doing so, we will further advance Honda's art of manufacturing and enhance its competitive strengths.

## Advancing the regional autonomy of manufacturing through the fusion of development, production and purchasing

While advancing the production of global models, we also are promoting a regional production approach which fuses together development, production and purchasing in each region so that we can better fulfill the needs of our customers in each region. As a part of this initiative, we have already introduced several new models including the N Series in Japan, Amaze in India, Honda MOBILIO in Indonesia and CRIDER in China. These models are being well received by our customers and contributing to an increase in our automobile sales.
The N Series mini-vehicles significantly enhanced the presence of Honda mini-vehicles in the Japanese automobile market where the ratio of mini-vehicle sales to overall automobile sales is increasing. The N-BOX Series has been especially well received by a large number of customers due to its excellent features including class-top cabin space and outstanding fuel economy. The $N$-BOX Series has continued as the industry's best-selling mini-vehicle in Japan for the second consecutive year as of the fiscal year ended March 31, 2014.

We believe that it is an extremely important step for Honda to establish a strong position in Japan, the home market for Honda, in order to realize the continued growth of Honda on a global basis. While focusing mainly on $N$ Series mini-vehicles and compact cars such as Fit and VEZEL, we will continue strengthening our sales capability in Japan, so that Japan operations can maintain self reliance and demonstrate strong leadership.
The Amaze, which we introduced in India, is a model based on the Brio, which was developed under the leadership of our R\&D operation in Thailand. The Amaze is equipped with a 1.5 -liter i-DTEC diesel engine which was newly-developed
exclusively for the Indian market, where demand for diesel models is high. We expect new growth opportunities for Honda with the introduction of this highly competitive diesel powertrain in India.

We introduced Honda MOBILIO targeting the market for MPVs (multi-purpose vehicle) which have been very popular in Indonesia. We conducted a thorough survey and research to understand local needs and realized affordable prices through various efforts including an initiative to increase local content.

The CRIDER is receiving widespread attention in China as a vehicle that was developed exclusively for China in China. We are planning to maintain our aggressive pace of new model introductions in China, including the introduction of more locally-developed models in the future.
We advanced our product development capability beyond what we could possibly do under the traditional development system whose focus was more on major markets in advanced nations. The new approach enables us to deliver products that accommodate the needs of our customers in each region and further increases the growth potential of our automobile business.

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## Developing new technologies and proposing new values unique to Honda

Under the founding philosophy of "technology for the people," Honda undertakes new challenges in creating new products and further advancing its technologies

In the energy field, we have developed a proprietary home energy management system (HEMS) which manages and optimizes the generation and consumption of energy in a home. Striving to realize a low-carbon society, Honda began demonstration testing of its HEMS in Japan and the U.S.

In the robotics field, we are actively applying technologies amassed in our research and development of the ASIMO humanoid robot to mass-production products and working toward commercialization of such product applications. One example of such a product is the Walking Assist Device, which is being developed as a device that assists people with reduced walking ability due to injury, illness or other causes and those whose leg strength is declining due to aging or some other reason. In addition to a number of initiatives and programs in Japan, in November 2013, we began a joint clinical research study with the Rehabilitation Institute of Chicago (RIC), which is one of the world's leading hospitals specializing in the area of physical therapy and rehabilitation. Through this joint study, we will test the compatibility and efficacy of the devices in improving the walking ability of patients recovering from cerebral strokes, with the aim of making further progress in the development of this device toward future commercialization.

In another area of robotics, in June 2013, Honda and the National Institute of Advanced Industrial Science and Technology (AIST) jointly developed a High-Access Survey Robot, a remotely controlled survey robot that will conduct on-site surveys in high and narrow spaces at Fukushima No. 1 Nuclear Power Station of Tokyo Electric Power Company. While making progress in the development of ASIMO, a humanoid robot designed to be helpful to people while coexisting in a human environment, Honda will accelerate the development of humanoid robots designed for use in response to disasters, including the prevention and mitigation of damage caused by a disaster.

Though Honda offers a number of products that can help people get things done, there are still many regions in the world where people are not benefitting from such Honda products. In that sense, no market where we conduct business is ever too mature, and Honda will be able to continue helping many customers in the future. Honda's philosophy is all about making useful products, and we will continue our efforts to create and deliver valued products and services to every corner of the world.

Maintaining a global viewpoint, Honda will strive to realize "the joy and freedom of mobility" and "a sustainable society where people can enjoy life" in keeping with our desire to be a company society wants to exist.


## Power Product and Other Businesses

 Developing new general-purpose engines for the low-price engine market in emerging countriesHonda's power product business, built around generalpurpose engines, offers a wide variety of products that range from portable power generators, tillers and lawn mowers to snow throwers, water pumps and outboard engines used for work and in daily life. In order to deliver a wide variety of power products to our customers all around the world, Honda has established a structure that allows us to produce and deliver our products globally while pursuing the optimization of our production efficiency and costs. Under this structure, we are currently producing general-purpose engines mainly in Thailand and China, lawn mowers in the U.S. and France as well as generators in India and China. Striving to sustain future growth, Honda will continue pursuing highly competitive product development and manufacturing.

One example of such an initiative is the new GP Series of general-purpose engines that was developed and launched for sale in emerging markets in the second half of 2013. While cultivating a strong reputation for performance and reliability, we aim to further expand sales in the light-use engine market which accounts for the majority of general-propose engine sales in emerging countries and is the segment where lowpriced products are rapidly gaining market share in Asia and other regions. By introducing more GP engine-equipped power products such as generators, tillers and water pumps to this market, we will expand our global product line-up and will have more opportunities to share the passion behind our power products business-the joy of helping people get things done. Go to
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## Return 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 ample consideration to our consolidated financial results from a long-term perspective. Moreover, Honda may acquire its own shares as needed for the purpose of improving the capital efficiency of the company and implementing necessary capital policy in a flexible manner.

The quarterly dividend for the fiscal fourth quarter will be 22 yen per share, and the total cash dividends to be paid for the
fiscal year ended March 31, 2014 will be 82 yen per share, which includes a 20 yen per share dividend paid for the first to third quarters.

For the fiscal year ending March 31, 2015, we plan for 22 yen per share quarterly dividends, which will add up to an annual dividend of 88 yen per share, an increase of 6 yen per share from the previous fiscal year. 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 dreams 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 in the pursuit of advanced creation only Honda can achieve so that we can continue fulfiling the expectations of society and providing joy, inspiration and satisfaction to our customers.

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

June 13, 2014


Takanobu Ito
President \& Chief Executive Officer


## Automobile Business

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Financial Services Business
page 22


## Review of Operations

Percentage of Net Sales by Business
Financial Services Business
5.9\%


Unit Sales*1 /
Consolidated Consolidated
Unit Sales*2 (Thousands)

## Net Sales <br> by Region

 Yen (millions)
## Japan North America <br> Europe <br> Asia <br> Other Regions <br> - Operating Margin

(Fiscal years ended March 31)
$\square 2013 \square 2014$ $\qquad$ $\stackrel{1}{ }$ 2013 - 2014


Japan North Europe
America $\begin{gathered}\text { Other } \\ \text { Regions }\end{gathered} \quad \begin{gathered}\text { Japan North Europe Asia } \\ \text { America }\end{gathered} \begin{gathered}\text { Other } \\ \text { Regions }\end{gathered}$
*1 The total unit sales of completed products of Honda, its consolidated subsidiaries and its aftiliates accounted for under the equity method

|  | 2013 |  | $\mathbf{2 0 1 4}$ | \% change |  |
| :--- | ---: | ---: | ---: | ---: | :---: |
| Japan | $¥$ | 72,949 | $¥$ | $\mathbf{7 9 , 4 5 5}$ | $8.9 \%$ |
| North America | 112,176 |  | $\mathbf{1 4 1 , 5 6 3}$ | 26.2 |  |
| Europe | 86,424 |  | $\mathbf{1 0 2 , 6 3 4}$ | 18.8 |  |
| Asia | 667,473 | $\mathbf{8 6 8 , 4 6 4}$ | 30.1 |  |  |
| Other Regions | 400,527 | $\mathbf{4 7 1 , 5 1 5}$ | 17.7 |  |  |
| Total | $¥ 1,339,549$ | $\mathbf{¥ 1 , 6 6 3 , 6 3 1}$ | $24.2 \%$ |  |  |


| Yen (billions) |  |  |
| :--- | :--- | :--- |
| 1,800 |  |  |
| 1,200 |  |  |
| 600 |  |  |

## Net Sales / Operating Income

 Yen (billions)Go to
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## Japan

Total industry demand for motorcycles in Japan* was approximately 470 thousand units in fiscal year 2014, an increase of roughly $7 \%$ from the previous fiscal year. This was attributable to an increase in sales of scooters and small to lightweight motorcycles, with engines ranging from 50 cc to 250 cc , due mainly to a spike in demand ahead of an increase in Japan's consumption tax rate. Honda's consolidated unit sales in Japan were 226 thousand units in fiscal year 2014, up $4.1 \%$ from the previous fiscal year, owing to the launch of models such as the DUNK 50cc scooter and the GROM sporty motorcycle.

* Source: JAMA (Japan Automobile Manufacturers Association)


## North America

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States*, the principal market within North America, increased approximately $1 \%$ from the previous year to approximately 690 thousand units in calendar year 2013. Unit sales growth reflected an improvement in consumer sentiment in line with falling unemployment rates.

Under these circumstances, Honda's consolidated unit sales in North America increased $10.4 \%$ from the previous fiscal year to 276 thousand units in fiscal year 2014, mainly due to steady sales of models such as the CB500 series of middleweight road machines and the CRF250L on/off-road model, as well as favorable effects from the introductions of the all new sporty model, GROM and full model changes of utility ATVs such as FourTrax Rancher $4 \times 4$ ES and FourTrax Foreman $4 \times 4$ in the United States.

## Europe

Total demand for motorcycles in Europe* declined around $11 \%$ from the previous fiscal year, to approximately 690 thousand units in calendar year 2013. Weak consumer sentiment due to continually high unemployment rates adversely affected demand.

Under these circumstances, Honda's consolidated unit sales in Europe decreased 7.3\% from the previous fiscal year to 166 thousand units in fiscal year 2014, mainly reflecting the lackluster market as a whole. This was despite brisk sales of the CB500 series of middleweight road machines, and a positive impact from the introduction of the sporty MSX125 model.

* Based on Honda research: this only includes the following 10 countries-the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium and Austria.
* Source: MIC (Motorcycle Industry Council)

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## Asia

Total demand for motorcycles in Asia* declined around 1\% from the previous year to approximately 40,980 thousand units in calendar year 2013.

Looking at market conditions by country, demand in India increased roughly 3\% from the previous fiscal year to approximately 14,300 thousand units, while demand in China decreased around 9\% from the previous year to approximately 11,510 thousand units. Indonesia saw demand increase around 8\% from the previous year to approximately 7,740 thousand units, and Vietnam saw demand decline roughly $13 \%$ to approximately 2,700 thousand units. Demand in Thailand declined around 9\% to approximately 1,930 thousand units.

Despite these circumstances, Honda's consolidated unit sales in Asia increased 11.4\% from the previous fiscal year
to 7,858 thousand units in fiscal year 2014. This was due mainly to brisk sales of the ACTIVA scooter and DREAM Yuga small motorcycle, as well as the introduction of the DREAM Neo small motorcycle, in India.

Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is an affiliate accounted for under the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2014 increased around $15 \%$ from the previous fiscal year to approximately 4,700 thousand units. This was due mainly to consumer sentiments improving in line with incomes rising in Indonesia.

* Based on Honda research: this only includes the following eight countriesThailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China


## Other Regions

Total demand for motorcycles in Brazil*, the principal market within Other Regions, declined roughly $7 \%$ from the previous year to approximately 1,510 thousand units in calendar year 2013, mainly due to stricter lending standards for retail loans.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales increased $0.2 \%$ from the previous fiscal year to 1,817 thousand units in fiscal year 2014, mainly due to increased sales in South American countries other than Brazil. This, however, was partly offset by a decline in sales of small motorcycles such as the CG125 Fan and CG150 Fan, due mainly to the negative effects from stricter lending standards for retail loans in Brazil.

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


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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

|  | 2013 | $\mathbf{2 0 1 4}$ | \% change |
| :--- | ---: | ---: | :---: |
| Japan | $¥ 1,462,664$ | $\mathbf{¥ 1 , 7 1 4 , 7 5 2}$ | $17.2 \%$ |
| North America | $3,905,276$ | $\mathbf{4 , 7 1 7 , 7 6 9}$ | 20.8 |
| Europe | 388,464 | $\mathbf{4 8 7 , 6 7 3}$ | 25.5 |
| Asia | $1,385,449$ | $\mathbf{1 , 5 9 9 , 0 6 9}$ | 15.4 |
| Other Regions | 567,363 | $\mathbf{6 5 7 , 0 9 7}$ | 15.8 |
| Total | $¥ 7,709,216$ | $\mathbf{¥ 9 , 1 7 6 , 3 6 0}$ | $19.0 \%$ |



## Review of Operations

## Automobile Business

Honda's consolidated unit sales of automobiles totaled 3,560 thousand units, increased by $4.5 \%$ from the previous fiscal year, due mainly to an increase in consolidated unit sales in Japan and North America. In automobile business operations, revenue from sales to external customers increased $19.0 \%$, to $¥ 9,176.3$ billion from the previous fiscal year due mainly to increased consolidated unit sales and favorable foreign currency translation effects. Operating income totaled $¥ 403.7$ billion, an increase of $41.2 \%$ from the previous fiscal year, due primarily to continuing cost reduction efforts as well as favorable foreign currency effects, despite increased SG\&A and R\&D expenses.

Net Sales / Operating Income (Loss)
Yen (billions)


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## Japan

Total demand for automobiles in Japan*1 rose around 9\% from the previous fiscal year to approximately 5,690 thousand units in fiscal year 2014. This was mainly due to sales receiving a boost in the second half of the fiscal year from a last-minute rise in demand before an increase in Japan's consumption tax rate. Gains were offset in part by a backlash from the termination of eco-car subsidies.

Honda's consolidated unit sales in Japan rose 18.5\% from the previous fiscal year to 812 thousand units ${ }^{* 2}$. This result was attributable to the introduction of the N-WGN and VEZEL and full model change of the Fit and Odyssey.

In production activities, Honda's unit production of automobiles increased 6.9\% from the previous fiscal year to 936 thousand units in fiscal year 2014, mainly due to higher sales in Japan, despite the shift of some production overseas.

The Saitama Factory's Yorii automobile plant, which had been under construction in Yorii-machi, Osato-gun, Saitama, began operation in July 2013. The manufacturing capacity of the Yorii Plant, which mainly produces the Fit and VEZEL, is 250 thousand units per year.
*1 Source: JAMA (Japan Automobile Manufacturers Association): (as measured by the number of regular vehicle registrations ( 661 cc 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 are accounted for as operating leases in conformity with U.S. generally accepted accounting principles and are not included in consolidated net sales to the external customers in our automobile business. As a result, 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 $8 \%$ from the previous year to approximately 15,600 thousand units in calendar year 2013. This was mainly attributable to improvements in employment conditions and upswings in consumer sentiment that led to a substantial increase in light truck sales and also a rise in small passenger car sales.

Under these circumstances, Honda's consolidated unit sales in North America increased 1.5\% from the previous fiscal year to 1,757 thousand units in fiscal year 2014. This was mainly due to strong sales of the Accord, Civic, CR-V and other models, as well as a full model change of the Acura MDX.

In production activities, Honda manufactured 1,777
thousand units, up $5.3 \%$ from the previous fiscal year.
Honda de Mexico, S.A. de C.V., a consolidated subsidiary in Mexico, built a new plant with an annual production capacity of 200 thousand units in order to meet expected market expansion for small cars in North America. This new plant went into operation in February 2014.

* Source: WardsAuto


## Europe

Total demand for automobiles in Europe*1 decreased roughly $2 \%$ from the previous year to approximately 12,300 thousand units in calendar year 2013. The market diminished as a whole due mainly to unemployment rates remaining high and the weakness of the real economy in the eurozone, excluding the U.K. The market's decline was offset in part by an economic recovery in the U.K., resulting in a pocket of growth in demand for automobiles. On the other hand, total demand for automobiles in Russia*2 decreased around 5\% from the previous year to approximately 2,770 thousand units.

Honda's consolidated unit sales in Europe decreased 1.2\% from the previous year to 169 thousand units in fiscal year 2014. This was mainly due to a decline in unit sales of the Civic which offset sales generated by the launch of a new diesel engine equipped $C R-V$.

On the production front, unit output at Honda's U.K. plant declined $21.6 \%$ from the previous fiscal year to 133 thousand units in fiscal year 2014.
*1 Source: ACEA (Association des Constructeurs Europeens d'Automobiles (the European Automobile Manufacturers' Association) New passenger car registrations cover 27 EU countries and three EFTA countries, excluding Russia.
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## Asia

Total demand for automobiles in Asia decreased around $2 \%$ from the previous year to approximately 8,730 thousand units ${ }^{\star 1}$ in the 2013 calendar year. This was mainly due to the market shrinking as a consequence of a slowdown in the economy in India and the backlash from a termination of government subsidies in Thailand. Total demand for automobiles in China increased roughly $14 \%$ from the previous year to approximately 21,980 thousand units ${ }^{* 2}$.

Honda's consolidated unit sales in Asia outside Japan increased $1.1 \%$ from the previous fiscal year to 529 thousand units in fiscal year 2014. This increase was mainly attributable to strong sales of the Amaze and introduction of the City in India, and a boost from the introduction of the Honda MOBILIO in Indonesia.

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 affiliates accounted for under the equity method in China. That said, unit sales in China increased $26.3 \%$ from the previous fiscal year to 757 thousand units in fiscal year 2014. The increase was mainly attributable to a full model change of the Accord and introduction of the CRIDER and JADE models.

Honda's unit production by consolidated subsidiaries in Asia increased $2.0 \%$ from the previous fiscal year to 591 thousand units*3 in fiscal year 2014.

Meanwhile, unit production by Chinese equity-method affiliates Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd. increased 29.8\% from the previous fiscal year to 764 thousand units in fiscal year 2014.

Honda Malaysia SDN BHD, a consolidated subsidiary in Malaysia, built a second production line with an annual capacity of 50 thousand units. This line went into operation in October 2013.

In addition, P.T. Honda Prospect Motor, a consolidated subsidiary in Indonesia, constructed a new automobile plant with an annual production capacity of 120 thousand units that went into operation in January 2014.

Moreover, Honda Cars India Ltd., a consolidated subsidiary in India, constructed a new automobile plant with an annual production capacity of 120 thousand units that went into operation in February 2014.
*1 The total is based on Honda research and includes the following 10 countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Singapore, Taiwan, South Korea, India and Pakistan.
*2 Source: China Association of Automobile Manufacturers
*3 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*, one of the principal markets among the Other Regions, decreased around $1 \%$ to approximately 3,570 thousand units in calendar year 2013.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales decreased $1.7 \%$ from the previous fiscal year to 293 thousand units in fiscal year 2014. This result was due to a decrease in sales mainly in Australia, which were partly offset by increased sales of the Civic and other models mainly in Brazil.

On the production front, Honda's unit production in Brazil increased $0.3 \%$ from the previous fiscal year to 136 thousand units in fiscal year 2014.

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


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## Unit Sales / <br> Consolidated

Unit Sales
(Thousands)

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 6,036 thousand units, decreased by $0.6 \%$ from the previous fiscal year, due mainly to a decrease in consolidated unit sales in Asia and Other Regions, which was partially offset by an increase in unit sales in North America.
Revenue from sales to external customers in power product and other businesses increased 8.4\%, to $¥ 304.2$ billion from the previous fiscal year, due mainly to favorable foreign currency translation effects. Honda reported an operating loss of $¥ 1.7$ billion, an improvement of $¥ 7.7$ billion from the previous fiscal year, due mainly to favorable foreign currency effects.

Net Sales / Operating Loss
Yen (billions)

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## Japan

Honda's consolidated unit sales of power product and other businesses in Japan remained about the same as the previous fiscal year at 314 thousand units in fiscal year 2014. This was mainly due to a decline in sales of portable power generators which offset an increase in sales of OEM* general-purpose engines and snow throwers.

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 increased $4.4 \%$ from the previous fiscal year to 2,718 thousand units in fiscal year 2014. This was mainly attributable to an increase in sales of OEM engines which offset a decline in sales of portable power generators.

## Europe

Honda's consolidated unit sales in Europe increased 2.8\% from the previous fiscal year to 1,032 thousand units in fiscal year 2014. This was mainly due to an increase in sales of OEM engines which offset a decline in sales of lawn mowers and snow throwers.

## Asia

Honda's consolidated unit sales in Asia decreased 4.6\% from the previous fiscal year to 1,500 thousand units in fiscal year 2014. This was mainly attributable to a decline in sales of OEM engines in Thailand and portable power generators in India which offset an increase in sales of OEM engines and pumps in China.

## Other Regions

Honda's consolidated unit sales in Other Regions (including South America, the Middle East, Africa, Oceania and other areas) decreased $18.2 \%$ from the previous fiscal year to 472 thousand units in fiscal year 2014.

This was mainly due to a decrease in sales of pumps and OEM engines in the Middle East.

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Total amount of finance subsidiaries-receivables and property on operating leases of finance subsidiaries increased by $¥ 1,144.2$ billion, or $19.5 \%$, to $¥ 7,018.4$ billion from the previous fiscal year. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, total amount of finance subsidiaries-receivables and property on operating leases of finance subsidiaries as of the end of the year would have increased by approximately $¥ 641.4$ billion, or $10.9 \%$, compared to the increase as reported of $¥ 1,144.2$ billion, which includes positive foreign currency translation effects.

Revenue from external customers in Financial services business increased by $¥ 149.6$ billion, or $27.3 \%$, to $¥ 698.1$ 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, revenue for the year would have increased by approximately $¥ 39.4$ billion, or $7.2 \%$, compared to the increase as reported of $¥ 149.6$ billion, which includes positive foreign currency translation effects. Revenue including intersegment sales increased by $¥ 148.3$ billion, or $26.5 \%$, to $¥ 708.5$ billion from the previous fiscal year.

Operating costs and expenses increased by $¥ 123.7$ billion, or $30.8 \%$, to $¥ 525.8$ billion from the previous fiscal year. Cost of sales increased by $¥ 103.9$ billion, or $30.9 \%$, to $¥ 440.1$ 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 $¥ 19.7$ billion, or $30.0 \%$, to $¥ 85.6$ billion from the previous fiscal year.

Operating income increased by $¥ 24.5$ billion, or $15.6 \%$, to $¥ 182.7$ billion from the previous fiscal year, due mainly to positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.


## Net Sales Yen (millions)

Japan
North America
Europe Asia
Other Regions

- Operating Margin

|  |  | (Fiscal years ended March 31) |  |
| :--- | ---: | ---: | :---: |
|  | 2013 | $\mathbf{2 0 1 4}$ | \% change |
| Japan | $¥ 34,282$ | $\mathbf{¥ 4 0 , 3 3 3}$ | $17.7 \%$ |
| North America | 484,275 | $\mathbf{6 1 0 , 8 4 8}$ | 26.1 |
| Europe | 7,256 | $\mathbf{1 2 , 6 4 6}$ | 74.3 |
| Asia | 3,145 | $\mathbf{8 , 0 5 1}$ | 156.0 |
| Other Regions | 19,548 | $\mathbf{2 6 , 3 0 7}$ | 34.6 |
| Total | $¥ 548,506$ | $\mathbf{¥ 6 9 8 , 1 8 5}$ | $27.3 \%$ |



Finance Receivables / Property on Operating Leases

| Yen (billions) | 2010 | 2011 | 2012 | 2013 | 2014 |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Finance Receivables | $¥ 3,461.5$ | $¥ 3,480.0$ | $¥ 3,446.1$ | $¥ 4,031.1$ | $¥ 4,781.7$ |
| Property on  <br> Operating Leases $1,308.1$ | $1,357.6$ | $1,472.7$ | $1,843.1$ | $\mathbf{2 , 2 3 6 . 7}$ |  |
| Total | $¥ 4,769.6$ | $¥ 4,837.6$ | $¥ 4,918.8$ | $¥ 5,874.2$ | $¥ 7,018.4$ |

## Review of Operations <br> Financial Services Business

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

Net Sales / Operating Income Yen (billions)


## Corporate Governance: Risk Factors

## Risks Relating to Honda's Industry

## 1. 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 continued economic slowdown, recession, changes in consumer preferences, rising fuel prices, financial crisis or other factors could trigger a decline in demand for automobiles, motorcycles and power products that may adversely affect Honda's results of operations.

## 2. Prices for products can be volatile

Prices for automobiles, motorcycles and power products in certain markets may experience sharp changes over short periods of time. This volatility is caused by various factors, including fierce competition, which is increasing, 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, steep rise in material prices and sales incentives. There can be no assurance 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 of operations.

## Risks Relating to Honda's Business Generally

## Currency and Interest Rate Risks

## 1. Honda's operations are subject to currency

 fluctuationsHonda 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 may affect Honda's pricing of products sold and materials purchased. Accordingly, currency fluctuations have an effect on Honda's results of operations and financial condition, as well as Honda's competitiveness, which will over time affect its results.

Since Honda exports many products and components, particularly from Japan, and generates a
substantial portion of its revenues in currencies other than the Japanese yen, Honda's results of operations would be adversely affected by an appreciation of the Japanese yen against other currencies, in particular the U.S. dollar.

## 2. Honda's hedging of currency and interest rate risk exposes Honda to other risks

Although it is impossible to hedge against all currency or interest rate risks, Honda uses derivative financial instruments in order to reduce the substantial effects of currency fluctuations and interest rate exposure on our cash flows and financial condition. These instruments include foreign currency forward contracts, currency swap agreements and currency option contracts, as well as interest rate swap agreements. Honda has entered into, and expects to continue to enter into,
such hedging arrangements. As with all hedging instruments, there are risks associated with the use of such instruments. While limiting to some degree our risk fluctuations in currency exchange and interest rates by utilizing such hedging instruments, Honda potentially forgoes benefits that might result from other fluctuations in currency exchange and interest rates. Honda is also exposed to the risk that its counterparties to hedging contracts will default on their obligations. Honda manages exposure to counterparty credit risk by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. However, any default by such counterparties might have an adverse effect on Honda.

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## Legal and Regulatory Risks

## 1. The automobile, motorcycle and power product industries are subject to extensive environmental and other governmental regulations, including with respect to global climate changes

Regulations regarding vehicle emission levels, fuel economy, noise and safety and noxious substances, as well as levels of pollutants from production plants, are extensive within the automobile, motorcycle and power product industries. These regulations are subject to change, and are often made more restrictive, particularly in recent years, due to an increasing concern with respect to possible global climate changes. The costs to comply with these regulations can be significant to Honda's operations.

## 2. Honda is reliant on the protection and

 preservation of its intellectual propertyHonda 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 may continue to be of value in the future. Honda does not regard any of its businesses 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, would have an adverse effect on Honda's operations.

## 3. Honda is subject to legal proceedings

 Honda is and could be subject to suits, investigations and proceedings under relevant laws and regulations of various jurisdictions. A negative outcome in any of the legal proceedings pending against Honda could adversely affect Honda's business, financial condition or results of operations.
## Risks Relating to Honda's Operations

## 1. 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 and to generate financing income. 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 us also 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 of operations in the future.

## 2. 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 costeffective manner is subject to a number of factors, some of which are not within 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. Loss of a key supplier in particular may affect our production and increase our costs.
## 3. Honda conducts its operations in various regions of the world

Honda conducts its businesses worldwide, and in several countries, Honda conducts businesses through joint ventures with local entities, in part due to the legal and other requirements of those countries. These businesses are subject to various regulations, including the legal and other requirements of each country. If these regulations or the business conditions or policies of these local entities change, it may have an adverse affect on Honda's business, financial condition or results of operations.

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4. Honda may be adversely affected by wars, use of force by foreign countries, terrorism, multinational conflicts and frictions, political uncertainty, natural disasters, epidemics and labor strikes
Honda conducts its businesses worldwide and such businesses may be affected by events, such as wars, use of force by foreign countries, terrorism, multinational conflicts and frictions, political uncertainty, natural disasters such as earthquakes, tsunami and floods, epidemics and labor strikes, and other events beyond our control, which may delay, disrupt or suspend the purchase of raw materials and parts, the manufacture, sales and distribution of products, the provision of services, etc., in the region where such events occurred. Such events occurring in one region may in turn affect other regions. If such delay, disruption or suspension occurs and continues for a long period of time, Honda's business, financial condition or results of operations may be adversely affected.

## 5. Honda may be adversely affected by inadver-

 tent disclosure of confidential information Although Honda maintains internal controls through established procedures to keep confidential information including personal information of its customers and relating parties, such information may be inadvertently disclosed. If this occurs, Honda may be subject to, and may 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 may also result in a loss of Honda's competitiveness.
## 6. Risks relating to pension costs and other postretirement benefits

Honda has pension plans and provides other postretirement benefits. The amounts of pension benefits, lump-sum payments and other post-retirement benefits are primarily based on the combination of years of service and compensation. The funding policy is to make periodic contributions as required by applicable regulations. Benefit obligations and pension costs are based on assumptions of many factors, including the discount rate, the rate of salary increase and the expected longterm rate of return on plan assets. Differences in actual expenses and costs or changes in assumptions could affect Honda's pension costs and benefit obligations, including Honda's cash requirements to fund such obligations, which could materially affect our financial condition and results of operations.

## 7. A holder of ADSs will have fewer rights than a shareholder has and such holder will have to act through the depositary to exercise those rights

The rights of shareholders under Japanese law to take various actions, including exercising voting rights inherent in their shares, receiving dividends and distributions, bringing derivative actions, examining a company's accounting books and records, and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the Shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited Shares. The depositary will make efforts to exercise votes regarding the Shares underlying
the ADSs as instructed by the holders and will pay to the holders the dividends and distributions collected from the Company. However, in the capacity as an ADS holder, such holder will not be able to bring a derivative action, examine our accounting books or records or exercise appraisal rights through the depositary.

## 8. Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions

The Company's Articles of Incorporation, Regulations of the Board of Directors, Regulations of the Board of Corporate Auditors and the Company Law of Japan (the "Company Law") govern corporate affairs of the Company. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties, and shareholders' rights may be different from those that would apply if the Company were a U.S. company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of the United States. An ADS holder may have more difficulty in asserting his/her rights as a shareholder than such an ADS holder would as a shareholder of a U.S. corporation. In addition, Japanese courts may not be willing to enforce liabilities against the Company in actions brought in Japan that are based upon the securities laws of the United States or any U.S. state.

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9. Because of daily price range limitations under Japanese stock exchange rules, a holder of ADSs may not be able to sell his/her shares of the Company's common stock at a particular price on any particular trading day, or at all
Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

## 10. U.S. investors may have difficulty in serving

 process or enforcing a judgment against the Company or its directors, executive officers or corporate auditorsThe Company is a limited liability, joint stock corporation incorporated under the laws of Japan. Most of its directors, executive officers and corporate auditors reside in Japan. All or substantially all of the Company's assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon the Company or
these persons or to enforce against the Company or these persons judgments obtained in U.S. Courts predicated upon the civil liability provisions of the Federal securities laws of the United States. There is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.
11. The Company's shareholders of record on a record date may not receive the dividend they anticipate
The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. The Company's dividend payout practice is no exception. While the Company may announce forecasts of yearend and quarterly dividends prior to the record date, these forecasts are not legally binding. The actual payment of year-end dividends requires a resolution of the Company's shareholders. If the shareholders adopt such a resolution, the year-end dividend payment is made to shareholders as of the applicable record date, which is currently specified as March 31 by the Company's Articles of Incorporation. However, such a resolution of the shareholders is usually made at an ordinary general meeting of shareholders held in June. The payment of quarterly dividends requires a resolution of the Company's Board of Directors. If the board adopts such a resolution, the dividend payment is made to shareholders as of the applicable record dates, which are currently specified as June 30, September 30 and December 31 by the Articles of Incorporation. However,
the board usually does not adopt a resolution with respect to a quarterly dividend until after the respective record dates.
Shareholders of record as of an applicable record date may sell shares after the record date in anticipation of receiving a certain dividend payment based on the previously announced forecasts. However, since these forecasts are not legally binding and resolutions to pay dividends are usually not adopted until after the record date, our shareholders of record on record dates for year-end and quarterly dividends may not receive the dividend they anticipate.

## 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 Corporate Governance Practices Followed by Honda 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.

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 comintee 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.

For 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 has no independence requirement with respect to directors. The task of overseeing management and, together with the accounting audit firm, accounting is assigned to the corporate auditors, who 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. An outside Corporate Auditor is defined as a Corporate Auditor who has not served as a director, accounting councilor, executive officer, manager, or any other employee of the company or any of its subsidiaries.
Currently, Honda has three outside Corporate Auditors which constitute 60\% of Honda's five Corporate Auditors
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 strin gent than those for outside directors or outside corporate auditors. Unlike an outside director/corporate auditor, an independent director/corporate auditor may not be a person who is an executive officer, manager or employee of the parent company of the company or of the major business counterparties, or someone who is a professional advisor receiving significant remuneration from the company. Honda already has one independent Director out of two outside Directors and two independent Corporate Auditors out of three outside Corporate Auditors.

Like a majority of Japanese companies, Honda employs the Board of Corporate Auditors system as described above. Under this system, the Board of Corporate Auditors is a legally separate and independent body from the Board of Directors. The main function of the Board of Corporate Auditors is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company: to monitor the performance of the directors, and review and express opinion 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 for stock options only if the stock options are issued with specifically favorable conditions or price concerning the issuance and exercise of the stock options.
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Investor Relations
Information


President, Chief Executive Officer and Representative Director Takanobu Ito

Executive Vice President, Executive
Officer and Representative Director Tetsuo Iwamura29 (3)

## Directors



Chairman, Representative Director Fumihiko lke


President, Chief Executive Officer and Representative Director Takanobu Ito


Executive Vice President, Executive Officer and Representative Director Tetsuo Iwamura


Director
Nobuo Kuroyanagi


Senior Managing Officer and Director Takashi Yamamoto


Director
Hideko Kunii


Operating Officer and Director Yuji Shiga


Operating Officer and Director $\quad+$ Kohei Takeuchi


Shinji Aoyama


Operating Officer and Director
Noriya Kaihara


1 Nobuo Kuroyanagi and Hideko Kunii are outside directors as provided for in Article 2, Item 15 of the Company Law the Company as an Independent Director as provided for in the rule the Tokyo Stock Exchange and registered with the Tokyo Stock Exchange.

Corporate Auditors

Corporate Auditors (full-time)
Masaya Yamashita
Kunio Endo

Corporate Auditors
Hirotake Abe Tomochika Iwashita Toshiaki Hiwatari

* Corporate Auditors Hirotake Abe,

Tomochika Iwashita and Toshiaki
Hiwatari are outside corporate auditors
as provided for in Article 2, Item 16 of
the Company Law.
*2 Both Hirotake Abe and Toshiaki Hiwatari have been designated by the Company in the rule of the Tokyo Stock Exchange and registered with the Tokyo Stock Exchange.

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## Executive Officers

## resident, Chief Executive Officer

## Takanobu Ito

## Executive Vice President, Executive Office

## Tetsuo Iwamura

Risk Management Officer

- Chairman of American Honda Motor Co., Inc
noto


## akashi Yamamoto

Head of Automobile Production for Automobile Operations
Representative of Automobile Development,
Purchasing and Production for Automobile Operations
President, Chief Executive Officer and Representative
Director of Honda Engineering Co. Ltd

## Yoshiharu Yamamoto

President, Chief Executive Office
Director of Honda R\&D Co., Ltd
Director of Honda R\&D Co., Ltd.
Chief Operating Officer for IT Operations

Sho Minekawa

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


## Koichi Fukuo

Executive in Charge of Business Unit No. 1
for Automobile Operations

Managing Officers

## Toshihiko Nonaka

Chief Operating Officer
for Automobile Operations

## 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
Representative of Deduction (Asia and Oceania)
Purchasing and Product
Executive Vice President of
President and CEO
President and CEO of
Hotor India Private Ltd

## Ko Katayama

Executive in Charge of Production Strategy
for Automobile Operations
Head of Supply Chain Management Supervisory Unit in Automobile Production

## Masahiro Yoshida

Chief Operating Officer
隹

## Chitoshi Yokota

Representative of Automobile Development,
Executive Vice President and Director of
Honda North America, Inc.

Seiji Kuraishi
Chief Operating Officer
or Regional Operations (China)

- President of Honda Motor (China)

Investment Co., Ltd
President of Honda Motor Technology
(China) Co., Ltd

## Toshiaki Mikoshiba

Chief Operating Officer
for Regional Operations (Europe Region)
President and Director o

## Yoshi Yamane

- Representative of Automobile Development,

Purchasing and Production (Japan)

- Head of Automobile Production,
- Hegional of Production Supervisory Unit,

Automobile Production,
Regional Operations (Japa

Takahiro Hachigo
Representative of Development,
Purchasing and Production (China)

- Vice President of Honda Motor (China) Investment Co., Ltd.
Vice President of Honda Motor Technology (China) Co., Ltd.


## Operating Officer

## Takashi Sekiguchi

Executive in Charge of Business Unit No. 2

Michimasa Fujino
President and Director of

## Soichiro Takizawa

Representative of Development
Purchasing and Production (Europe Region)
Executive Vice President and Director
of Honda Motor Europe Ltd.
Managing Director of Honda of the U.K.

## Yuji Shiga <br> - Chief Operating Officer

## Kohei Takeuchi

Chief Operating Officer
for Business Management Operations

## Naoto Matsui

Chief Operating Officer
Head of Purchasing Supervisory Unit Automobile Production, Automobile Operations

## Mitsugu Matsukawa

Head of Drivetrain Business Unit, Automobile Production, Automobile Operations

## Shinji Aoyama

Chie Operating Officer
for Motorcycle Operations

## Noriya Kaihara

Chief Quality Officer
Chief Operating Officer
for Customer Service Operations for Automobile Operations

## Tetsuo Suzuki

Representative of Motorcycle Development, Purchasing and Productio

## 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 Brasil
- President and Director of

Moto Honda da Amazonia Ltda.

## Toshihiro Mibe

Executive in Charge of Powertrain Business,
Automobile Operations
Head of Powertrain Production Supervisory Operations

## Yusuke Hori

Head of Regional Unit

## Tomomi Kosaka

Executive Vice President and
orth 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., Lt
Honda Automobile (Thailand) 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
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## Financial Section: Financial Review

## Operating and Financial Review

## Net Sales and Other Operating Revenue

Honda's consolidated net sales and other operating revenue (hereafter, "net sales") for the fiscal year ended March 31, 2014, increased by $¥ 1,964.5$ billion, or $19.9 \%$, to $¥ 11,842.4$ billion from the fiscal year ended March 31,2013 , due mainly to increased net sales in Automobile business and 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, net sales for the year would have increased by approximately $¥ 458.4$ billion, or $4.6 \%$, compared to the increase as reported of $¥ 1,964.5$ billion, which includes positive foreign currency translation effects.

## Operating Costs and Expenses

Operating costs and expenses increased by $¥ 1,759.0$ billion, or $18.8 \%$, to $¥ 11,092.1$ billion from the previous fiscal year. Cost of sales increased by $¥ 1,415.9$ billion, or $19.3 \%$, to $¥ 8,761.0$ billion from the previous fiscal year, due mainly to an increase in costs attributable to increased consolidated unit sales in Automobile business and Motorcycle business, and negative foreign currency effects. Selling, general and administrative expenses increased by $¥ 269.2$ billion, or $18.9 \%$, to $¥ 1,696.9$ billion from the previous fiscal year, due mainly to increased product warranty expenses and increase in selling expenses attributable to increased consolidated unit sales in Automobile business and Motorcycle business. R\&D expenses increased by $¥ 73.8$ billion, or $13.2 \%$, to $¥ 634.1$ billion from the previous fiscal year, due mainly to improving safety and environmental technologies and enhancing of the attractiveness of the products.


## Operating Income

Operating income increased by $¥ 205.4$ billion, or $37.7 \%$, to $¥ 750.2$ billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses and increased R\&D expenses. Excluding positive foreign currency effects of $¥ 288.7$ billion, Honda estimates operating income decreased by $¥ 83.2$ 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.)

## Income before Income Taxes and Equity in Income of Affiliates

 Income before income taxes and equity in income of affiliates increased by $¥ 240.0$ billion, or $49.1 \%$, to $¥ 728.9$ billion. The main factors behind this increase, except factors relating operating income, are as follows:Unrealized gains and losses related to derivative instruments had a positive impact of $¥ 74.4$ billion. Other income (expenses) excluding unrealized gains and losses related to derivative instruments had a negative impact of $¥ 39.8$ billion, due mainly to an increase in foreign currency transaction losses.

## Income Tax Expense

Income tax expense increased by $¥ 73.6$ billion, or $41.2 \%$, to $¥ 252.6$ billion from the previous fiscal year. The effective tax rate decreased 1.9 percentage points to $34.7 \%$ from the previous fiscal year. The decrease in the effective tax rate was due mainly to a decrease in a portion of unrecognized tax benefits related to transfer pricing matters of overseas transactions between the Company and foreign affiliates.

## Equity in Income of Affiliates

Equity in income of affiliates increased by $¥ 49.7$ billion, or $60.1 \%$, to $¥ 132.4$ billion, due mainly to an increase in income attributable to increased net sales at affiliates in Asia and a recognition of impairment loss on certain investments in affiliates, which was included in the previous fiscal year.

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## Net Income

Net income increased by $¥ 216.1$ billion, or $55.0 \%$, to $¥ 608.7$ billion from the previous fiscal year

## Net Income attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased by $¥ 9.1$ billion, or $35.9 \%$, to $¥ 34.6$ billion from the previous fiscal year.

## Net Income attributable to Honda Motor Co., Ltd.

Net income attributable to Honda Motor Co., Ltd. increased by $¥ 206.9$ billion, or $56.4 \%$, to $¥ 574.1$ billion from the previous fiscal year.


## Business Segments

## Motorcycle Business

Honda's consolidated unit sales of motorcycles and all-terrain vehicles (ATVs) totaled 10,343 thousand units, increased by $8.8 \%$ from the previous fiscal year, due mainly to an increase in consolidated unit sales in Asia.

Revenue from external customers increased by $¥ 324.0$ billion, or $24.2 \%$, to $¥ 1,663.6$ 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, net sales for the year would have increased by approximately $¥ 124.9$ billion, or $9.3 \%$, compared to the increase as reported of $¥ 324.0$ billion, which includes positive foreign currency translation effects.

Operating costs and expenses increased by $¥ 268.7$ billion, or $21.9 \%$, to $¥ 1,498.0$ billion from the previous fiscal year. Cost of sales increased by $¥ 218.5$ billion, or $22.7 \%$, to $¥ 1,181.5$ 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 $¥ 43.5$ billion, or $21.8 \%$, to $¥ 243.3$ billion, due mainly to an increase in selling expenses attributable to increased consolidated unit sales and negative foreign currency effects. R\&D expenses increased by $¥ 6.6$ billion, or $10.0 \%$, to $¥ 73.0$ billion.

Operating income increased by $¥ 55.3$ billion, or $50.2 \%$, to $¥ 165.6$ billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses and increased R\&D expenses.

## Automobile Business

Honda's consolidated unit sales of automobiles totaled 3,560 thousand units, increased by $4.5 \%$ from the previous fiscal year, due mainly to an increase in consolidated unit sales in Japan and North America.

Revenue from external customers increased by $¥ 1,467.1$ billion, or $19.0 \%$, to $¥ 9,176.3$ 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, net sales for the year would have increased by approximately $¥ 304.4$ billion, or $3.9 \%$, compared to the increase as reported of $¥ 1,467.1$ billion, which includes positive foreign currency translation effects. Revenue including intersegment sales increased by $¥ 1,471.3$ billion, or $19.0 \%$, to $¥ 9,194.9$ billion from the previous fiscal year.

Operating costs and expenses increased by $¥ 1,353.6$ billion, or $18.2 \%$, to $\nexists 8,791.2$ billion from the previous fiscal year. Cost of sales increased by $¥ 1,086.8$ billion, or $18.5 \%$, to $¥ 6,955.1$ 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 $¥ 199.3$ billion, or $18.0 \%$, to $\not ¥ 1,304.6$ billion, due mainly to increased product warranty expenses, an increase in selling expenses attributable to increased consolidated unit sales and negative foreign currency effects. R\&D expenses increased by $¥ 67.3$ billion, or $14.5 \%$, to $¥ 531.4$ billion, due mainly to improving safety and environmental technologies and enhancing of the attractiveness of the products.

Operating income increased by $¥ 117.7$ billion, or $41.2 \%$, to $¥ 403.7$ billion from the previous fiscal year, due mainly to continuing cost reduction and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses and increased R\&D expenses.

## Power Product and Other Businesses

Honda's consolidated unit sales of power products totaled 6,036 thousand units, decreased by $0.6 \%$ from the previous fiscal year, due mainly to a decrease in consolidated unit sales in Asia and Other Regions, which was partially offset by an increase in unit sales in North America.33

Revenue from external customers increased by $¥ 23.5$ billion, or $8.4 \%$, to $¥ 304.2$ billion from the previous fiscal year, due mainly to positive foreign currency translation effects. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, net sales for the year would have decreased by approximately $¥ 10.4$ billion, or $3.7 \%$, compared to the increase as reported of $¥ 23.5$ billion, which includes positive foreign currency translation effects. Revenue including intersegment sales increased by $¥ 26.5$ billion, or $9.1 \%$, to $¥ 318.1$ billion from the previous fiscal year.

Operating costs and expenses increased by $¥ 18.7$ billion, or $6.2 \%$, to $¥ 319.9$ billion from the previous fiscal year. Cost of sales increased by $¥ 12.2$ billion, or $5.7 \%$, to $¥ 227.1$ billion, due mainly to negative foreign currency effects. Selling, general and administrative expenses increased by $¥ 6.5$ billion, or $11.6 \%$, to $¥ 63.1$ billion. R\&D expenses decreased by $¥ 0.1$ billion, or $0.4 \%$, to $¥ 29.6$ billion.

Operating loss was $¥ 1.7$ billion, an improvement of $¥ 7.7$ billion from the previous fiscal year, due mainly to positive foreign currency effects.

## Financial Services Business

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

Total amount of finance subsidiaries-receivables and property on operating leases of finance subsidiaries increased by $¥ 1,144.2$ billion, or $19.5 \%$, to $¥ 7,018.4$ billion from the previous fiscal year. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, total amount of finance subsidiaries-receivables and property on operating leases of finance subsidiaries as of the end of the year would have increased by approximately $¥ 641.4$ billion, or $10.9 \%$, compared to the increase as reported of $¥ 1,144.2$ billion, which includes positive foreign currency translation effects.

Revenue from external customers in Financial services business increased by $¥ 149.6$ billion, or $27.3 \%$, to $¥ 698.1$ 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, revenue for the year would have increased by approximately $¥ 39.4$ billion, or $7.2 \%$, compared to the increase as reported of $¥ 149.6$ billion, which includes positive foreign currency translation effects. Revenue including intersegment sales increased by $¥ 148.3$ billion, or $26.5 \%$, to $¥ 708.5$ billion from the previous fiscal year.

Operating costs and expenses increased by $¥ 123.7$ billion, or $30.8 \%$, to $¥ 525.8$ billion from the previous fiscal year. Cost of sales increased by $¥ 103.9$ billion, or $30.9 \%$, to $¥ 440.1$ 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 $¥ 19.7$ billion, or $30.0 \%$, to $¥ 85.6$ billion from the previous fiscal year.

Operating income increased by $¥ 24.5$ billion, or $15.6 \%$, to $¥ 182.7$ billion from the previous fiscal year, due mainly to positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

## Geographical Information

## Japan

In Japan, revenue from domestic and export sales increased by $¥ 298.7$ billion, or $7.7 \%$, to $\not ¥ 4,192.2$ billion from the previous fiscal year, due mainly to an increase in revenue in Automobile business and Motorcycle business. Operating income increased by $¥ 35.6$ billion, or $20.0 \%$, to $¥ 214.0$ billion from the previous fiscal year, due mainly to positive foreign currency effects, which was partially offset by increased R\&D expenses and increased selling, general and administrative expenses.

## North America

In North America, which mainly consists of the United States, revenue increased by $¥ 1,112.8$ billion, or $22.9 \%$, to $¥ 5,969.9$ billion from the previous fiscal year, due mainly to an increase in revenue in Automobile business and positive foreign currency translation effects. Operating income increased by $¥ 81.9$ billion, or $39.2 \%$, to $¥ 290.9$ billion from the previous fiscal year, due mainly to continuing cost reduction and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

## Europe

In Europe, revenue increased by $¥ 133.1$ billion, or $20.7 \%$, to $¥ 775.2$ billion from the previous fiscal year, due mainly to positive foreign currency translation effects, which was partially offset by a decrease in revenue in Motorcycle business and Automobile business. Operating loss was $¥ 17.1$ billion, a decrease of $¥ 17.5$ billion of operating income from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales and model mix, which was partially offset by decreased selling, general and administrative expenses and positive foreign currency effects.

## Asia

In Asia, revenue increased by $¥ 521.2$ billion, or $22.6 \%$, to $¥ 2,826.9$ billion from the previous fiscal year, due mainly to an increase in revenue in Motorcycle business and positive foreign currency translation effects. Operating income increased by $¥ 71.1$ billion, or $48.5 \%$, to $¥ 217.9$ billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and model mix and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

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## Other Regions

In Other Regions, revenue increased by $¥ 129.0$ billion, or $14.4 \%$, to $¥ 1,025.5$ billion from the previous fiscal year, due mainly to an increase in revenue in Motorcycle business and positive foreign currency translation effects. Operating income increased by $¥ 9.2$ billion, or $25.8 \%$, to $¥ 44.9$ billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and model mix, which was partially offset by increased selling, general and administrative expenses

## Research and Development

Honda 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, the 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 expenses amounted to $¥ 634.1$ billion in the fiscal year ended March 31, 2014.

## Motorcycle Business

In the motorcycle business segment, Honda is aiming to deliver appealing prod ucts in a timely manner that offer outstanding environmental performance and tha 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 CTX1300, CBR650F and CB650F models were launched globally. The CTX1300 is the new flagship mode of the CTX series with "Comfort Technology Experience" as its development concept. The $C B R$ and $C B$ models were equipped with a newly developed DOHC parallel four cylinder 650cc water-cooled four-stroke engine.

In Japan, the CBR400R, CB400F and 400X sports models equipped with a newly developed DOHC parallel twin-cylinder 400cc water-cooled four-stroke engine were launched. In addition, a new-model $D U N K$ scooter equipped with a newly developed OHC single-cylinder 50cc water-cooled four-stroke "eSP" engine was also introduced.

R\&D expenses in this segment amounted to $¥ 73.0$ billion in the year ended March 31, 2014.

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.


## 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 develop "great products speedily, at affordable prices and with low $\mathrm{CO}_{2}$ emissions."

Among major technological achievements in the automobile business segment, Honda developed and launched the all new $N-W G N$ and $N-W G N$ Custom models equipped with safety enhancements, including six airbags and a system that prevents the car from drifting sideways in reaction to abrupt turns of the steering wheel. In addition, Honda enhanced fuel economy by developing a new lightweight and compact hybrid system that can operate on one motor in electric vehicle (EV) mode. It was initially installed in the Fit Hybrid and the new VEZEL Hybrid models.

Moreover, a hybrid system combining a two-motor electric mode CVT powertrain with lithium ion batteries was developed for installation in the Accord Hybrid and Accord Plug-in Hybrid models. The capacity of the lithium ion battery was enlarged for the plug-in hybrid model to enable it to operate entirely in EV mode in most daily driving situations. As a result, a balance between nimble acceleration and fuel economy, which is characteristic of EVs, was realized in these two models,
Furthermore, a new hybrid system combining a three-motor electric mode and V6 engine with direct fuel injection to realize both superb acceleration performance and fuel economy was developed. This proprietary system with two motors mounted in the back is capable of independently controlling the torque to the left and right rear wheels, and will be installed in models to be launched in the near future.

As for other technological achievements, an omnidirectional safety system to assist drivers in avoiding accidents was developed. This system utilizes a microwave radar and a set of cameras to monitor the surroundings of a vehicle, and automatically provides braking and steering assistance to help the driver take evasive action.

R\&D expenses in this segment amounted to $¥ 531.4$ billion in the year ended March 31, 2014.

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## Power Product and Other Businesses

The power product business' overall strategic direction is to proactively propose new and useful ideas that will bring joy to customers worldwide. The segment's core technological initiatives focus primarily on (1) creating new products and technologies for developed countries, and (2) developing products for expanding markets in the emerging countries.

Among key technological achievements, Honda launched the HSS760n compact rotary snowblower equipped with an auger (snow-throwing unit) with a concentric, simultaneous forward, reverse mechanism that prevents the machine from riding up on top of hardened snow. Also launched was the HSL2511 large-sized snowblower equipped with a function for adjusting the angling of the auger, among other features. In the general-purpose engine category, the GP160H and GP200H engines were developed for sale in emerging markets. These engines were designed to share as many water pump and generator components produced in China as possible in order to lower their price and make them affordable to many more customers

R\&D expenses in this segment amounted to $¥ 29.6$ billion in the year ended March 31, 2014.

## Fundamental Research

Major initiatives in the fundamental research area included a joint trial research project for Honda's walking assist device in collaboration with a leading U.S. rehabilitation institute in Chicago. Honda's walking assist devices are being developed to help people who have walking impairments due to illness, injuries or weakened leg muscles due to old age, to regain bipedal mobility.

Honda also unveiled a UNI-CUB $\beta$ model of its UNI-CUB Personal Mobility Device, which enables riders to move at walking speed simply by shifting their weight and leaning in the direction they would like to go. This beta model was developed based on data and user feedback collected from trial demonstrations that began in June 2012.

Please note that expenses incurred in fundamental research are allocated among each business segment.

## Patents and Licenses

As of March 31, 2014, Honda owned more than 20,800 patents in Japan and more than 25,900 patents abroad. Honda also had applications pending for more than 8,800 patents in Japan and for more than 15,700 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 fiscal 2014 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 $¥ 1,854.0$ billion, increased by $¥ 467.2$ billion from the previous year. Also, total capital expenditures, excluding property on operating leases, for the year amounted to $¥ 726.1$ billion, increased by $¥ 132.5$ billion from the previous year. Spending by business segment is shown below.

Yen (millions)

| Fiscal years ended March 31 | Yen (millions) |  |  |
| :---: | :---: | :---: | :---: |
|  | 2013 | 2014 | Increase (Decrease) |
| Motorcycle Business | $¥ 73,513$ | $¥ 55,575$ | $\ddagger(17,938)$ |
| Automobile Business | 505,045 | 656,412 | 151,367 |
| Financial Services Business | 793,669 | 1,128,460 | 334,791 |
| Financial Services Business (Excluding Property on Operating Leases) | 551 | 620 | 69 |
| Power Product and Other Businesses | 14,519 | 13,580 | (939) |
| Total | $¥ 1,386,746$ | ¥1,854,027 | $¥ 467,281$ |

Total (Excluding Property on
Operating Leases)
$¥ 593,628 \quad ¥ 726,187 \quad ¥ 132,559$
Note: Intangible assets are not included in the table above.
In Motorcycle business, we made capital expenditures of $¥ 55,575$ million in the fiscal year ended March 31, 2014. 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 $¥ 656,412$ million in the fiscal year ended March 31, 2014. 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. A new auto plant in Yorii-machi, Osato-gun, Saitama, Japan completed construction of its facilities for production in July 2013. A second auto plant of Honda De Mexico, S.A. de C.V., which is one of the Company's consolidated subsidiaries, completed construction of facilities for production in February 2014. A second auto plant of Honda Cars India Limited, which is one of the Company's consolidated subsidiaries, completed construction of facilities for production in February 2014.

In Financial services business, capital expenditures excluding property on operating leases amounted to $¥ 620$ million in the fiscal year ended March 31, 2014, while capital expenditures for property on operating leases were $¥ 1,127,840$ million. Capital expenditures in Power products and other businesses in the fiscal

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Note: Capital Expenditure and Depreciation aforementioned exclude Capital Expenditure and Depreciation in operating lease assets and intangible assets.
year ended March 31, 2014, totaling $¥ 13,580$ million, were deployed to upgrade, streamline, and modernize manufacturing facilities for power products, and to improve R\&D facilities for power products.

## Plans after Fiscal Year 2014

During the fiscal year ended March 31, 2014, we modified our capital expenditure plans which were originally set out in the prior fiscal year. The modified plans are as follows:

The scale of a test course in a new R\&D facility, which is under construction in Sakura-shi, Tochigi, Japan, has been changed. Also, a mega-solar power plant will be built on its property

Managements mainly consider economic trends of each region, demand trends, situation of competitors and our business strategy such as introduction plans of new models in determining the future of projects.

The estimated amounts of capital expenditures for fiscal year ending March 31 2015 are shown below.

|  | Yen (millions) |
| :--- | ---: |
| Fiscal year ending March 31, 2015 | $\mathbf{2 0 1 5}$ |
| Motorcycle Business | $\mathbf{7 7 , 4 0 0}$ |
| Automobile Business | 559,900 |
| Financial Services Business | $\mathbf{9 0 0}$ |
| Power Product and Other Businesses | $\mathbf{1 1 , 8 0 0}$ |
| Total | $\mathbf{7 6 5 0 , 0 0 0}$ |

Note: The estimated amount of capital expenditures for Financial services business in the above table does not include property on operating leases.
Intangible assets are not included in the table above.

## 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, it also provides retail financing and automobile leasing services for customers, as well as wholesale financing services for 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 $¥ 565.3$ billion as of March 31, 2014. 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, corporate bonds, and intercompany loans. The year-end balance of liabilities associated with these finance subsidiaries' funding for Financial services business was $¥ 5,838.2$ billion as of March 31, 2014.

## Cash Flows

Consolidated cash and cash equivalents on March 31, 2014 decreased by $¥ 37.2$ billion from March 31, 2013, to $¥ 1,168.9$ billion. The reasons for the increases or decreases for each cash flow activity, when compared with the previous fiscal year, are as follows:

Net cash provided by operating activities amounted to $¥ 1,229.1$ billion of cash inflows. Cash inflows from operating activities increased by $¥ 428.4$ billion compared with the previous fiscal year, due mainly to an increase in cash received due to increased unit sales in Automobile business, which was partially offset by increased payments for parts and raw materials.

Net cash used in investing activities amounted to $¥ 1,708.7$ billion of cash outflows. Cash outflows from investing activities increased by $¥ 638.9$ billion compared with the previous fiscal year, due mainly to an increase in acquisitions of finance subsidiaries-receivables and purchases of operating lease assets, which was partially offset by an increase in collections of finance subsidiaries-receivables

Net cash provided by financing activities amounted to $¥ 370.5$ billion of cash inflows. Cash inflows from financing activities increased by $¥ 250.9$ billion compared with the previous fiscal year, due mainly to an increase in proceeds from debt, which was partially offset by an increase in dividends paid.

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## Liquidity

The $¥ 1,168.9$ billion in cash and cash equivalents at the end of the fiscal year 2014 corresponds to approximately 1.2 months of net sales, 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 $¥ 1,566.8$ billion have committed lines of credit equivalent to $¥ 965.0$ 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 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, 2014.

|  | Short-term <br> unsecured <br> debt securities | Credit ratings for <br> ungecured <br> debt securities |
| :--- | ---: | ---: |
| Moody's Investors Service | P-1 | A1 |
| Standard \& Poor's Rating Services | A-1 | A+ |
| Rating and Investment Information | $\mathbf{a - 1 +}$ | AA |

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

## Off-Balance Sheet Arrangements

## Guarantee

As of March 31, 2014, we guaranteed $¥ 25.3$ billion of employee bank loans for their housing costs. If an employee defaults on his/her loan payments, we are required to perform under the guarantee. The undiscounted maximum amount of our obligation to make future payments in the event of defaults is $¥ 25.3$ billion. As of March 31, 2014, no amount has been accrued for any estimated losses under the obligations, as it was probable that the employees would be able to make all scheduled payments.

## Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations as of March 31, 2014:

| As of March 31, 2014 |  |  |  |  | Yen (millions) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Payments due by period |  |  |  |  |
|  | Total | Within 1 year | 1-3 years | 3-5 years | Thereafter |
| Long-term debt | $\ddagger 4,537,530$ | $¥ 1,303,464$ | $¥ 2,088,658$ | $¥ 851,734$ | $\ddagger 293,674$ |
| Operating leases | 102,180 | 18,862 | 27,567 | 16,027 | 39,724 |
| Purchase and other commitments*1 | 131,238 | 93,448 | 16,452 | 16,452 | 4,886 |
| Interest payments*2 | 181,449 | 79,061 | 73,865 | 25,802 | 2,721 |
| Contributions to defined benefit pension plans*3 | 79,240 | 79,240 | - | - | - |
| Total | $\ddagger 5,031,637$ | $¥ 1,574,075$ | $\ddagger 2,206,542$ | $\ddagger 910,015$ | $¥ 341,005$ |

[^1]*3 Sintimate the schedule of interest payments, the company utilized the balances and average interest rates of borrowings and debts and derivative instruments as of March 31, 2014 .

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If our estimates of unrecognized tax benefits and potential tax benefits are not representative of actual outcomes, our consolidated financial statements could be materially affected in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Since it is difficult to estimate actual payment in the future related to our uncertain tax positions, unrecognized tax benefit totaled $¥ 6,983$ million is not represented in the table above.

As of March 31, 2014, we had no material capital lease obligations or longterm liabilities reflected on our balance sheet under U.S. GAAP other than those set forth in the table above.

## Application of Critical Accounting Policies

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

The following is not intended to be a comprehensive list of all our accounting policies.

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

## Product Warranty

We warrant our products for specific periods of time. We also provide specific warranty programs, including product recalls, as needed.

Product warranties vary depending upon the nature of the product, the geographic location of their sales and other factors.

We recognize costs for general warranties on products we sell and for specific warranty programs, including product recalls. We provide for general estimated warranty costs at the time products are sold to customers. We also provide for specific estimated warranty program costs at the time those costs for new warranty programs are deemed to be probable and can be reasonably estimated. Estimated warranty costs are provided based on historical warranty claim experience with consideration given to the expected level of future warranty costs, including current sales trends, the expected number of units to be affected and the estimated average repair cost per unit for warranty claims. Our products
contain certain parts manufactured by third party suppliers. Since suppliers typically warrant these parts, the expected receivables from warranties of these suppliers are deducted from our estimates of accrued warranty obligations.

We believe our accrued warranty liability is a "critical accounting estimate" because changes in the calculation can materially affect net income attributable to Honda Motor Co., Ltd., and require us to estimate the frequency and amounts of future claims, which are inherently uncertain.

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

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

The changes in the accrued liabilities for those product warranties and net sales and other operating revenue for each of the years in the three-year period ended March 31, 2014 are as follows:

| Fiscal years ended March 31 | Yen (millions) |  |  |
| :---: | :---: | :---: | :---: |
|  | 2013 |  | 2014 |
| Provisions for product warranties |  |  |  |
| Balance at beginning of year | $¥ 170,562$ | $¥$ | 208,033 |
| Warranty claims paid during the period | $(64,942)$ |  | $(104,090)$ |
| Liabilities accrued for warranties issued during the period | 97,108 |  | 153,898 |
| Changes in liabilities for pre-existing warranties during the period* | $(8,583)$ |  | 397 |
| Foreign currency translation | 13,888 |  | 11,382 |
| Balance at end of year | 208,033 |  | 269,620 |
| Net sales and other operating revenue | $\ddagger 9,877,947$ |  | ,842,451 |

${ }^{*} 1$ Liabilities accrued for warranties issued during the period for the fiscal year ended March 31, 2014, was
$\nexists 153.8$ billion, due mainly to the future warranty costs for product recalls in Automobile business.
*2 Changes in liabilities for pre-existing warranties during the period for the fiscal year ended March 31, 2012, was $¥ 17.6$ billion, due mainly to the change of the expected level of future warranty costs, including the expected number of units to be affected and estimated average repair cost per unit for product recalls,

## Credit Losses

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

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

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

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

The allowance for credit losses is management's estimate of probable losses incurred on finance receivables. Estimated losses on past due operating lease rental payments are also recognized with an allowance for credit losses. Our finance subsidiaries evaluate these estimates, at minimum, on a quarterly basis. Consumer finance receivables are collectively evaluated for impairment. Delinquencies and losses are continuously monitored and this historical experience provides the primary basis for estimating the allowance. Various methodologies are utilized when estimating the allowance for credit losses including models that incorporate vintage loss and delinquency migration analysis. The models take
into consideration attributes of the portfolio including loan-to-value ratios, internal and external credit scores, and collateral types. Economic factors such as used vehicle prices, unemployment rates, and consumer debt service burdens are also incorporated when estimating losses. Estimated losses on operating leases expected to terminate early due to lessee defaults are also determined collectively, consistent with the methodologies used for consumer finance receivables.

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

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

As an example of the sensitivity of the allowance calculation, the following scenario demonstrates the impact that a deviation in one of the primary factors estimated as a part of our allowance calculation would have on the provision and allowance for credit losses. If we had experienced a $10 \%$ increase in net credit losses during fiscal 2014, the provision for fiscal 2014 and the allowance balance at the end of fiscal 2014 would have increased by approximately $¥ 4.1$ billion and $¥ 2.4$ billion, respectively. Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions in fiscal 2014.

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## Additional Narrative of the Change in Credit Loss

The following tables summarize our allowance for credit losses on finance receivables:
Yen (billions)

| For the fiscal year ended March 31, 2013 | Yen (bilons) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Direct |  |  |  |  |  |
| Allowance for credit losses |  |  |  |  |  |  |  |
| Balance at beginning of year | $¥$ | 20.4 | $¥ 1.1$ | $¥$ | 1.4 | $\ddagger$ | 23.0 |
| Provision |  | 8.7 | 0.3 |  | 0.0 |  | 9.1 |
| Charge-offs |  | (20.8) | (0.9) |  | (0.2) |  | (22.0) |
| Recoveries |  | 8.1 | 0.1 |  | 0.0 |  | 8.2 |
| Adjustments from foreign currency translation |  | 1.1 | 0.0 |  | 0.0 |  | 1.3 |
| Balance at end of year | $¥$ | 17.6 | $¥ 0.7$ |  | 1.2 | $\ddagger$ | 19.7 |
| Ending receivable balance | $¥ 3,865.4$ |  | $¥ 448.6$ | $¥ 431.9$ |  | $¥ 4,746.0$ |  |
| Average receivable balance, net | $\ddagger 3,429.8$ |  | $\ddagger 394.5$ | $\ddagger 334.1$ |  | $¥ 4,158.4$ |  |
| Net charge-offs as a \% of average receivable balance | 0.37\% |  | 0.21\% | 0.08\% |  | 0.33\% |  |
| Allowance as a \% of ending receivable balance | 0.46\% |  | 0.18\% | 0.30\% |  | 0.42\% |  |


| For the fiscal year ended March 31, 2014 | Yen (billions) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Retail |  | Direct financing lease | Wholesale |  | Total |  |
| Allowance for credit losses |  |  |  |  |  |  |  |
| Balance at beginning of year | $¥$ | 17.6 | $¥ \quad 0.7$ | $¥$ |  | ¥ | 19.7 |
| Provision |  | 18.6 | 0.3 |  | 1.4 |  | 20.4 |
| Charge-offs |  | (27.5) | (0.5) |  | (0.4) |  | (28.5) |
| Recoveries |  | 11.6 | 0.0 |  | 0.0 |  | 11.7 |
| Adjustments from foreign currency translation |  | 1.2 | 0.0 |  | 0.2 |  | 1.4 |
| Balance at end of year | $¥$ | 21.6 | $¥ 0.6$ | $¥$ |  | $¥$ | 24.8 |
| Ending receivable balance |  | 4,678.7 | $¥ 422.9$ |  | 97.3 |  | 5,599.0 |
| Average receivable balance, net |  | 4,358.0 | $¥ 457.1$ |  | 46.6 |  | 5,261.8 |
| Net charge-offs as a \% of average receivable balance |  | 0.36\% | 0.10\% |  | 09\% |  | 0.32\% |
| Allowance as a \% of ending receivable balance |  | 0.46\% | 0.15\% |  | 52\% |  | 0.44\% |

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

|  |  | Yen (billions) |
| :--- | ---: | ---: |
| Fiscal years ended March 31 | 2013 | $\mathbf{2 0 1 4}$ |
| Provision for credit losses on past <br> due rental payments | $\neq 1.1$ | $\mathbf{¥ 1 . 7}$ |
| Impairment losses on operating leases <br> due to early termination | $¥ 4.7$ | $\mathbf{¥ 3 . 3}$ |

Fiscal Year 2014 Compared with Fiscal Year 2013
The provision for credit losses on finance receivables increased by $¥ 11.2$ billion, or $122.9 \%$, and net charge-offs increased by $¥ 2.9$ billion, or $21.6 \%$. The increase in net charge-offs was primarily due to the increase in finance receivables and declines in used vehicle prices which reduced recoveries on repossessed collateral in North America. Impairment losses on operating leases due to early termination decreased by $¥ 1.4$ billion, or $29.8 \%$.

## Losses on Lease Residual Values

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

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

We also review our investment in operating leases for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. If impairment conditions are met, impairment losses are measured by the amount carrying values exceed their fair values. There were no events or circumstances that indicated that the carrying values of our operating leases would not be recoverable during the fiscal years ended March 31, 2012, 2013, and 2014.

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

If future auction values for all Honda and Acura vehicles in our North American operating lease portfolio as of March 31, 2014, were to decrease by approximately $¥ 10,000$ per unit from our present estimates, holding all other assumption constant, the total impact would be an increase in depreciation expense by approximately $¥ 4.6$ billion, which would be recognized over the remaining lease terms. Similarly, if future return rates for our existing portfolio of all Honda and Acura vehicles were to increase by one percentage point from our present estimates, the total impact would be an increase in depreciation expense by approximately $¥ 0.6$ billion, which would be recognized over the remaining lease terms. With the same prerequisites shown above, if future auction values in our North American direct financing lease portfolio were to decrease by approximately $¥ 10,000$ per unit from our present estimates, the total impact would be an increase in losses on lease residual values by approximately $¥ 0.1$ billion. And if future return rates were to increase by one percentage point from our present estimates, the total impact would be slight. Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions in fiscal 2014. Also, declines in auction values are likely to have a negative effect on return rates which could affect the sensitivities.

## Pension and Other Postretirement Benefits

We have various pension plans covering substantially all of our employees in Japan and certain employees in foreign countries. Benefit obligations and pension costs are based on assumptions of many factors, including the discount rate, the rate of salary increase and the expected long-term rate of return on plan assets. The discount rate is determined mainly based on the rates of high quality corporate bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans. The salary increase assumptions reflect our actual experience as well as near-term outlook. Honda determines the expected long-term rate of return based on the investment policies. Honda considers the eligible investment assets under investment policies, historical experience, expected long-term rate of return under the investing environment, and the long-term target allocations of the various asset categories. Our assumed discount rate and rate of salary increase as of March 31, 2014 were $1.5 \%$ and $2.2 \%$,

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respectively, and our assumed expected long-term rate of return for the year ended March 31, 2014 was 3.0\% for Japanese plans. Our assumed discount rate and rate of salary increase as of March 31, 2014 were $4.6 \sim 4.8 \%$ and $2.5 \sim 3.9 \%$, respectively, and our assumed expected long-term rate of return for fiscal 2014 was 6.0~7.4\% for foreign plans.

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

Actual results may differ from our assumptions, and the difference is
accumulated and amortized over future periods. Therefore, the difference generally will be reflected as our recognized expenses in future periods. We believe that the assumptions currently used are appropriate, however, differences in actual expenses or changes in assumptions could affect our pension costs and obligations, including our cash requirements to fund such obligations.

The following table shows the effect of a $0.5 \%$ change in the assumed discount rate and the expected long-term rate of return on our funded status, equity, and pension expense.

Japanese Plans

| Japanese Plans | Percentage point change (\%) | Yen (billions) |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Assumptions |  | Funded status | Equity | Pension expense |
| Discount rate | +0.5/-0.5 | -89.7/+100.8 | +59.5/-66.9 | -1.8/+2.3 |
| Expected long-term rate of return | +0.5/-0.5 | - | - | -4.2/+4.2 |

Foreign Plans

| Foreign Plans | Percentage point change (\%) |  |  | Yen (billions) |
| :---: | :---: | :---: | :---: | :---: |
| Assumptions |  | Funded status | Equity | Pension expense |
| Discount rate | +0.5/-0.5 | -61.0/+71.0 | +44.2/-52.0 | -4.4/+4.9 |
| Expected long-term rate of return | +0.5/-0.5 | - | - | -2.8/+2.8 |

*1 Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions at March 31, 2014.
*2 Funded status for fiscal 2014 is affected by March 31, 2014 assumptions.
Pension expense for fiscal 2014 is affected by March 31, 2013 assumptions.

## Income Taxes

Honda is subject to income tax examinations in many tax jurisdictions because Honda conducts its operations in various regions of the world. We recognize the tax benefit from an uncertain tax position based on the technical merits of the position when the position is more likely than not to be sustained upon examination.

Benefits from tax positions that meet the more likely than not recognition
threshold are measured at the largest amount of benefit that is greater than $50 \%$ likelihood of being realized upon ultimate resolution. We performed a comprehensive review of any uncertain tax positions

We believe our accounting for tax uncertainties is a "critical accounting estimate" because it requires us to evaluate and assess the probability of the outcome that could be realized upon ultimate resolution. Our estimates may change in the future due to new developments.

We believe that our estimates and assumptions of unrecognized tax benefits are reasonable, however, if our estimates of unrecognized tax benefits and potential tax benefits are not representative of actual outcomes, our consolidated financial statements could be materially affected in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution.

Due to the Company's remeasurement based on technical merits regarding transfer pricing matters of overseas transactions between the Company and foreign affiliates, the Company has decreased a portion of unrecognized tax benefits during the year ended March 31, 2014.

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## Quantitative and Qualitative Disclosure about Market Risk

 Honda is exposed to market risks, which are changes in foreign currency exchanges rates, in interest rates and in prices of marketable equity securities. Honda is a party to derivative financial instruments in the normal course of business in order to manage risks associated with changes in foreign currency exchange rates and in interest rates. Honda does not hold any derivative financial instruments for trading purposes.
## Foreign Currency Exchange Rate Risk

Foreign currency forward exchange contracts and purchased option contracts are used to hedge currency risk of sale commitments denominated in foreign currencies (principally U.S. dollars)

Foreign currency written option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts.

The following tables provide information about our derivatives related to foreign currency exchange rate risk as of March 31, 2013 and 2014. For forward exchange contracts and currency options, these tables present the contract amounts and fair value. All forward exchange contracts and currency contracts to which we are a party have original maturities within one year.

| Foreign Exchange Risk <br> Fiscal years ended March 31 | 2013 |  |  | 2014 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Yen (millions) |  | Yen | Yen (millions) |  | Yen |
|  | Contract amount | Fair value | Average contractual rate | Contract amount | Fair value | Average contractual rate |
| Forward Exchange Contracts |  |  |  |  |  |  |
| To sell US\$ | $¥ 390,548$ | $(33,197)$ | 85.72 | ¥ 98,260 | (225) | 103.00 |
| To sell EUR | 14,751 | $(2,311)$ | 99.80 | 3,289 | (6) | 141.37 |
| To sell CA\$ | 13 | 375 | 92.10 | 10 | - | 91.99 |
| To sell GBP | 6,230 | 17 | 143.55 | 1,593 | (17) | 169.53 |
| To sell other foreign currencies | 108,215 | $(14,318)$ | - | 25,373 | $(1,119)$ | - |
| To buy US\$ | 3,441 | 4 | 93.92 | 3,919 | 21 | 102.39 |
| To buy other foreign currencies | 7,656 | 100 | - | 2,489 | 31 | - |
| Cross-currencies | 216,905 | 1,441 | - | 371,801 | (69) | - |
| Total | $¥ 747,759$ | $(47,889)$ | - | $¥ 506,734$ | $(1,384)$ | - |
| Currency Option Contracts |  |  |  |  |  |  |
| Option purchased to sell US\$ | ¥ 2,020 | 33 | - | ¥ 1,861 | (11) | - |
| Option written to sell US\$ | 2,019 | (9) | - | 1,860 | 10 | - |
| Option purchased to sell other foreign currencies | 53 | 1 | - | - | - | - |
| Option written to sell other foreign currencies | 53 | - | - | - | - | - |
| Total | $¥ \quad 4,145$ | 25 | - | $¥ \quad 3,721$ | (1) | - |

## Interest Rate Risk

Honda is exposed to market risk for changes in interest rates related primarily to its debt obligations and finance receivables. In addition to short-term financing such as commercial paper, Honda has long-term debt with both fixed and floating rates. Our finance receivables are primarily fixed rate. Interest rate swap
agreements are mainly used to manage interest rate risk exposure and to convert floating rate financing to fixed rate financing (normally three-five years) in order to match financing costs with income from finance receivables. Foreign currency and interest rate swap agreements used among different currencies, also serve to hedge foreign currency exchange risk as well as interest rate risk.44 (2)

The following tables provide information about Honda's financial instruments that were sensitive to changes in interest rates at March 31, 2013 and 2014. For finance receivables and long-term debt, these tables present principal cash flows, fair value and related weighted average interest rates. For interest rate swaps and
currency and interest rate swaps, the table presents notional amounts, fair value and weighted average interest rates. Variable interest rates are determined using formulas such as LIBOR $+\alpha$ and an index.

## Interest Rate Risk

Finance Subsidiaries-Receivables
Fiscal years ended March 31

| Fiscal years ended March 31 | Yen (millions) |  |  | Expected maturity date |  |  |  |  |  |  |  | Yen (millions) | Average interest |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total |  | Fair value |  |  |  |  |  |  |  |  | Fair value |  |
|  |  |  | Total | Within 1 year | $\begin{array}{r} 1-2 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 2-3 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 3-4 \\ \text { years } \end{array}$ | $\begin{array}{r} 4-5 \\ \text { years } \end{array}$ | Thereafter | $\begin{array}{r} \text { rate } \\ (\%) \\ \hline \end{array}$ |  |  |
| Direct financing leases |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JP¥ | $\ddagger$ | 106,735 |  | - | $¥$ | 119,306 | 30,150 | 24,279 | 28,626 | 20,627 | 15,495 | 129 | - | 4.11 |
| Other |  | 341,937 | - |  | 303,630 | 84,685 | 91,847 | 77,264 | 36,722 | 13,112 | - | - | 2.27 |
| Total-Direct financing leases | $\ddagger$ | 448,672 | - | ¥ | 422,936 | 114,835 | 116,126 | 105,890 | 57,349 | 28,607 | 129 | - | - |


| Other finance subsidiaries-receivables |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| JP¥ | $¥ 542,165$ | 544,441 | $¥ 628,167$ | 172,864 | 146,967 | 124,724 | 93,550 | 60,716 | 29,346 | 611,136 | 3.61 |
| US\$ | 3,025,075 | 3,059,686 | 3,607,002 | 1,314,043 | 854,711 | 677,423 | 461,577 | 233,548 | 65,700 | 3,637,098 | 3.20 |
| Other | 730,185 | 722,206 | 940,967 | 390,809 | 307,445 | 112,589 | 73,018 | 33,715 | 23,391 | 927,330 | 6.68 |
| Total-Other finance subsidiaries-receivables | ¥4,297,425 | 4,326,333 | ¥5,176,136 | 1,877,716 | 1,309,123 | 914,736 | 628,145 | 327,979 | 118,437 | 5,175,564 | - |
| Total*2 | $¥ 4,746,097$ | - | $¥ 5,599,072$ | - | - | - | - | - | - | - |  |

*1 Under U.S. generally accepted accounting principles, disclosure of fair values of direct financing leases is not required.
*2 The finance subsidiaries-receivables include finance subsidiaries-receivables contained in trade accounts and notes receivable and other assets in the consolidated balance sheets.

| Long-Term Debt (including current portion) <br> Fiscal years ended March 31 | $\frac{2013}{\text { Yen (millions) }}$ |  | 2014 |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |  | Yen (millions) |  |
|  | Total | Fair value | Expected maturity date |  |  |  |  |  |  |  |  |
|  |  |  | Total | $\begin{aligned} & \text { Within } \\ & 1 \text { year } \end{aligned}$ | $\begin{array}{r} 1-2 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 2-3 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 3-4 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 4-5 \\ \text { years } \\ \hline \end{array}$ | Thereafter | $\begin{array}{r} \text { Fair } \\ \text { value } \end{array}$ | $\begin{array}{r} \text { rate } \\ \text { (\%) } \\ \hline \end{array}$ |
| Japanese yen bonds | $¥ 340,000$ | 342,627 | $¥ 450,000$ | 30,000 | 60,000 | 80,000 | 95,000 | 130,000 | 55,000 | 452,373 | 0.48 |
| Japanese yen medium-term notes (Fixed rate) | 42,923 | 43,445 | 36,378 | 5,982 | 27,405 | - | - | - | 2,991 | 36,924 | 0.73 |
| Japanese yen medium-term notes (Floating rate) | 5,490 | 5,488 | 1,994 | - | 1,994 | - | - | - | - | 1,995 | 0.22 |
| U.S. dollar medium-term notes (Fixed rate) | 942,086 | 994,988 | 1,062,127 | 221,278 | 202,745 | 231,570 | 128,650 | 174,964 | 102,920 | 1,101,604 | 2.45 |
| U.S. dollar medium-term notes (Floating rate) | 235,427 | 237,547 | 515,612 | 226,424 | 52,987 | 209,442 | 10,292 | 16,467 | - | 518,199 | 0.63 |
| Asset backed notes | 681,020 | 684,741 | 808,022 | 412,200 | 267,532 | 109,093 | 16,135 | 2,519 | 543 | 811,297 | 0.70 |
| Loans and others-primarily fixed rate | 1,408,945 | 1,419,185 | 1,663,397 | 407,580 | 350,799 | 495,091 | 140,927 | 136,780 | 132,220 | 1,675,351 | 1.99 |
| Total | $\ddagger 3,655,891$ | 3,728,021 | ¥4,537,530 | 1,303,464 | 963,462 | 1,125,196 | 391,004 | 460,730 | 293,674 | 4,597,743 | - |

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| Interest Rate Swaps <br> Fiscal years ended March 31 |  | 2013 |  |  |  |  |  |  |  |  |  | 2014 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Yen (millions) |  | Contract amount | Yen (millions) |  |  |  |  |  |  | Average receive rate (\%) | Average pay rate (\%) |
|  | Receive/Pay | Contract amount | Fair value |  | Expected maturity date |  |  |  |  |  |  |  |  |
| Notional principal currency |  |  |  |  | Within <br> 1 year | $\begin{array}{r} 1-2 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 2-3 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 3-4 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 4-5 \\ \text { years } \\ \hline \end{array}$ | Thereafter | $\begin{array}{r} \text { Fair } \\ \text { value } \end{array}$ |  |  |
|  | Float/Fix | $¥ 2,424,360$ | $(11,508)$ | ¥3,089,462 | 1,291,320 | 853,366 | 715,800 | 192,477 | 35,212 | 1,287 | $(3,662)$ | 0.24 | 0.73 |
|  | Fix/Float | 993,168 | 30,934 | 1,065,222 | 221,278 | 205,840 | 231,570 | 128,650 | 174,964 | 102,920 | 14,347 | 2.45 | 1.24 |
| CA\$ | Float/Fix | 493,374 | $(2,743)$ | 529,733 | 185,472 | 140,365 | 99,171 | 69,118 | 26,479 | 9,128 | $(1,810)$ | 1.32 | 1.85 |
|  | Fix/Float | 120,174 | 924 | 74,512 | - | - | - | 37,256 | 37,256 | - | 69 | 2.31 | 1.90 |
| GBP | Float/Fix | 32,213 | (94) | 50,108 | 33,834 | 11,135 | 5,139 | - | - | - | (17) | 0.52 | 0.71 |
| Total |  | $¥ 4,063,289$ | 17,513 | ¥4,809,037 | 1,731,904 | 1,210,706 | 1,051,680 | 427,501 | 273,911 | 113,335 | 8,927 | - | - |


| Currency \& Interest Rate Swaps |  |  |  | 2013 |  |  |  |  |  |  |  |  | 2014 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Fiscal years ended March 31 |  |  | Yen (millions) |  |  | Yen (millions) |  |  |  |  |  |  |  |  |
| Receiving side currency | Paying side currency | Receive/Pay | Contract amount | Fair value | Contract amount | Expected maturity date |  |  |  |  |  | Fair value | Average receive rate (\%) | Average pay rate$\qquad$ |
|  |  |  |  |  |  | Within <br> 1 year | $\begin{array}{r} 1-2 \\ \text { years } \\ \hline \end{array}$ | $\begin{array}{r} 2-3 \\ \text { years } \end{array}$ | $\begin{array}{r} 3-4 \\ \text { years } \end{array}$ | $\begin{array}{r} 4-5 \\ \text { years } \\ \hline \end{array}$ | Thereafter |  |  |  |
| JP¥ | US\$ | Fix/Float | ¥ 46,029 | $(2,704)$ | ¥ 44,074 | 6,854 | 34,328 | - | - | - | 2,892 | $(7,378)$ | 0.76 | 0.96 |
|  |  | Float/Float | 5,383 | 88 | 2,330 | - | 2,330 | - | - | - | - | (354) | 0.22 | 0.89 |
| Other | Other | Fix/Float | 253,922 | $(20,306)$ | 258,267 | 155,234 | - | - | - | - | 103,033 | 4,200 | 3.31 | 1.72 |
|  |  | Float/Fix | 31,920 | $(1,610)$ | 61,360 | 18,071 | 13,303 | 10,910 | 19,076 | - | - | 1,101 | 0.76 | 3.30 |
| Total |  |  | $\ddagger 337,254$ | $(24,532)$ | ¥366,031 | 180,159 | 49,961 | 10,910 | 19,076 | - | 105,925 | $(2,431)$ | - | - |

## Equity Price Risk

Honda is exposed to equity price risk as a result of its holdings of marketable equity securities. Marketable equity securities included in Honda's investment portfolio are held for purposes other than trading, and are reported at fair value, with unrealized gains or losses, net of deferred taxes, included in accumulated other comprehensive income (loss) in equity section of the consolidated balance sheets. At March 31, 2013 and 2014, the estimated fair values of marketable equity securities were $¥ 117.1$ billion and $¥ 138.4$ billion, respectively.

## Legal Proceedings

Various legal proceedings are pending against us. We believe that such proceedings constitute ordinary routine litigation incidental to our business. With respect to product liability, personal injury claims or lawsuits, we believe that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by our insurance and accrued liabilities. Punitive damages are claimed in certain of these lawsuits. We are also subject to potential liability under other various lawsuits and claims.

Honda recognizes an accrued liability for loss contingencies when it is probable that an obligation has been incurred and the amount of loss can be reasonably estimated. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recorded for these contingent liabilities, if necessary, by considering the nature of lawsuits and claims, the progress of the case and the opinions of legal counsel. After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position, results of operations or cash flows.

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## Consolidated Balance Sheets

March 31, 2013 and 2014

| Assets | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Current assets: |  |  |
| Cash and cash equivalents | $¥ 1,206,128$ | ¥ 1,168,914 |
| Trade accounts and notes receivable, net of allowance for doubtful accounts of $¥ 7,885$ million in 2013 and $¥ 9,677$ million in 2014 | 1,005,981 | 1,158,671 |
| Finance subsidiaries-receivables, net | 1,243,002 | 1,464,215 |
| Inventories | 1,215,421 | 1,302,895 |
| Deferred income taxes | 234,075 | 202,123 |
| Other current assets | 418,446 | 474,448 |
| Total current assets | 5,323,053 | 5,771,266 |
| Finance subsidiaries-receivables, net | 2,788,135 | 3,317,553 |
| Investments and advances: |  |  |
| Investments in and advances to affiliates | 459,110 | 564,266 |
| Other, including marketable equity securities | 209,680 | 253,661 |
| Total investments and advances | 668,790 | 817,927 |
| Property on operating leases: |  |  |
| Vehicles | 2,243,424 | 2,718,131 |
| Less accumulated depreciation | 400,292 | 481,410 |
| Net property on operating leases | 1,843,132 | 2,236,721 |
| Property, plant and equipment, at cost: |  |  |
| Land | 515,661 | 521,806 |
| Buildings | 1,686,638 | 1,895,140 |
| Machinery and equipment | 3,832,090 | 4,384,255 |
| Construction in progress | 288,073 | 339,093 |
|  | 6,322,462 | 7,140,294 |
| Less accumulated depreciation and amortization | 3,922,932 | 4,321,862 |
| Net property, plant and equipment | 2,399,530 | 2,818,432 |
| Other assets, net of allowance for doubtful accounts of $¥ 22,754$ million in 2013 and $¥ 22,100$ million in 2014 | 612,717 | 660,132 |
| Total assets | $¥ 13,635,357$ | ¥15,622,031 |


| Liabilities and Equity | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Current liabilities: |  |  |
| Short-term debt | ¥ 1,238,297 | ¥ 1,319,344 |
| Current portion of long-term debt | 945,046 | 1,303,464 |
| Trade payables: |  |  |
| Notes | 31,354 | 28,501 |
| Accounts | 956,660 | 1,071,179 |
| Accrued expenses | 593,570 | 626,503 |
| Income taxes payable | 48,454 | 43,085 |
| Other current liabilities | 275,623 | 319,253 |
| Total current liabilities | 4,089,004 | 4,711,329 |
| Long-term debt, excluding current portion | 2,710,845 | 3,234,066 |
| Other liabilities | 1,630,085 | 1,563,238 |
| Total liabilities | 8,429,934 | 9,508,633 |
| Equity: |  |  |
| Honda Motor Co., Ltd. shareholders' equity: |  |  |
| Common stock, authorized 7,086,000,000 shares; issued $1,811,428,430$ shares | 86,067 | 86,067 |
| Capital surplus | 171,117 | 171,117 |
| Legal reserves | 47,583 | 49,276 |
| Retained earnings | 6,001,649 | 6,431,682 |
| Accumulated other comprehensive income (loss), net | $(1,236,792)$ | $(793,014)$ |
| Treasury stock, at cost $9,131,140$ shares in 2013 and 9,137,234 shares in 2014 | $(26,124)$ | $(26,149)$ |
| Total Honda Motor Co., Ltd. shareholders' equity | 5,043,500 | 5,918,979 |
| Noncontrolling interests | 161,923 | 194,419 |
| Total equity | 5,205,423 | 6,113,398 |
| Commitments and contingent liabilities |  |  |
| Total liabilities and equity | $¥ 13,635,357$ | $¥ 15,622,031$ |47 ()

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## Consolidated Statements of Income

Fiscal years ended March 31, 2013 and 2014

|  |  | Yen (millions) |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Net sales and other operating revenue | $¥ 9,877,947$ | ¥11,842,451 |
| Operating costs and expenses: |  |  |
| Cost of sales | 7,345,162 | 8,761,083 |
| Selling, general and administrative | 1,427,705 | 1,696,957 |
| Research and development | 560,270 | 634,130 |
| Total operating costs and expenses | 9,333,137 | 11,092,170 |
| Operating income | 544,810 | 750,281 |
| Other income (expenses): |  |  |
| Interest income | 25,742 | 24,026 |
| Interest expense | $(12,157)$ | $(12,703)$ |
| Other, net | $(69,504)$ | $(32,664)$ |
| Total other income (expenses) | $(55,919)$ | $(21,341)$ |
| Income before income taxes and equity in income of affiliates | 488,891 | 728,940 |
| Income tax expense: |  |  |
| Current | 125,724 | 207,236 |
| Deferred | 53,252 | 45,426 |
| Total income tax expense | 178,976 | 252,662 |
| Income before equity in income of affiliates | 309,915 | 476,278 |
| Equity in income of affiliates | 82,723 | 132,471 |
| Net income | 392,638 | 608,749 |
| Less: Net income attributable to noncontrolling interests | 25,489 | 34,642 |
| Net income attributable to Honda Motor Co., Ltd. | $¥ 367,149$ | $¥ \quad 574,107$ |


|  |  |  |
| :--- | ---: | ---: |
|  |  |  |48

## Consolidated Statements of Comprehensive Income

Fiscal years ended March 31, 2013 and 2014

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Net income | $\ddagger 392,638$ | ¥ 608,749 |
| Other comprehensive income (loss), net of tax: |  |  |
| Adjustments from foreign currency translation | 430,812 | 333,659 |
| Unrealized gains (losses) on available-for-sale securities, net | 7,984 | 15,252 |
| Unrealized gains (losses) on derivative instruments, net | (52) | 237 |
| Pension and other postretirement benefits adjustments | $(15,297)$ | 107,718 |
| Other comprehensive income (loss), net of tax | 423,447 | 456,866 |
| Comprehensive income (loss) | 816,085 | 1,065,615 |
| Less: Comprehensive income attributable to noncontrolling interests | 39,650 | 47,730 |
| Comprehensive income (loss) attributable to Honda Motor Co., Ltd. | ¥776,435 | $¥ 1,017,885$ |

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## Consolidated Statements of Changes in Equity <br> Fiscal years ended March 31, 2013 and 2014

Yen (millions)


|  |  |  |  |  |  |  |  |  | Yen (millions) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Common stock | Capital surplus | $\begin{aligned} & \text { Legal } \\ & \text { reserves } \end{aligned}$ | Retained earnings |  | Treasury stock | Total Honda Motor Co., Ltd. shareholders' equity | Noncontrolling interests | Total equity |
| Balance at March 31, 2013 | $\ddagger 86,067$ | $\ddagger 171,117$ | $\ddagger 47,583$ | $¥ 6,001,649$ | $¥(1,236,792)$ | $¥(26,124)$ | $¥ 5,043,500$ | $¥ 161,923$ | $¥ 5,205,423$ |
| Transfer to legal reserves |  |  | 1,693 | $(1,693)$ |  |  | - |  | - |
| Dividends paid to Honda Motor Co., Ltd. shareholders |  |  |  | $(142,381)$ |  |  | $(142,381)$ |  | $(142,381)$ |
| Dividends paid to noncontrolling interests |  |  |  |  |  |  |  | $(9,677)$ | $(9,677)$ |
| Capital transactions and others |  |  |  |  |  |  |  | $(5,557)$ | $(5,557)$ |
| Comprehensive income (loss): |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  | 574,107 |  |  | 574,107 | 34,642 | 608,749 |
| Other comprehensive income (loss), net of tax |  |  |  |  | 443,778 |  | 443,778 | 13,088 | 456,866 |
| Total comprehensive income (loss) |  |  |  |  |  |  | 1,017,885 | 47,730 | 1,065,615 |
| Purchase of treasury stock |  |  |  |  |  | (26) | (26) |  | (26) |
| Reissuance of treasury stock |  |  |  |  |  | 1 | 1 |  | 1 |
| Balance at March 31, 2014 | ¥86,067 | ¥171,117 | ¥49,276 | $¥ 6,431,682$ | ¥ $(793,014)$ | $¥(26,149)$ | ¥5,918,979 | $¥ 194,419$ | $¥ 6,113,398$ |50 (3)

Consolidated Statements of Cash Flows
Fiscal years ended March 31, 2013 and 2014

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Cash flows from operating activities: |  |  |
| Net income | $\ddagger 392,638$ | ¥ 608,749 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |
| Depreciation excluding property on operating leases | 335,536 | 442,318 |
| Depreciation of property on operating leases | 254,933 | 352,402 |
| Deferred income taxes | 53,252 | 45,426 |
| Equity in income of affiliates | $(82,723)$ | $(132,471)$ |
| Dividends from affiliates | 84,705 | 98,955 |
| Provision for credit and lease residual losses on finance subsidiaries-receivables | 10,059 | 18,904 |
| Impairment loss on property on operating leases | 4,773 | 3,301 |
| Loss (gain) on derivative instruments, net | 35,027 | $(39,376)$ |
| Decrease (increase) in assets: |  |  |
| Trade accounts and notes receivable | $(90,495)$ | $(92,638)$ |
| Inventories | $(74,662)$ | $(2,901)$ |
| Other current assets | 2,019 | $(7,363)$ |
| Other assets | $(27,243)$ | $(59,816)$ |
| Increase (decrease) in liabilities: |  |  |
| Trade accounts and notes payable | $(95,192)$ | 70,988 |
| Accrued expenses | 52,021 | 49,718 |
| Income taxes payable | 21,764 | $(8,688)$ |
| Other current liabilities | $(4,489)$ | 31,404 |
| Other liabilities | $(4,384)$ | $(53,815)$ |
| Other, net | $(66,795)$ | $(95,906)$ |
| Net cash provided by operating activities | 800,744 | 1,229,191 |


|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Cash flows from investing activities: |  |  |
| Increase in investments and advances | $\ddagger(34,426)$ | ¥ (45,617) |
| Decrease in investments and advances | 19,850 | 58,243 |
| Payments for purchases of available-for-sale securities | $(5,642)$ | $(44,459)$ |
| Proceeds from sales of available-for-sale securities | 1,347 | 14,501 |
| Payments for purchases of held-to-maturity securities | $(5,186)$ | $(20,771)$ |
| Proceeds from redemptions of held-to-maturity securities | 17,005 | 3,358 |
| Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed | - | 9,129 |
| Proceeds from sales of investments in affiliates | - | 5,363 |
| Capital expenditures | $(626,879)$ | $(774,006)$ |
| Proceeds from sales of property, plant and equipment | 44,182 | 34,069 |
| Proceeds from insurance recoveries for damaged property, plant and equipment | 9,600 | 6,800 |
| Acquisitions of finance subsidiaries-receivables | $(1,951,802)$ | $(2,792,774)$ |
| Collections of finance subsidiaries-receivables | 1,833,669 | 2,354,029 |
| Purchases of operating lease assets | $(793,118)$ | $(1,127,840)$ |
| Proceeds from sales of operating lease assets | 418,086 | 611,317 |
| Other, net | 3,558 | (86) |
| Net cash used in investing activities | (1,069,756) | $(1,708,744)$ |
| Cash flows from financing activities: |  |  |
| Proceeds from short-term debt | 6,775,636 | 8,559,288 |
| Repayments of short-term debt | $(6,621,897)$ | $(8,563,616)$ |
| Proceeds from long-term debt | 1,101,469 | 1,588,826 |
| Repayments of long-term debt | $(970,702)$ | $(1,039,595)$ |
| Dividends paid | $(129,765)$ | $(142,381)$ |
| Dividends paid to noncontrolling interests | $(6,250)$ | $(9,677)$ |
| Sales (purchases) of treasury stock, net | (7) | (25) |
| Other, net | $(28,917)$ | $(22,265)$ |
| Net cash provided by (used in) financing activities | 119,567 | 370,555 |
| Effect of exchange rate changes on cash and cash equivalents | 108,460 | 71,784 |
| Net change in cash and cash equivalents | $(40,985)$ | $(37,214)$ |
| Cash and cash equivalents at beginning of year | 1,247,113 | 1,206,128 |
| Cash and cash equivalents at end of year | $¥ 1,206,128$ | $¥$ 1,168,914 |51 (2)

## Segment Information

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

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

| Segment | Principal products and services | Functions |
| :--- | :--- | :--- |
| Motorcycle Business | Motorcycles, all-terrain vehicles (ATVs), and relevant parts | Research \& Development / Manufacturing / <br> Sales and related services |
| Automobile Business | Automobiles and relevant parts | Research \& Development / Manufacturing <br> Sales and related services |
| Financial Services Business | Financial, insurance services | Retail loan and lease related to Honda products / |
| Power Product and Other Businesses | Power products and relevant parts, and others | Research \& Development / Manufacturing |

## Segment Information

As of and for the fiscal year ended March 31, 2013

|  |  |  |  |  | Yen (millions) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |
| External customers | $¥ 1,339,549$ | ¥7,709,216 | $¥ 548,506$ | $¥ 280,676$ | $¥$ 9,877,947 | $¥$ | $¥ 9,877,947$ |
| Intersegment | - | 14,374 | 11,750 | 10,994 | 37,118 | $(37,118)$ | - |
| Total | 1,339,549 | 7,723,590 | 560,256 | 291,670 | 9,915,065 | $(37,118)$ | 9,877,947 |
| Cost of sales, SG\&A and R\&D expenses | 1,229,316 | 7,437,599 | 402,098 | 301,242 | 9,370,255 | $(37,118)$ | 9,333,137 |
| Segment income (loss) | 110,233 | 285,991 | 158,158 | $(9,572)$ | 544,810 | - | 544,810 |
| Equity in income of affiliates | 25,606 | 56,361 | - | 756 | 82,723 | - | 82,723 |
| Segment assets | 1,095,357 | 5,759,126 | 6,765,322 | 309,149 | 13,928,954 | $(293,597)$ | 13,635,357 |
| Investments in affiliates | 85,039 | 352,317 | - | 20,020 | 457,376 | - | 457,376 |
| Depreciation and amortization | 34,665 | 290,522 | 256,166 | 9,116 | 590,469 | - | 590,469 |
| Capital expenditures | 73,513 | 540,625 | 794,869 | 14,519 | 1,423,526 | - | 1,423,526 |
| Impairment loss on long-lived assets | - | - | 4,773 | - | 4,773 | - | 4,773 |
| Provision for credit and lease residual losses on finance subsidiaries-receivables | - | - | 10,059 | - | 10,059 | - | 10,059 |

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Segment Information (continued)

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

|  |  |  |  |  |  |  | Yen (millions) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |
| External customers | ¥1,663,631 | ¥9,176,360 | ¥ 698,185 | ¥304,275 | ¥11,842,451 | $¥$ | ¥11,842,451 |
| Intersegment | - | 18,569 | 10,403 | 13,900 | 42,872 | $(42,872)$ | - |
| Total | 1,663,631 | 9,194,929 | 708,588 | 318,175 | 11,885,323 | $(42,872)$ | 11,842,451 |
| Cost of sales, SG\&A and R\&D expenses | 1,498,026 | 8,791,228 | 525,832 | 319,956 | 11,135,042 | $(42,872)$ | 11,092,170 |
| Segment income (loss) | 165,605 | 403,701 | 182,756 | $(1,781)$ | 750,281 | - | 750,281 |
| Equity in income of affiliates | 36,479 | 94,506 | - | 1,486 | 132,471 | - | 132,471 |
| Segment assets | 1,264,903 | 6,398,580 | 7,980,989 | 346,177 | 15,990,649 | $(368,618)$ | 15,622,031 |
| Investments in affiliates | 102,359 | 439,556 | - | 20,749 | 562,664 | - | 562,664 |
| Depreciation and amortization | 46,038 | 383,325 | 354,704 | 10,653 | 794,720 | - | 794,720 |
| Capital expenditures | 57,702 | 705,696 | 1,131,761 | 14,708 | 1,909,867 | - | 1,909,867 |
| Impairment loss on long-lived assets | - | - | 3,301 | - | 3,301 | - | 3,301 |
| Provision for credit and lease residual losses on finance subsidiaries—receivables | - | - | 18,904 | - | 18,904 | - | 18,904 |

on finance subsidiaries-receivables
-
18,904
18,904

1. Segment income (loss) of each segment is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses). Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable
2. Segment assets of each segment are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.
3. Intersegment sales and revenues are generally made at values that approximate arm's-length prices.
4. Unallocated corporate assets, included in reconciling items, amounted to $¥ 293,583$ million as of March 31,2013 and $¥ 294,819$ million as of March 31 , 2014, respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of intersegment transactions.
5. Depreciation and amortization of Financial services business include $¥ 254,933$ million for the year ended March 31,2013 and $¥ 352,402$ million for the year ended March 31 , 2014, respectively, of depreciation of property on operating leases.
6. Capital expenditures of Financial services business includes $¥ 793,118$ million for the year ended March 31,2013 and $¥ 1,127,840$ million for the year ended March 31,2014 , respectively, of purchases of operating lease assets
7. Liabilities accrued for warranties issued are $¥ 97,108$ million and $¥ 153,898$ million, for the years ended March 31,2013 and 2014, respectively. These are mainly included in Cost of sales, SG\&A and R\&D expenses of Automobile business.

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## External Sales and Other Operating Revenue by Product or Service Groups

As of and for the fiscal years ended March 31

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Motorcycles and relevant parts | $¥ 1,274,890$ | ¥ 1,582,901 |
| All-terrain vehicles (ATVs) and relevant parts | 64,659 | 80,730 |
| Automobiles and relevant parts | 7,709,216 | 9,176,360 |
| Financial, insurance services | 548,506 | 698,185 |
| Power products and relevant parts | 221,321 | 251,630 |
| Others | 59,355 | 52,645 |
| Total | $¥ 9,877,947$ | $¥ 11,842,451$ |

## Geographical Information

As of and for the fiscal year ended March 31, 2013
Yen (millions)

|  | Yen (millions) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Japan | United States | Other Countries | Total |
| Net sales and other operating revenue | ¥1,925,333 | $¥ 4,063,727$ | $\ddagger 3,888,887$ | $\ddagger 9,877,947$ |
| Long-lived assets | 1,167,236 | 2,380,885 | 802,697 | 4,350,818 |

As of and for the fiscal year ended March 31, 2014
Yen (millions)

|  |  |  |
| :--- | ---: | ---: |
|  |  |  |
|  | Yen (millions) |  |

The above information is based on the location of the Company and its subsidiaries.

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## Supplemental Geographical Information

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

Supplemental geographical information based on the location of the Company and its subsidiaries
As of and for the fiscal year ended March 31, 2013

|  | North |  |  | Asia | Other Regions | ReconcilingItems |  | Yen (millions) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Consolidated |  |  |  |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |  |
| External customers | $¥ 1,925,333$ | $¥ 4,612,361$ | 7536,856 |  | $¥ 1,926,434$ | ¥876,963 | $¥ 9,877,947$ | $¥$ | $¥ 9,877,947$ |
| Transfers between geographic areas | 1,968,179 | 244,741 | 105,254 | 379,213 | 19,504 | 2,716,891 | $(2,716,891)$ | - |
| Total | 3,893,512 | 4,857,102 | 642,110 | 2,305,647 | 896,467 | 12,594,838 | $(2,716,891)$ | 9,877,947 |
| Cost of sales, SG\&A and R\&D expenses | 3,715,084 | 4,648,184 | 641,650 | 2,158,889 | 860,773 | 12,024,580 | $(2,691,443)$ | 9,333,137 |
| Operating income (loss) | 178,428 | 208,918 | 460 | 146,758 | 35,694 | 570,258 | $(25,448)$ | 544,810 |
| Assets | 3,264,383 | 7,645,540 | 673,667 | 1,523,192 | 660,856 | 13,767,638 | $(132,281)$ | 13,635,357 |
| Long-lived assets | 1,167,236 | 2,481,097 | 124,088 | 434,827 | 143,570 | 4,350,818 | - | 4,350,818 |

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

|  |  |  |  |  | Other Regions | ReconcilingItems |  | Yen (millions) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Japan | North | Europe | Asia |  |  |  | Consolidated |
| Net sales and other operating revenue: |  |  |  |  |  |  |  |  |
| External customers | ¥2,216,735 | $¥ 5,595,981$ | ¥676,502 | ¥2,340,100 | ¥1,013,133 | ¥11,842,451 | ¥ | $¥ 11,842,451$ |
| Transfers between geographic areas | 1,975,544 | 374,018 | 98,766 | 486,823 | 12,368 | 2,947,519 | $(2,947,519)$ | - |
| Total | 4,192,279 | 5,969,999 | 775,268 | 2,826,923 | 1,025,501 | 14,789,970 | $(2,947,519)$ | 11,842,451 |
| Cost of sales, SG\&A and R\&D expenses | 3,978,185 | 5,679,094 | 792,393 | 2,609,023 | 980,600 | 14,039,295 | $(2,947,125)$ | 11,092,170 |
| Operating income (loss) | 214,094 | 290,905 | $(17,125)$ | 217,900 | 44,901 | 750,675 | (394) | 750,281 |
| Assets | 3,442,746 | 8,825,278 | 709,469 | 1,996,929 | 767,225 | 15,741,647 | $(119,616)$ | 15,622,031 |
| Long-lived assets | 1,280,071 | 3,025,095 | 133,061 | 588,413 | 171,429 | 5,198,069 | - | 5,198,069 |

Explanatory notes:

> 1. Major countries or regions in each geographic area:
> North America $\ldots \ldots \ldots \ldots$. United States, Canada, Mexico
> Europe $\ldots \ldots \ldots \ldots \ldots \ldots$ United Kingdom, Germany, France, Belgium, Russia
> Asia ................ Thailand, Indonesia, China, India, Vietnam
> Other Regions ......... Brazil, Australia
2. Operating income (loss) of each geographical region is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses).
3. Assets of each geographical region are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets.
4. Sales and revenues between geographic areas are generally made at values that approximate arm's-length prices
5. Unallocated corporate assets, included in reconciling items, amounted to $¥ 293,583$ million as of March 31,2013 and $¥ 294,819$ million as of March 31 , 2014, respectively, which consist primarily of cash and cash equivalents, available-for-sale securities and held-to-maturity securities held by the Company. Reconciling items also include elimination of transactions between geographic areas

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## Consolidated Balance Sheets

Divided into Non-Financial Services Businesses and Finance Subsidiaries
March 31, 2013 and 2014

|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Assets |  |  |
| Non-financial services businesses |  |  |
| Current Assets: | $¥ 4,014,300$ | ¥ 4,223,690 |
| Cash and cash equivalents | 1,180,029 | 1,148,611 |
| Trade accounts and notes receivable, net | 551,161 | 660,079 |
| Inventories | 1,215,421 | 1,302,895 |
| Other current assets | 1,067,689 | 1,112,105 |
| Investments and advances | 918,168 | 1,156,389 |
| Property, plant and equipment, net | 2,387,461 | 2,806,443 |
| Other assets | 399,355 | 403,998 |
| Total assets | 7,719,284 | 8,590,520 |
| Finance subsidiaries |  |  |
| Cash and cash equivalents | 26,099 | 20,303 |
| Finance subsidiaries-short-term receivables, net | 1,245,491 | 1,465,159 |
| Finance subsidiaries-long-term receivables, net | 2,818,654 | 3,319,362 |
| Net property on operating leases | 1,843,132 | 2,236,721 |
| Other assets | 831,946 | 939,444 |
| Total assets | 6,765,322 | 7,980,989 |
| Reconciling Items | $(849,249)$ | $(949,478)$ |
| Total assets | $¥ 13,635,357$ | $¥ 15,622,031$ |


|  | Yen (millions) |  |
| :---: | :---: | :---: |
|  | 2013 | 2014 |
| Liabilities and Equity |  |  |
| Non-financial services businesses |  |  |
| Current liabilities: | $¥ 2,170,981$ | ¥ 2,339,581 |
| Short-term debt | 343,085 | 278,106 |
| Current portion of long-term debt | 50,664 | 96,795 |
| Trade payables | 998,989 | 1,108,428 |
| Accrued expenses | 517,253 | 578,209 |
| Other current liabilities | 260,990 | 278,043 |
| Long-term debt, excluding current portion | 146,528 | 190,418 |
| Other liabilities | 994,905 | 851,715 |
| Total liabilities | 3,312,414 | 3,381,714 |
| Finance subsidiaries |  |  |
| Short-term debt | 1,397,870 | 1,566,865 |
| Current portion of long-term debt | 894,439 | 1,206,876 |
| Accrued expenses | 117,360 | 72,049 |
| Long-term debt, excluding current portion | 2,571,196 | 3,064,476 |
| Other liabilities | 716,385 | 829,043 |
| Total liabilities | 5,697,250 | 6,739,309 |
| Reconciling Items | $(579,730)$ | $(612,390)$ |
| Total liabilities | 8,429,934 | 9,508,633 |
| Honda Motor Co., Ltd. shareholders' equity | 5,043,500 | 5,918,979 |
| Noncontrolling interests | 161,923 | 194,419 |
| Total equity | 5,205,423 | 6,113,398 |
| Total liabilities and equity | ¥13,635,357 | $¥ 15,622,031$ |

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## Consolidated Statements of Cash Flows

Divided into Non-Financial Services Businesses and Finance Subsidiaries
Fiscal years ended March 31, 2013 and 2014


Notes: 1. Non-financial services businesses provide loans to finance subsidiaries. These cash flows are included in the decrease (increase) in investments and advances, proceeds from (repayment of) short-term debt, proceeds from long-term debt, and repayment of long-term debt (marked by *). The amount of the loans to finance subsidiaries is a JPY 21,218 million decrease for the fiscal year ended March 31, 2013, and a JPY 2,496 million increase for the fiscal year ended March 31, 2014, respectively.
2. Decrease (increase) in trade accounts and notes receivable for finance subsidiaries is due to the reclassification of finance subsidiaries-receivables which relate to sales of inventory in the unaudited consolidated statements of cash flows presented above.

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## Fiscal years ended March 31

|  |  |  |  |  |  |  |  |  |  |  | Yen (millions) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Sales, income and dividends |  |  |  |  |  |  |  |  |  |  |  |
| Net sales and other operating revenue | ¥8,162,600 | $78,650,105$ | ¥ 9,907,996 | $¥ 11,087,140$ | $¥ 12,002,834$ | ¥10,011,241 | $\ddagger 8,579,174$ | $¥ 8,936,867$ | $\nexists 7,948,095$ | $¥ 9,877,947$ | ¥11,842,451 |
| Operating income | 600,144 | 630,920 | 868,905 | 851,879 | 953,109 | 189,643 | 363,775 | 569,775 | 231,364 | 544,810 | 750,281 |
| Income before income taxes and equity in income of affiliates | 653,680 | 668,364 | 829,904 | 792,868 | 895,841 | 161,734 | 336,198 | 630,548 | 257,403 | 488,891 | 728,940 |
| Income taxes | 252,740 | 266,665 | 317,189 | 283,846 | 387,436 | 109,835 | 146,869 | 206,827 | 135,735 | 178,976 | 252,662 |
| Equity in income of affiliates | 75,151 | 96,057 | 99,605 | 103,417 | 118,942 | 99,034 | 93,282 | 139,756 | 100,406 | 82,723 | 132,471 |
| Net income attributable to noncontrolling interests | $(11,753)$ | $(11,559)$ | $(15,287)$ | $(20,117)$ | $(27,308)$ | $(13,928)$ | $(14,211)$ | $(29,389)$ | $(10,592)$ | $(25,489)$ | $(34,642)$ |
| Net income attributable to Honda Motor Co., Ltd. | 464,338 | 486,197 | 597,033 | 592,322 | 600,039 | 137,005 | 268,400 | 534,088 | 211,482 | 367,149 | 574,107 |
| Net income as a percentage of net sales | 5.7\% | 5.6\% | 6.0\% | 5.3\% | 5.0\% | 1.4\% | 3.1\% | 6.0\% | 2.7\% | 3.7\% | 4.8\% |
| Cash dividends paid during the period | 33,541 | 47,797 | 71,061 | 140,482 | 152,590 | 139,724 | 61,696 | 92,170 | 108,138 | 129,765 | 142,381 |
| Research and development | 448,967 | 467,754 | 510,385 | 551,847 | 587,959 | 563,197 | 463,354 | 487,591 | 519,818 | 560,270 | 634,130 |
| Interest expense | 10,194 | 11,655 | 11,902 | 12,912 | 16,623 | 22,543 | 12,552 | 8,474 | 10,378 | 12,157 | 12,703 |
| Assets, long-term debt and shareholders' equity |  |  |  |  |  |  |  |  |  |  |  |
| Total assets | $78,380,549$ | $79,368,236$ | $¥ 10,631,400$ | $¥ 12,036,500$ | $¥ 12,615,543$ | $¥ 11,818,917$ | $¥ 11,629,115$ | $¥ 11,577,714$ | $¥ 11,787,599$ | $¥ 13,635,357$ | ¥15,622,031 |
| Long-term debt | 1,394,612 | 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 |
| Total Honda Motor Co., Ltd. shareholders' equity | 2,874,400 | 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 |
| Capital expenditures (excluding purchase of operating lease assets) | 287,741 | 373,980 | 457,841 | 627,066 | 654,030 | 633,913 | 348,981 | 326,620 | 424,413 | 630,408 | 782,027 |
| Purchase of operating lease assets |  |  |  | 366,795 | 839,261 | 668,128 | 544,027 | 798,420 | 683,767 | 793,118 | 1,127,840 |
| Depreciation (excluding property on operating leases) | 213,445 | 225,752 | 262,225 | 361,747 | 417,393 | 441,868 | 401,743 | 377,272 | 345,105 | 335,536 | 442,318 |
| Depreciation of property on operating leases |  |  |  | 9,741 | 101,032 | 195,776 | 227,931 | 212,143 | 209,762 | 254,933 | 352,402 |

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Corporate Governance
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|  | 2004 |  | 2005 |  | 2006 |  | 2007 |  |  | 2008 |  |  | 2009 |  | 2010 |  | 2011 |  | 2012 |  | 2013 |  | 2014 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Per common share |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income attributable to Honda Motor Co., Ltd.: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $¥$ | 243.45 | $¥$ | 260.34 | $¥$ | 324.33 | $¥$ | $\ddagger$ | 324.62 | $¥$ | $\ddagger$ | 330.54 | $¥$ | 75.50 |  | 147.91 | $¥$ | ¥ 295.67 | $¥$ | 117.34 | $\ddagger$ | 203.71 | $¥$ |  |
| Diluted |  | 243.45 |  | 260.34 |  | 324.33 |  |  | 324.62 |  |  | 330.54 |  | 75.50 | $¥$ | 147.91 |  | 295.67 | $\neq$ | 117.34 | 203.71 |  | $318.54$ |  |
| Cash dividends paid during the period | 17.5 |  | 25.5 |  | 38.5 |  | 77 |  |  | 84 |  |  | 77 |  | 34 |  | 51 |  | 60 |  | 72 |  | 79 |  |
| Honda Motor Co., Ltd. shareholders' equity | 1,527.45 |  | 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 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Yen (millions) |  |
| Sales progress |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sales amounts:*1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Japan |  | ,628,493 | $71,699,205$ |  | $¥$ | 1,694,044 |  |  | 1,681,190 |  |  | 1,585,777 |  | $\neq 1,446,541$ |  | 1,577,318 | $¥$ | * 1,503,842 | $\ddagger$ | ¥ 1,517,927 | $¥$ | ¥ 1,652,995 | ¥ 1,912,504 |  |
|  |  | 20\% |  | 20\% |  | 17\% |  |  | 15\% |  |  | 13\% |  | 14\% |  | 18\% |  | 17\% | $19 \% \quad 17 \%$ |  |  |  |  |  |
| Overseas |  | 6,534,107 | 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 |  |
|  |  | 80\% | 80\% |  | 83\% |  | 85\% |  |  | 87\% |  |  | $86 \%$ |  | 82\% |  | 83\% |  | 81\% |  | 83\% |  | 84\% |  |
| Total |  | ,162,600 | ¥8,650,105 |  | $\ddagger$ 9,907,996 |  | $¥ 11,087,140$ |  |  | $¥ 12,002,834$ |  |  | $¥ 10,011,241$ |  | $¥$ | 8,579,174 | $\ddagger$ | 8,936,867 |  | $¥ 7,948,095$ | $\ddagger$ | $\ddagger 9,877,947$ | $¥ 11,842,451$ |  |
|  |  | 100\% | 100\% |  | 100\% |  | 100\% |  |  | 100\% |  |  | 100\% |  | 100\% |  | 100\% |  | 100\% |  | 100\% $\begin{array}{r}\text { Thousands } \\ \hline\end{array}$ |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Unit sales:*2 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Motorcycles |  | 9,206 | 10,482 |  | 10,271 |  | 10,369 |  |  | 9,320 |  |  | 10,114 |  | 9,639 |  | 18,331 |  | 15,061 |  | 15,494 |  | 17,021 |  |
| Automobiles |  | 2,983 | 3,242 |  | 3,391 |  | 3,652 |  |  | 3,925 |  |  | 3,517 |  | 3,392 |  | 3,529 |  | 3,108 |  | 4,014 |  | 4,323 <br> 6,036 |  |
| Power Products |  | 5,047 |  | 5,300 |  | 5,876 |  |  | 6,421 |  |  | 6,057 |  | 5,187 |  | 4,744 |  | 5,509 |  | 5,819 |  | 6,071 |  |  |
| Number of employees | 131,600 |  | 137,827 |  | 144,785 |  | 167,231 |  |  |  | 178,960 |  | 181,876 |  | 176,815 |  | 179,060 |  | 187,094 |  | 190,338 198,561 |  |  |  |
| Exchange rate (yen amounts per U.S. dollar) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rates for the period-end | $¥$ | 106 | $¥$ | 107 | ¥ | 117 | $¥$ |  | 118 | $¥$ |  | 100 | $¥$ | 98 | $¥$ | 93 | $¥$ | 83 | $¥$ | 82 | $¥$ | 94 | $¥$ | 03 |
| Average rates for the period |  | 113 |  | 108 |  | 113 |  |  | 117 |  |  | 114 |  | 101 |  | 93 |  | 86 |  | 79 |  | 83 |  | 100 |

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## Selected Quarterly Financial Data

Fiscal years ended March 31
Yen (millions except per share amounts)

|  | Yen (millions except per share amounts) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2013 |  |  |  | 2014 |  |  |  |
|  | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Net sales and other operating revenue | ¥2,435,909 | ¥2,271,286 | $¥ 2,425,792$ | $¥ 2,744,960$ | ¥2,834,095 | ¥2,890,221 | ¥3,020,889 | ¥3,097,246 |
| Operating income | 176,013 | 100,867 | 131,941 | 135,989 | 184,963 | 171,451 | 228,574 | 165,293 |
| Income before income taxes and equity in income of affiliates | 194,780 | 106,260 | 89,777 | 98,074 | 172,035 | 165,587 | 216,612 | 174,706 |
| Net income attributable to Honda Motor Co., Ltd. | 131,723 | 82,233 | 77,441 | 75,752 | 122,499 | 120,368 | 160,732 | 170,508 |
| Basic net income attributable to Honda Motor Co., Ltd. | $¥ \quad 73.09$ | $¥ 45.63$ | $¥ 42.97$ | $¥ 42.03$ | $¥ \quad 67.97$ | $¥ \quad 66.79$ | ¥ 89.18 | $¥ \quad 94.61$ |
| Tokyo Stock Exchange: (TSE) (in yen) |  |  |  |  |  |  |  |  |
| High | $¥ 3,250$ | ¥ 2,799 | $¥ 3,185$ | $¥ 3,830$ | ¥ 4,405 | ¥ 3,945 | $¥ \quad 4,385$ | ¥ 4,320 |
| Low | 2,354 | 2,339 | 2,294 | 3,100 | 3,350 | 3,490 | 3,680 | 3,431 |
| New York Stock Exchange: (NYSE) (in U.S. dollars) |  |  |  |  |  |  |  |  |
| High | \$ 38.96 | \$ 34.81 | \$ 37.00 | \$ 40.00 | \$ 42.13 | \$ 39.86 | \$ 42.96 | \$ 41.38 |
| Low | 30.30 | 28.50 | 29.26 | 36.18 | 35.15 | 35.86 | 37.71 | 34.24 | Return to last

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## Investor Relations Information

(As of March 31, 2014)

## Honda Motor Co., Ltd.

## Company Information

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



Corporate Web Site
http://world.honda.com

$\square$ IR Web Site
http://world.honda.com/investors/

## Stock Information

Securities Code 7267
Number of Shares 7,086,000,000 shares
Authorized
Total Number of $1,811,428,430$ shares
Shares Issued
Number of
215,555
Shareholders
Number of Shares 100 shares
per Trading Unit
Stock Exchange
Listings
General Meeting
of Shareholders
Record Dates
for Dividends

Japan: Tokyo stock exchanges Overseas: New York stock exchanges June

June $30 \quad$ 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)
$\square$ 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

## Depositary and Transfer Agent

for American Depositary Receipts

## JPMorgan Chase Bank, N.A.

1 Chase Manhattan Plaza, Floor 58,
New York, NY 10005, 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
Ratio: $1 \mathrm{ADR}=1$ 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. Go to
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## Investor Relations Information

(As of March 31, 2014)

## Major Shareholders

|  | Number of <br> shares held <br> (thousands) | Percentage of total <br> shares outstanding <br> (\%) |
| :--- | ---: | ---: |
| Individual or Organization | 117,059 | 6.5 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 85,359 | 4.7 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 55,964 | 3.1 |
| Moxley \& Co. LLC | 51,199 | 2.8 |
| Meiji Yasuda Life Insurance Company | 42,553 | 2.4 |
| Tokio Marine \& Nichido Fire Insurance Co., Ltd. | 40,472 | 2.2 |
| State Street Bank and Trust Company 505223 | 37,288 | 2.1 |
| JPMorgan Chase Bank 380072 | 36,686 | 2.0 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 30,883 | 1.7 |
| Nippon Life Insurance Company | 25,739 | 1.4 |
| Mitsui Sumitomo Insurance Company, Ltd. |  | 1.4 |

## Breakdown of Shareholders by Type



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




[^0]:    * Shareholders' equity ratio: Honda Motor Co., Ltd. Shareholders' equity / Total assets.

[^1]:    . Tonda had commitments for purchases of property, plant and equipment as of March 31, 2014

[^2]:    * Honda adjusts the amounts for the fiscal year ended March 31, 2013.

[^3]:    *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
    2004-2010: 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 2011-2014: 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)

