

HONDA MOTOR CO LTD
Form 6-K
December 01, 2014
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF NOVEMBER 2014

COMMISSION FILE NUMBER: 1-07628

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(Name of registrant)

HONDA MOTOR CO., LTD.

(Translation of registrant's name into English)

1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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Exhibit 1:

On November 7, 2014, Honda Motor Co., Ltd. filed its consolidated financial statements for the fiscal second quarter ended September 30, 2014 with Financial Services Agency in Japan.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(HONDA MOTOR CO., LTD.)

/s/ Hideo Moroe
Hideo Moroe
General Manager
Finance Division
Honda Motor Co., Ltd.

Date: December 01, 2014

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2014

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2014 and September 30, 2014

| Assets | Yen (millions) | |
|---|--------------------------------|---------------------------------------|
| | March 31, 2014 unaudited | September 30, 2014 unaudited |
| Current assets: | | |
| Cash and cash equivalents | ¥ 1,168,914 | ¥ 1,162,705 |
| Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥9,677 million as of March 31, 2014 and ¥8,737 million as of September 30, 2014 (note 3) | 1,158,671 | 1,061,633 |
| Finance subsidiaries-receivables, net (notes 2 and 3) | 1,464,215 | 1,575,834 |
| Inventories (note 4) | 1,302,895 | 1,384,676 |
| Deferred income taxes | 202,123 | 194,330 |
| Other current assets (notes 3, 5 and 9) | 474,448 | 490,778 |
| Total current assets | 5,771,266 | 5,869,956 |
| Finance subsidiaries-receivables, net (notes 2 and 3) | 3,317,553 | 3,491,702 |
| Investments and advances: | | |
| Investments in and advances to affiliates | 564,266 | 603,479 |
| Other, including marketable equity securities (notes 3 and 5) | 253,661 | 277,765 |
| Total investments and advances | 817,927 | 881,244 |
| Property on operating leases: | | |
| Vehicles | 2,718,131 | 3,135,087 |
| Less accumulated depreciation | 481,410 | 534,347 |
| Net property on operating leases | 2,236,721 | 2,600,740 |
| Property, plant and equipment, at cost: | | |
| Land | 521,806 | 530,421 |
| Buildings | 1,895,140 | 1,994,837 |
| Machinery and equipment | 4,384,255 | 4,613,056 |
| Construction in progress | 339,093 | 354,286 |
| | 7,140,294 | 7,492,600 |
| Less accumulated depreciation and amortization | 4,321,862 | 4,539,706 |
| Net property, plant and equipment | 2,818,432 | 2,952,894 |
| Other assets, net of allowance for doubtful accounts of ¥22,100 million as of March 31, 2014 and ¥21,896 million as of September 30, 2014 (notes 3 and 9) | 660,132 | 676,022 |
| Total assets | ¥ 15,622,031 | ¥ 16,472,558 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2014 and September 30, 2014

| Liabilities and Equity | Yen (millions) | |
|--|--------------------------------|---------------------------------------|
| | March 31, 2014 unaudited | September 30, 2014 unaudited |
| Current liabilities: | | |
| Short-term debt | ¥ 1,319,344 | ¥ 1,560,838 |
| Current portion of long-term debt | 1,303,464 | 1,325,411 |
| Trade payables: | | |
| Notes | 28,501 | 27,809 |
| Accounts | 1,071,179 | 1,047,031 |
| Accrued expenses (note 10) | 626,503 | 613,964 |
| Income taxes payable | 43,085 | 48,504 |
| Other current liabilities (note 9) | 319,253 | 340,476 |
| Total current liabilities | 4,711,329 | 4,964,033 |
| Long-term debt, excluding current portion | 3,234,066 | 3,398,044 |
| Other liabilities (note 10) | 1,563,238 | 1,593,710 |
| Total liabilities | 9,508,633 | 9,955,787 |
| Equity: | | |
| Honda Motor Co., Ltd. shareholders' equity: | | |
| Common stock, authorized 7,086,000,000 shares as of March 31, 2014 and as of September 30, 2014; issued 1,811,428,430 shares as of March 31, 2014 and as of September 30, 2014 | 86,067 | 86,067 |
| Capital surplus | 171,117 | 171,117 |
| Legal reserves | 49,276 | 50,964 |
| Retained earnings (note 11(a)) | 6,431,682 | 6,639,104 |
| Accumulated other comprehensive income (loss), net (notes 5, 7 and 9) | (793,014) | (608,583) |
| Treasury stock, at cost 9,137,234 shares as of March 31, 2014 and 9,139,220 shares as of September 30, 2014 | (26,149) | (26,156) |
| Total Honda Motor Co., Ltd. shareholders' equity | 5,918,979 | 6,312,513 |
| Noncontrolling interests | 194,419 | 204,258 |
| Total equity | 6,113,398 | 6,516,771 |
| Commitments and contingent liabilities (note 10) | | |
| Total liabilities and equity | ¥ 15,622,031 | ¥ 16,472,558 |

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2013 and 2014

| | Yen (millions) | |
|---|------------------------------------|------------------------------------|
| | September 30, 2013 unaudited | September 30, 2014 unaudited |
| Net income | ¥ 260,806 | ¥ 307,877 |
| Other comprehensive income (loss), net of tax: | | |
| Adjustments from foreign currency translation | 165,750 | 180,781 |
| Unrealized gains (losses) on available-for-sale securities, net | 18,450 | 9,979 |
| Unrealized gains (losses) on derivative instruments, net | 346 | |
| Pension and other postretirement benefits adjustments (note 6) | 81,394 | (104) |
| Other comprehensive income (loss), net of tax (note 7) | 265,940 | 190,656 |
| Comprehensive income (loss) | 526,746 | 498,533 |
| Less: Comprehensive income attributable to noncontrolling interests | 23,139 | 25,692 |
| Comprehensive income (loss) attributable to Honda Motor Co., Ltd. | ¥ 503,607 | ¥ 472,841 |

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended September 30, 2013 and 2014

| | Yen (millions) | |
|---|------------------------------------|------------------------------------|
| | September 30, 2013 unaudited | September 30, 2014 unaudited |
| Net income | ¥ 127,843 | ¥ 152,272 |
| Other comprehensive income (loss), net of tax: | | |
| Adjustments from foreign currency translation | (23,796) | 236,107 |
| Unrealized gains (losses) on available-for-sale securities, net | 9,756 | 1,695 |
| Unrealized gains (losses) on derivative instruments, net | (241) | |
| Pension and other postretirement benefits adjustments (note 6) | 78,709 | 4,622 |
| Other comprehensive income (loss), net of tax (note 7) | 64,428 | 242,424 |
| Comprehensive income (loss) | 192,271 | 394,696 |
| Less: Comprehensive income attributable to noncontrolling interests | 4,164 | 20,540 |
| Comprehensive income (loss) attributable to Honda Motor Co., Ltd. | ¥ 188,107 | ¥ 374,156 |

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended September 30, 2013 and 2014

| | Yen (millions) | |
|--|------------------------------------|------------------------------------|
| | September 30, 2013 unaudited | September 30, 2014 unaudited |
| Cash flows from operating activities: | | |
| Net income | ¥ 260,806 | ¥ 307,877 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation excluding property on operating leases | 216,736 | 235,389 |
| Depreciation of property on operating leases | 164,334 | 195,580 |
| Deferred income taxes | 37,261 | (6,004) |
| Equity in income of affiliates | (63,453) | (61,339) |
| Dividends from affiliates | 8,060 | 19,743 |
| Provision for credit and lease residual losses on finance subsidiaries-receivables | 10,341 | 8,273 |
| Impairment loss on property on operating leases | 1,322 | 1,887 |
| Loss (gain) on derivative instruments, net | (39,142) | (2,959) |
| Decrease (increase) in assets: | | |
| Trade accounts and notes receivable | 99,663 | 117,890 |
| Inventories | 39,676 | (44,031) |
| Other current assets | 22,522 | 3,199 |
| Other assets | (7,883) | (26,220) |
| Increase (decrease) in liabilities: | | |
| Trade accounts and notes payable | (1,393) | (24,587) |
| Accrued expenses | (16,923) | (19,663) |
| Income taxes payable | (15,829) | 3,523 |
| Other current liabilities | 27,696 | 5,988 |
| Other liabilities | (6,138) | (2,332) |
| Other, net | (66,154) | (54,850) |
| Net cash provided by operating activities | 671,502 | 657,364 |
| Cash flows from investing activities: | | |
| Increase in investments and advances | (23,411) | (16,424) |
| Decrease in investments and advances | 25,214 | 16,131 |
| Payments for purchases of available-for-sale securities | (27,590) | (11,806) |
| Proceeds from sales of available-for-sale securities | 4,085 | 9,608 |
| Payments for purchases of held-to-maturity securities | (58) | (18,443) |
| Proceeds from redemptions of held-to-maturity securities | 1,753 | 20,862 |
| Capital expenditures | (355,990) | (350,158) |
| Proceeds from sales of property, plant and equipment | 14,588 | 28,098 |
| Proceeds from insurance recoveries for damaged property, plant and equipment | 6,800 | |
| Acquisitions of finance subsidiaries-receivables | (1,582,865) | (1,287,722) |
| Collections of finance subsidiaries-receivables | 1,219,326 | 1,269,162 |
| Purchases of operating lease assets | (582,206) | (723,222) |
| Proceeds from sales of operating lease assets | 310,900 | 334,421 |
| Other, net | | 328 |
| Net cash used in investing activities | (989,454) | (729,165) |
| Cash flows from financing activities: | | |
| Proceeds from short-term debt | 4,307,274 | 3,849,955 |

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| | | |
|--|-------------|-------------|
| Repayments of short-term debt | (4,133,849) | (3,680,867) |
| Proceeds from long-term debt | 821,199 | 607,425 |
| Repayments of long-term debt | (688,583) | (625,855) |
| Dividends paid (note 11(a)) | (70,289) | (79,300) |
| Dividends paid to noncontrolling interests | (8,467) | (13,070) |
| Sales (purchases) of treasury stock, net | (10) | (7) |
| Other, net | (17,581) | (24,303) |
| Net cash provided by financing activities | 209,694 | 33,978 |
| Effect of exchange rate changes on cash and cash equivalents | 34,413 | 31,614 |
| Net change in cash and cash equivalents | (73,845) | (6,209) |
| Cash and cash equivalents at beginning of period | 1,206,128 | 1,168,914 |
| Cash and cash equivalents at end of period | ¥ 1,132,283 | ¥ 1,162,705 |

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) General and Summary of Significant Accounting Policies

(a) Financial Statements

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

(b) Basis of Presenting Consolidated Financial Statements

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

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

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

Honda computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the six months ended September 30, 2014. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

(d) Impairment Loss on Investments in Affiliates

For the three months ended September 30, 2014, Honda recognized impairment loss of ¥15,901 million on certain investments in affiliates which have quoted market values because of other-than-temporary decline in fair value below their carrying values. The fair values of the investments were based on quoted market price. The impairment loss is included in equity in income of affiliates in the accompanying consolidated statement of income.

(2) Allowances for Finance Subsidiaries-receivables

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| | Yen (millions) | |
|---|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Finance subsidiaries-receivables | | |
| Allowance for credit losses | ¥ 21,559 | ¥ 22,817 |
| Allowance for losses on lease residual values | 2,131 | 1,820 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Finance subsidiaries-receivables, net, consisted of the following at March 31, 2014 and September 30, 2014:

| | Yen (millions) | |
|---|--------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Retail | ¥ 4,678,741 | ¥ 4,963,557 |
| Direct financing lease | 422,936 | 439,740 |
| Wholesale flooring | 434,219 | 376,166 |
| Commercial loans | 63,176 | 75,629 |
| Total finance receivables | 5,599,072 | 5,855,092 |
| Less: | | |
| Allowance for credit losses | 24,851 | 26,197 |
| Allowance for losses on lease residual values | 2,131 | 1,820 |
| Unearned interest income and fees | 38,093 | 39,909 |
| | 5,533,997 | 5,787,166 |
| Less: | | |
| Finance receivables included in trade accounts and notes receivables, net | 498,230 | 453,591 |
| Finance receivables included in other assets, net | 253,999 | 266,039 |
| Finance subsidiaries-receivables, net | 4,781,768 | 5,067,536 |
| Less current portion | 1,464,215 | 1,575,834 |
| Noncurrent finance subsidiaries-receivables, net | ¥ 3,317,553 | ¥ 3,491,702 |

Allowance for credit losses

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

Consumer finance receivables are collectively evaluated for impairment. Delinquencies and losses are continuously monitored and this historical experience provides the primary basis for estimating the allowance. Various methodologies are utilized when estimating the allowance for credit losses including models that incorporate vintage loss and delinquency migration analysis. The models take into consideration attributes of the

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portfolio including loan-to-value ratios, internal and external credit scores, and collateral types. Economic factors such as used vehicle prices, unemployment rates, and consumer debt service burdens are also incorporated when estimating losses.

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

The following tables present the changes in the allowance for credit losses on finance receivables for the six months ended September 30, 2013 and 2014.

For the six months ended September 30, 2013

| | Yen (millions) | | | |
|---|----------------|------------------------------|-----------|----------|
| | Retail | Direct financing lease | Wholesale | Total |
| Balance at beginning of period | ¥ 17,643 | ¥ 789 | ¥ 1,284 | ¥ 19,716 |
| Provision | 9,048 | 232 | 202 | 9,482 |
| Charge-offs | (12,231) | (302) | (78) | (12,611) |
| Recoveries | 4,470 | 51 | 10 | 4,531 |
| Adjustments from foreign currency translation | 678 | 18 | 110 | 806 |
| Balance at end of period | ¥ 19,608 | ¥ 788 | ¥ 1,528 | ¥ 21,924 |

For the six months ended September 30, 2014

| | Yen (millions) | | | |
|---|----------------|------------------------------|-----------|----------|
| | Retail | Direct financing lease | Wholesale | Total |
| Balance at beginning of period | ¥ 21,637 | ¥ 636 | ¥ 2,578 | ¥ 24,851 |
| Provision | 8,129 | 216 | 169 | 8,514 |
| Charge-offs | (13,148) | (300) | (121) | (13,569) |
| Recoveries | 5,332 | 58 | 56 | 5,446 |
| Adjustments from foreign currency translation | 883 | 16 | 56 | 955 |
| Balance at end of period | ¥ 22,833 | ¥ 626 | ¥ 2,738 | ¥ 26,197 |

In the finance subsidiaries of the Company in North America, retail and direct financing lease receivables are charged off when they become 120 days past due or earlier if they have been specifically identified as uncollectible. Wholesale receivables are charged off when they have been individually identified as uncollectible. In the finance subsidiaries of the Company in other areas except for North America, finance receivables are charged off when they have been identified as substantially uncollectible according to the internal standards of each subsidiary.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Delinquencies

In the finance subsidiaries of the Company in North America, retail and direct financing lease receivables are considered delinquent if more than 10% of a monthly scheduled payment is contractually past due on a cumulative basis. Wholesale receivables are considered delinquent when any principal payments are past due. In the finance subsidiaries of the Company in other areas except for North America, finance receivables are considered delinquent when any principal payments are past due.

The following tables present the age analysis of past due finance receivables at March 31, 2014 and September 30, 2014.

As of March 31, 2014

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

As of September 30, 2014

| | Yen (millions) | | | | | Current* | Total finance receivables |
|-----------------------|---------------------|---------------------|------------------------------|----------------|-------------|-------------|---------------------------|
| | 30-59 days past due | 60-89 days past due | 90 days and greater past due | Total past due | | | |
| Retail | | | | | | | |
| New auto | ¥ 19,450 | ¥ 3,344 | ¥ 2,763 | ¥ 25,557 | ¥ 4,307,538 | ¥ 4,333,095 | |
| Used & certified auto | 7,007 | 1,222 | 466 | 8,695 | 424,489 | 433,184 | |

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| | | | | | | |
|---------------------------|----------|---------|---------|----------|-------------|-------------|
| Others | 1,549 | 683 | 1,958 | 4,190 | 193,088 | 197,278 |
| Total retail | 28,006 | 5,249 | 5,187 | 38,442 | 4,925,115 | 4,963,557 |
| Direct financing lease | 1,044 | 260 | 349 | 1,653 | 438,087 | 439,740 |
| Wholesale | | | | | | |
| Wholesale flooring | 212 | 233 | 944 | 1,389 | 374,777 | 376,166 |
| Commercial loans | | | 110 | 110 | 75,519 | 75,629 |
| Total wholesale | 212 | 233 | 1,054 | 1,499 | 450,296 | 451,795 |
| Total finance receivables | ¥ 29,262 | ¥ 5,742 | ¥ 6,590 | ¥ 41,594 | ¥ 5,813,498 | ¥ 5,855,092 |

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Credit quality indicators

The collection experience of consumer finance receivables provides an indication of the credit quality of consumer finance receivables. The likelihood of accounts charging off becomes significantly higher once an account becomes 60 days delinquent. The table below segments the Company's portfolio of consumer finance receivables between groups the Company considers to be performing and nonperforming. Accounts that are delinquent for 60 days or greater are included in the nonperforming group and all other accounts are considered to be performing.

The following tables present the balances of consumer finance receivables by this credit quality indicator at March 31, 2014 and September 30, 2014.

As of March 31, 2014

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

As of September 30, 2014

| | Yen (millions) | | Total consumer finance receivables |
|------------------------|----------------|---------------|--|
| | Performing | Nonperforming | |
| Retail | | | |
| New auto | ¥ 4,326,988 | ¥ 6,107 | ¥ 4,333,095 |
| Used & certified auto | 431,496 | 1,688 | 433,184 |
| Others | 194,637 | 2,641 | 197,278 |
| Total retail | 4,953,121 | 10,436 | 4,963,557 |
| Direct financing lease | 439,131 | 609 | 439,740 |

| | | | | | |
|-------|-------------|---|--------|---|-----------|
| Total | ¥ 5,392,252 | ¥ | 11,045 | ¥ | 5,403,297 |
|-------|-------------|---|--------|---|-----------|

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

A credit quality indicator for wholesale receivables is the internal risk ratings for the dealerships. Dealerships are assigned an internal risk rating based primarily on their financial condition. At a minimum, risk ratings for dealerships are updated annually and more frequently for dealerships with weaker risk ratings. The table below presents outstanding wholesale receivables balances by the internal risk rating group. Group A includes the loans of dealerships with the highest credit quality characteristics in the strongest risk rating tier. Group B includes the loans of all remaining dealers and are considered to have weaker credit quality characteristics. Although the likelihood of losses can be higher for dealerships in Group B, the overall risk of losses is not considered to be significant.

The following tables present the balances of wholesale receivables by this credit quality indicator at March 31, 2014 and September 30, 2014.

As of March 31, 2014

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

As of September 30, 2014

| | Yen (millions) | | Total |
|--------------------|----------------|-----------|-----------|
| | Group A | Group B | |
| Wholesale | | | |
| Wholesale flooring | ¥ 216,845 | ¥ 159,321 | ¥ 376,166 |
| Commercial loans | 46,496 | 29,133 | 75,629 |
| Total | ¥ 263,341 | ¥ 188,454 | ¥ 451,795 |

Other finance receivables

Except for the finance subsidiaries-receivables, the other finance receivables about which credit quality information and the allowance for credit losses are required to be disclosed of ¥29,605 million and ¥25,123 million are included in other current assets, investments and advances-other and other assets in the consolidated balance sheets at March 31, 2014 and September 30, 2014, respectively. Honda estimates, individually, the collectibility of the other finance receivables based on the financial condition of the debtor. The impaired finance receivables amounted to ¥20,094 million and ¥20,082 million at March 31, 2014 and September 30, 2014, respectively, for which the allowance for credit losses were ¥19,996 million and ¥19,984 million at March 31, 2014 and September 30, 2014, respectively.

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Inventories

Inventories at March 31, 2014 and September 30, 2014 are summarized as follows:

| | Yen (millions) | |
|-----------------|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Finished goods | ¥ 759,099 | ¥ 807,546 |
| Work in process | 69,731 | 77,267 |
| Raw materials | 474,065 | 499,863 |
| Total | ¥ 1,302,895 | ¥ 1,384,676 |

(5) Investments and Advances-Other

Investments and advances at March 31, 2014 and September 30, 2014 consist of the following:

| | Yen (millions) | |
|---------------------------|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Current: | | |
| Corporate debt securities | ¥ 11,050 | ¥ 11,625 |
| Government bonds | 2,000 | |
| Local bonds | 6,620 | 5,242 |
| Advances | 1,028 | 1,476 |
| Certificates of deposit | 1,558 | 3,558 |
| Other | 15,012 | 16,031 |
| Total | ¥ 37,268 | ¥ 37,932 |

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

| | Yen (millions) | |
|------------------------------|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Noncurrent: | | |
| Auction rate securities | ¥ 6,999 | ¥ 7,443 |
| Marketable equity securities | 138,476 | 160,051 |
| Corporate debt securities | 8,542 | 8,647 |
| Local bonds | 15,850 | 17,950 |

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| | | |
|--|------------------|------------------|
| U.S. government agency debt securities | 5,455 | 5,910 |
| Non-marketable equity securities accounted for under the cost method | | |
| Non-marketable preferred stocks | 969 | 969 |
| Other | 10,316 | 7,735 |
| Guaranty deposits | 18,742 | 18,248 |
| Advances | 1,998 | 1,891 |
| Other | 46,314 | 48,921 |
| Total | ¥ 253,661 | ¥ 277,765 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Certain information with respect to available-for-sale securities and held-to-maturity securities at March 31, 2014 and September 30, 2014 are summarized below:

| | Yen (millions) | |
|-------------------------|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Available-for-sale: | | |
| Cost | ¥ 84,820 | ¥ 89,426 |
| Fair value | 185,960 | 212,277 |
| Gross unrealized gains | 101,917 | 123,873 |
| Gross unrealized losses | 777 | 1,022 |
| Held-to-maturity: | | |
| Amortized cost | ¥ 34,650 | ¥ 33,818 |
| Fair value | 34,667 | 33,819 |
| Gross unrealized gains | 17 | 1 |
| Gross unrealized losses | | |

Maturities of debt securities classified as available-for-sale at September 30, 2014 are as follows:

| | Yen (millions) |
|--|-------------------|
| Due within one year | ¥ 2,627 |
| Due after one year through five years | 15,104 |
| Due after five years through ten years | 8,756 |
| Due after ten years | 15,761 |
| Total | ¥ 42,248 |

Maturities of debt securities classified as held-to-maturity at September 30, 2014 are as follows:

| | Yen (millions) |
|--|-------------------|
| Due within one year | ¥ 20,824 |
| Due after one year through five years | 523 |
| Due after five years through ten years | 11,640 |
| Due after ten years | 831 |
| Total | ¥ 33,818 |

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There were no significant realized gains and losses from available-for-sale securities included in other income (expenses) other, net for the six months and the three months ended September 30, 2013 and 2014.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Gross unrealized losses on available-for-sale securities and fair value of the related securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at March 31, 2014 and September 30, 2014 are as follows:

| | Yen (millions) | | | |
|---------------------|-----------------|-------------------|--------------------|-------------------|
| | March 31, 2014 | | September 30, 2014 | |
| | Fair value | Unrealized losses | Fair value | Unrealized losses |
| Less than 12 months | ¥ 8,877 | ¥ 224 | ¥ 16,911 | ¥ 487 |
| 12 months or longer | 7,351 | 553 | 7,801 | 535 |
| Total | ¥ 16,228 | ¥ 777 | ¥ 24,712 | ¥ 1,022 |

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

There were no held-to-maturity securities in a loss position at March 31, 2014 and September 30, 2014.

(6) Pension and Other Postretirement Benefits

In September 2013, certain consolidated subsidiaries in North America amended their defined benefit pension plans, effective January 1, 2014. Following this plan amendment, certain employees of these consolidated subsidiaries elected to move from the defined benefit pension plans to the defined contribution pension plan in October 2013. This plan amendment resulted in a reduction of the projected benefit obligation and recognition of the prior service benefit at the date of the plan amendment which is amortized over the average remaining service period from the date of the plan amendment. The consolidated subsidiaries also remeasured their projected benefit obligation and the fair value of related plan assets at the date of the plan amendment. The effects of the plan amendment and the remeasurement were recognized in other comprehensive income (loss), net of tax for the three months ended September 30, 2013.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Other Comprehensive Income (Loss)

The following tables present the changes in accumulated other comprehensive income (loss) by component for the six months and the three months ended September 30, 2013 and 2014.

For the six months ended September 30, 2013

| | Adjustments from foreign currency translation | Unrealized gains (losses) on available-for-sale securities, net | Yen (millions) Unrealized gains (losses) on derivative instruments, net | Pension and other postretirement benefits adjustments | Total |
|---|---|--|--|---|---------------|
| Balance at beginning of period | ¥ (969,583) | ¥ 44,131 | ¥ (237) | ¥ (311,103) | ¥ (1,236,792) |
| Other comprehensive income (loss) before reclassifications* ¹ | 165,750 | 18,225 | 459 | 76,301 | 260,735 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | 225 | (113) | 5,093 | 5,205 |
| Net other comprehensive income (loss) | 165,750 | 18,450 | 346 | 81,394 | 265,940 |
| Less: Other comprehensive income attributable to noncontrolling interests | 5,097 | 16 | | 87 | 5,200 |
| Balance at end of period | ¥ (808,930) | ¥ 62,565 | ¥ 109 | ¥ (229,796) | ¥ (976,052) |

*¹ The tax effects for other comprehensive income (loss) before reclassifications of Pension and other postretirement benefits adjustments include ¥44,862 million loss for the six months ended September 30, 2013.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

| | Adjustments from foreign currency translation | Unrealized gains (losses) on available-for-sale securities, net | Yen (millions) Unrealized gains (losses) on derivative instruments, net | Pension and other postretirement benefits adjustments | Total |
|--|---|--|--|---|-------------|
| Balance at beginning of period | ¥ (649,159) | ¥ 59,350 | ¥ | ¥ (203,205) | ¥ (793,014) |
| Other comprehensive income (loss) before reclassifications | 178,215 | 9,824 | | (1,944) | 186,095 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 2,566 | 155 | | 1,840 | 4,561 |
| Net other comprehensive income (loss) | 180,781 | 9,979 | | (104) | 190,656 |
| Less: Other comprehensive income attributable to noncontrolling interests | 4,647 | 15 | | 1,563 | 6,225 |
| Balance at end of period | ¥ (473,025) | ¥ 69,314 | ¥ | ¥ (204,872) | ¥ (608,583) |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended September 30, 2013

| | Adjustments from foreign currency translation | Unrealized gains (losses) on available-for-sale securities, net | Yen (millions) Unrealized gains (losses) on derivative instruments, net | Pension and other postretirement benefits adjustments | Total |
|---|---|---|--|---|---------------|
| Balance at beginning of period | ¥ (788,480) | ¥ 52,800 | ¥ 350 | ¥ (308,461) | ¥ (1,043,791) |
| Other comprehensive income (loss) before reclassifications* ² | (23,796) | 9,749 | 109 | 76,503 | 62,565 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | 7 | (350) | 2,206 | 1,863 |
| Net other comprehensive income (loss) | (23,796) | 9,756 | (241) | 78,709 | 64,428 |
| Less: Other comprehensive income attributable to noncontrolling interests | (3,346) | (9) | | 44 | (3,311) |
| Balance at end of period | ¥ (808,930) | ¥ 62,565 | ¥ 109 | ¥ (229,796) | ¥ (976,052) |

*² The tax effects for other comprehensive income (loss) before reclassifications of Pension and other postretirement benefits adjustments include ¥44,930 million loss for the three months ended September 30, 2013.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended September 30, 2014

| | Adjustments from foreign currency translation | Unrealized gains (losses) on available-for-sale securities, net | Yen (millions) Unrealized gains (losses) on derivative instruments, net | Pension and other postretirement benefits adjustments | Total |
|---|---|--|--|---|-------------|
| Balance at beginning of period | ¥ (700,500) | ¥ 67,635 | ¥ | ¥ (207,976) | ¥ (840,841) |
| Other comprehensive income (loss) before reclassifications | 236,107 | 1,483 | | 2,970 | 240,560 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | 212 | | 1,652 | 1,864 |
| Net other comprehensive income (loss) | 236,107 | 1,695 | | 4,622 | 242,424 |
| Less: Other comprehensive income attributable to noncontrolling interests | 8,632 | 16 | | 1,518 | 10,166 |
| Balance at end of period | ¥ (473,025) | ¥ 69,314 | ¥ | ¥ (204,872) | ¥ (608,583) |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the reclassifications out of accumulated other comprehensive income (loss) by component for the six months and the three months ended September 30, 2013 and 2014.

For the six months ended September 30, 2013 and 2014

| Details about accumulated other comprehensive income (loss) components | September 30, 2013 | September 30, 2014 | Yen (millions) Affected line items in the statement where net income is presented |
|--|-----------------------|-----------------------|---|
| Adjustments from foreign currency translation | ¥ | ¥ (2,613) | Other income (expenses) Other, net |
| | | 47 | Income tax expense |
| | ¥ | ¥ (2,566) | Net income |
| Unrealized gains (losses) on available-for-sale securities, net | ¥ (347) | ¥ (239) | Other income (expenses) Other, net |
| | 122 | 84 | Income tax expense |
| | ¥ (225) | ¥ (155) | Net income |
| Unrealized gains (losses) on derivative instruments, net | ¥ 183 | ¥ | Other income (expenses) Other, net |
| | (70) | | Income tax expense |
| | ¥ 113 | ¥ | Net income |
| Pension and other postretirement benefits adjustments | ¥ (7,902) | ¥ (3,055) | * |
| | 2,809 | 1,215 | Income tax expense |
| | ¥ (5,093) | ¥ (1,840) | Net income |
| Total reclassifications for the period | ¥ (5,205) | ¥ (4,561) | |

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended September 30, 2013 and 2014

| Details about accumulated other comprehensive income (loss) components | September 30, 2013 | September 30, 2014 | Yen (millions) Affected line items in the statement where net income is presented | |
|--|-----------------------|-----------------------|---|--------------------|
| | | | Other income (expenses) Income tax expense | Other, net |
| Unrealized gains (losses) on available-for-sale securities, net | ¥ (11) 4 | ¥ (327) 115 | Other income (expenses) Income tax expense | Other, net |
| | ¥ (7) | ¥ (212) | Net income | |
| Unrealized gains (losses) on derivative instruments, net | ¥ 564 (214) | ¥ | Other income (expenses) Income tax expense | Other, net |
| | ¥ 350 | ¥ | Net income | |
| Pension and other postretirement benefits adjustments | ¥ (3,420) 1,214 | ¥ (2,692) 1,040 | * | Income tax expense |
| | ¥ (2,206) | ¥ (1,652) | Net income | |
| Total reclassifications for the period | ¥ (1,863) | ¥ (1,864) | | |

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Fair Value Measurements

In accordance with the FASB Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, Honda uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 Unobservable inputs for the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and September 30, 2014.

As of March 31, 2014

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

Liabilities:

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| | | | | | | |
|---------------------------------------|---|------------|---|------------|----------|------------|
| Derivative instruments | | | | | | |
| Foreign exchange instruments (note 9) | ¥ | ¥ (14,852) | ¥ | ¥ (14,852) | ¥ | ¥ |
| Interest rate instruments (note 9) | | (10,887) | | (10,887) | | |
| Total derivative instruments | | (25,739) | | (25,739) | 10,804 | (14,935) |
| Total | ¥ | ¥ (25,739) | ¥ | ¥ (25,739) | ¥ 10,804 | ¥ (14,935) |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of September 30, 2014

| | Yen (millions) | | | Gross fair value | Netting adjustment | Net amount |
|--|------------------|-------------------|----------------|---------------------|-----------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Assets: | | | | | | |
| Derivative instruments | | | | | | |
| Foreign exchange instruments (note 9) | ¥ | ¥ 4,657 | ¥ | ¥ 4,657 | ¥ | ¥ |
| Interest rate instruments (note 9) | | 20,415 | | 20,415 | | |
| Total derivative instruments | | 25,072 | | 25,072 | (6,744) | 18,328 |
| Available-for-sale securities | | | | | | |
| Marketable equity securities | 160,051 | | | 160,051 | | 160,051 |
| Auction rate securities | | | 7,443 | 7,443 | | 7,443 |
| Debt securities | | 34,805 | | 34,805 | | 34,805 |
| Others | 6,239 | 3,739 | | 9,978 | | 9,978 |
| Total available-for-sale securities | 166,290 | 38,544 | 7,443 | 212,277 | | 212,277 |
| Total | ¥ 166,290 | ¥ 63,616 | ¥ 7,443 | ¥ 237,349 | ¥ (6,744) | ¥ 230,605 |
| Liabilities: | | | | | | |
| Derivative instruments | | | | | | |
| Foreign exchange instruments (note 9) | ¥ | ¥ (17,184) | ¥ | ¥ (17,184) | ¥ | ¥ |
| Interest rate instruments (note 9) | | (7,406) | | (7,406) | | |
| Total derivative instruments | | (24,590) | | (24,590) | 6,744 | (17,846) |
| Total | ¥ | ¥ (24,590) | ¥ | ¥ (24,590) | ¥ 6,744 | ¥ (17,846) |

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present reconciliation during the six months ended September 30, 2013 and 2014 for all Level 3 assets and liabilities measured at fair value on a recurring basis.

For the six months ended September 30, 2013

| | Yen (millions) |
|---|-------------------------|
| | Auction rate securities |
| Balance at beginning of period | ¥ 6,928 |
| Total realized/unrealized gains or losses | |
| Included in earnings | |
| Included in other comprehensive income (loss) | 99 |
| Purchases, issuances, settlements and sales | |
| Purchases | |
| Issuances | |
| Settlements | |
| Sales | (790) |
| Foreign currency translation | 312 |
| Balance at end of period | ¥ 6,549 |

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

| | |
|----------------------|---|
| Included in earnings | ¥ |
|----------------------|---|

Included in other comprehensive income (loss)

For the six months ended September 30, 2014

| | Yen (millions) |
|---|-------------------------|
| | Auction rate securities |
| Balance at beginning of period | ¥ 6,999 |
| Total realized/unrealized gains or losses | |
| Included in earnings | |
| Included in other comprehensive income (loss) | |
| Purchases, issuances, settlements and sales | |
| Purchases | |
| Issuances | |
| Settlements | |
| Sales | |
| Foreign currency translation | 444 |

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| | | |
|--|---|-------|
| Balance at end of period | ¥ | 7,443 |
| The amounts of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets and liabilities still held at the reporting date | | |
| Included in earnings | ¥ | |
| Included in other comprehensive income (loss) | | |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Foreign exchange and interest rate instruments (note 9)

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

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

Marketable equity securities

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

Auction rate securities

The subsidiary's auction rate securities holdings were AAA rated and are insured by qualified guarantee agencies, and reinsured by the Secretary of Education and United States Government, and are guaranteed about 95% by the United States Government. To estimate fair value of auction rate securities, Honda uses a third-party-developed valuation model which obtains a wide array of market observable inputs, as well as unobservable inputs including probability of passing or failing auction at each auction. Fair value measurement for auction rate securities is classified as Level 3.

Debt securities

Debt securities consist mainly of corporate bonds and local bonds and the fair values are estimated based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair value measurement for debt securities is classified as Level 2.

Honda did not have significant assets and liabilities measured at fair value on a nonrecurring basis as of and for the year ended March 31, 2014. For the three months ended September 30, 2014, Honda measured certain investments in affiliates which have quoted market values at fair value on a nonrecurring basis due to the recognition of impairment loss (note 1(d)). The fair value of the investments was ¥21,454 million and estimated by using quoted market price. Fair value measurement for the investment is classified as Level 1.

Honda has not elected the fair value option for the year ended March 31, 2014 and the six months ended September 30, 2014.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The estimated fair values of significant financial instruments at March 31, 2014 and September 30, 2014 are as follows:

| | Yen (millions) | | | |
|-----------------------------------|-----------------|----------------------|--------------------|----------------------|
| | March 31, 2014 | | September 30, 2014 | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Finance subsidiaries-receivables* | ¥ 5,140,064 | ¥ 5,175,564 | ¥ 5,376,554 | ¥ 5,404,542 |
| Held-to-maturity securities | 34,650 | 34,667 | 33,818 | 33,819 |
| Debt | (5,856,874) | (5,917,087) | (6,284,293) | (6,341,107) |

* The carrying amounts of finance subsidiaries-receivables at March 31, 2014 and September 30, 2014 in the table exclude ¥393,933 million and ¥410,612 million, respectively, of direct financing leases, net, classified as finance subsidiaries-receivables in the consolidated balance sheets. The carrying amounts of finance subsidiaries-receivables at March 31, 2014 and September 30, 2014 in the table also include ¥752,229 million and ¥719,630 million of finance receivables classified as trade accounts and notes receivable and other assets in the consolidated balance sheets, respectively.

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

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

Cash and cash equivalents, trade receivables and trade payables

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

Finance subsidiaries-receivables

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

Held-to-maturity securities

The fair value of Government bonds is estimated by using quoted market prices. Fair value measurement of those Government bonds is classified as Level 1. The fair values of corporate bonds and local bonds are estimated based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair value measurement for these securities is classified as Level 2.

Debt

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Risk Management Activities and Derivative Financial Instruments

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

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

Contract amounts outstanding for foreign currency forward exchange contracts, foreign currency option contracts and currency swap agreements and the notional principal amounts of interest rate swap agreements at March 31, 2014 and September 30, 2014 are as follows:

Derivatives not designated as hedging instruments

| | Yen (millions) | |
|---|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Foreign currency forward exchange contracts | ¥ 506,734 | ¥ 487,676 |
| Foreign currency option contracts | 3,721 | 3,378 |
| Currency swap agreements | 366,031 | 234,564 |
| Total foreign exchange instruments | ¥ 876,486 | ¥ 725,618 |
| Interest rate swap agreements | ¥ 4,809,037 | ¥ 5,330,702 |
| Total interest rate instruments | ¥ 4,809,037 | ¥ 5,330,702 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Cash flow hedges

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

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

There are no derivative financial instruments designated as cash flow hedges for the six months ended September 30, 2014.

Derivative financial instruments not designated as accounting hedges

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

The estimated fair values of derivative instruments at March 31, 2014 and September 30, 2014 are as follows:

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

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

As of September 30, 2014

Derivatives not designated as hedging instruments

| | Gross fair value | | Yen (millions) | | |
|------------------------------|-------------------|-----------------------|----------------------|-----------------|---------------------------|
| | Asset derivatives | Liability derivatives | Other current assets | Other assets | Other current liabilities |
| Foreign exchange instruments | ¥ 4,657 | ¥ (17,184) | ¥ 3,101 | ¥ | ¥ (15,628) |
| Interest rate instruments | 20,415 | (7,406) | 1,540 | 13,687 | (2,218) |
| Total | ¥ 25,072 | ¥ (24,590) | ¥ 4,641 | ¥ 13,687 | ¥ (17,846) |
| Netting adjustment | (6,744) | 6,744 | | | |
| Net amount | ¥ 18,328 | ¥ (17,846) | | | |

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The pre-tax effects of derivative instruments on the Company's results of operations for the six months and the three months ended September 30, 2013 and 2014 are as follows:

For the six months ended September 30, 2013Derivatives designated as hedging instruments

Cash flow hedges:

| | Yen (millions) | | | | |
|------------------------------|---|---|-------|---|--------|
| | Gain (Loss) recognized in other comprehensive income (loss) (effective portion) Amount | Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion) Location | | Gain (Loss) recognized in earnings (financial instruments time value component excluded from the assessment of hedge effectiveness) Location | |
| | | Amount | | Amount | |
| | | Location | | Location | |
| Foreign exchange instruments | ¥ 740 | Other income | ¥ 183 | Other income | ¥ (85) |
| | | (expenses) - | | (expenses) - | |
| | | Other, net | | Other, net | |

Derivatives not designated as hedging instruments

| | Yen (millions) | |
|------------------------------|--------------------------------------|------------|
| | Gain (Loss) recognized in earnings | |
| | Location | Amount |
| Foreign exchange instruments | Other income (expenses) - Other, net | ¥ (13,151) |
| Interest rate instruments | Other income (expenses) - Other, net | (8,627) |
| Total | | ¥ (21,778) |

For the six months ended September 30, 2014

Derivatives designated as hedging instruments

Cash flow hedges:

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

Derivatives not designated as hedging instruments

| | Yen (millions) | |
|------------------------------|--------------------------------------|------------|
| | Gain (Loss) recognized in earnings | |
| | Location | Amount |
| Foreign exchange instruments | Other income (expenses) - Other, net | ¥ (22,731) |
| Interest rate instruments | Other income (expenses) - Other, net | 1,228 |
| Total | | ¥ (21,503) |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended September 30, 2013Derivatives designated as hedging instruments

Cash flow hedges:

| | Yen (millions) | | | | |
|------------------------------|--|---|--------|---|---------|
| | Gain (Loss) recognized in other comprehensive income (loss) (effective portion) Amount | Gain (Loss) reclassified from accumulated other comprehensive income (loss) into earnings (effective portion) | | Gain (Loss) recognized in earnings (financial instruments time value component excluded from the assessment of hedge effectiveness) | |
| | | Location | Amount | Location | Amount |
| | | | | | |
| Foreign exchange instruments | ¥ 176 | Other income | ¥ 564 | Other income | ¥ (151) |
| | | (expenses) - | | (expenses) - | |
| | | Other, net | | Other, net | |

Derivatives not designated as hedging instruments

| | Yen (millions) | |
|------------------------------|--|----------------|
| | Gain (Loss) recognized in earnings Location | Amount |
| Foreign exchange instruments | Other income (expenses) - Other, net | ¥ 10,168 |
| Interest rate instruments | Other income (expenses) - Other, net | (3,598) |
| Total | | ¥ 6,570 |

For the three months ended September 30, 2014Derivatives designated as hedging instruments

Cash flow hedges:

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

Derivatives not designated as hedging instruments

| | Yen (millions) | |
|------------------------------|--|-------------------|
| | Gain (Loss) recognized in earnings Location | Amount |
| Foreign exchange instruments | Other income (expenses) - Other, net | ¥ (19,571) |
| Interest rate instruments | Other income (expenses) - Other, net | 306 |
| Total | | ¥ (19,265) |

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Contingent Liabilities

Honda has entered into various guarantee and indemnification agreements. At March 31, 2014 and September 30, 2014, Honda has guaranteed ¥25,368 million and ¥23,795 million of bank loans of employees for their housing costs, respectively. If an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. The undiscounted maximum amount of Honda's obligation to make future payments in the event of defaults at March 31, 2014 and September 30, 2014 are ¥25,368 million and ¥23,795 million, respectively. At September 30, 2014, no amount has been accrued for any estimated losses under the obligations, as it is probable that the employees will be able to make all scheduled payments.

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

The changes in the accrued liabilities for those product warranties for the year ended March 31, 2014 and the six months ended September 30, 2014 are as follows:

| | Yen (millions) | |
|--|-------------------|-----------------------|
| | March 31, 2014 | September 30, 2014 |
| Balance at beginning of period | ¥ 208,033 | ¥ 269,620 |
| Warranty claims paid during the period | (104,090) | (64,533) |
| Liabilities accrued for warranties issued during the period | 153,898 | 69,707 |
| Changes in liabilities for pre-existing warranties during the period | 397 | (1,278) |
| Foreign currency translation | 11,382 | 10,673 |
| Balance at end of period | ¥ 269,620 | ¥ 284,189 |

With respect to product liability, personal injury claims or lawsuits, Honda believes that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by Honda's insurance and accrued liabilities. Punitive damages are claimed in certain of these lawsuits. Honda is also subject to potential liability under other various lawsuits and claims. Honda recognizes an accrued liability for loss contingencies when it is probable that an obligation has been incurred and the amount of loss can be reasonably estimated. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recorded for these contingent liabilities, if necessary, by considering the nature of lawsuits and claims, the progress of the case and the opinions of legal counsel. After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position, results of operations or cash flows.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11) Information Related to Honda Motor Co., Ltd. Shareholders' Equity**For the six months ended September 30, 2013***(a) Information concerning dividends**1. Dividend payout*

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

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

2. Dividends payable of which record date was in the six months ended September 30, 2013, effective after the period

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

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

None

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014*(a) Information concerning dividends**1. Dividend payout*

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

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

2. Dividends payable of which record date was in the six months ended September 30, 2014, effective after the period

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

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

None

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Segment Information

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

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

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Segment Information**As of and for the six months ended September 30, 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 | ¥ 814,959 | ¥ 4,425,595 | ¥ 335,412 | ¥ 148,350 | ¥ 5,724,316 | ¥ | ¥ 5,724,316 |
| Intersegment | | 8,590 | 5,159 | 5,557 | 19,306 | (19,306) | |
| Total | ¥ 814,959 | ¥ 4,434,185 | ¥ 340,571 | ¥ 153,907 | ¥ 5,743,622 | ¥ (19,306) | ¥ 5,724,316 |
| Segment income (loss) | ¥ 88,124 | ¥ 176,530 | ¥ 91,228 | ¥ 532 | ¥ 356,414 | ¥ | ¥ 356,414 |
| Segment assets | ¥ 1,220,606 | ¥ 5,906,273 | ¥ 7,404,632 | ¥ 334,588 | ¥ 14,866,099 | ¥ (357,905) | ¥ 14,508,194 |
| Depreciation and amortization | ¥ 22,110 | ¥ 188,703 | ¥ 165,122 | ¥ 5,135 | ¥ 381,070 | ¥ | ¥ 381,070 |
| Capital expenditures | ¥ 26,147 | ¥ 294,398 | ¥ 584,140 | ¥ 6,632 | ¥ 911,317 | ¥ | ¥ 911,317 |

As of and for the six months ended September 30, 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 | ¥ 846,111 | ¥ 4,629,996 | ¥ 379,683 | ¥ 147,265 | ¥ 6,003,055 | ¥ | ¥ 6,003,055 |
| Intersegment | | 10,247 | 5,302 | 5,174 | 20,723 | (20,723) | |
| Total | ¥ 846,111 | ¥ 4,640,243 | ¥ 384,985 | ¥ 152,439 | ¥ 6,023,778 | ¥ (20,723) | ¥ 6,003,055 |
| Segment income (loss) | ¥ 82,115 | ¥ 178,985 | ¥ 100,084 | ¥ 1,301 | ¥ 362,485 | ¥ | ¥ 362,485 |
| Segment assets | ¥ 1,284,029 | ¥ 6,605,208 | ¥ 8,659,064 | ¥ 373,544 | ¥ 16,921,845 | ¥ (449,287) | ¥ 16,472,558 |
| Depreciation and amortization | ¥ 23,820 | ¥ 204,804 | ¥ 197,060 | ¥ 5,285 | ¥ 430,969 | ¥ | ¥ 430,969 |
| Capital expenditures | ¥ 21,093 | ¥ 297,268 | ¥ 725,022 | ¥ 4,235 | ¥ 1,047,618 | ¥ | ¥ 1,047,618 |

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For the three months ended September 30, 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 | ¥ 418,089 | ¥ 2,229,004 | ¥ 170,016 | ¥ 73,112 | ¥ 2,890,221 | ¥ | ¥ 2,890,221 |
| Intersegment | | 4,186 | 2,567 | 2,839 | 9,592 | (9,592) | |
| Total | ¥ 418,089 | ¥ 2,233,190 | ¥ 172,583 | ¥ 75,951 | ¥ 2,899,813 | ¥ (9,592) | ¥ 2,890,221 |
| Segment income (loss) | ¥ 45,542 | ¥ 80,153 | ¥ 46,585 | ¥ (829) | ¥ 171,451 | ¥ | ¥ 171,451 |

For the three months ended September 30, 2014

| | Yen (millions) | | | | | | |
|--|---------------------|---------------------|-----------------------------|------------------------------------|---------------|-------------------|--------------|
| | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
| Net sales and other operating revenue: | | | | | | | |
| External customers | ¥ 438,369 | ¥ 2,310,402 | ¥ 192,982 | ¥ 73,023 | ¥ 3,014,776 | ¥ | ¥ 3,014,776 |
| Intersegment | | 6,089 | 2,665 | 2,415 | 11,169 | (11,169) | |
| Total | ¥ 438,369 | ¥ 2,316,491 | ¥ 195,647 | ¥ 75,438 | ¥ 3,025,945 | ¥ (11,169) | ¥ 3,014,776 |
| Segment income (loss) | ¥ 38,130 | ¥ 79,149 | ¥ 48,250 | ¥ (1,087) | ¥ 164,442 | ¥ | ¥ 164,442 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Explanatory notes:

1. Segment income (loss) of each segment is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses). Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable.
2. Segment assets of each segment are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.
3. Intersegment sales and revenues are generally made at values that approximate arms-length prices.
4. Unallocated corporate assets, included in reconciling items, amounted to ¥300,860 million as of September 30, 2013 and ¥281,684 million as of September 30, 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 ¥164,334 million for the six months ended September 30, 2013 and ¥195,580 million for the six months ended September 30, 2014, respectively, of depreciation of property on operating leases.
6. Capital expenditure of Financial services business includes ¥582,206 million for the six months ended September 30, 2013 and ¥723,222 million for the six months ended September 30, 2014, respectively, of purchase of operating lease assets.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Supplemental Geographical Information

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

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

As of and for the six months ended September 30, 2013

| | Yen (millions) | | | | | | Reconciling Items | Consolidated |
|--|----------------|------------------|------------|-------------|------------------|--------------|----------------------|--------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | | |
| Net sales and other operating revenue: | | | | | | | | |
| External customers | ¥ 938,540 | ¥ 2,790,218 | ¥ 313,679 | ¥ 1,167,258 | ¥ 514,621 | ¥ 5,724,316 | ¥ | ¥ 5,724,316 |
| Transfers between geographic areas | 1,051,814 | 183,003 | 36,778 | 233,363 | 6,547 | 1,511,505 | (1,511,505) | |
| Total | ¥ 1,990,354 | ¥ 2,973,221 | ¥ 350,457 | ¥ 1,400,621 | ¥ 521,168 | ¥ 7,235,821 | ¥ (1,511,505) | ¥ 5,724,316 |
| Operating income (loss) | ¥ 111,468 | ¥ 117,887 | ¥ (23,314) | ¥ 113,775 | ¥ 24,066 | ¥ 343,882 | ¥ 12,532 | ¥ 356,414 |
| Assets | ¥ 3,234,347 | ¥ 8,239,650 | ¥ 619,640 | ¥ 1,751,665 | ¥ 747,168 | ¥ 14,592,470 | ¥ (84,276) | ¥ 14,508,194 |
| Long-lived assets | ¥ 1,210,069 | ¥ 2,735,896 | ¥ 128,953 | ¥ 489,710 | ¥ 154,364 | ¥ 4,718,992 | ¥ | ¥ 4,718,992 |

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

| | Yen (millions) | | | | | | Reconciling Items | Consolidated |
|--|----------------|------------------|-----------|-------------|------------------|--------------|----------------------|--------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | | |
| Net sales and other operating revenue: | | | | | | | | |
| External customers | ¥ 1,061,977 | ¥ 2,882,771 | ¥ 343,745 | ¥ 1,260,464 | ¥ 454,098 | ¥ 6,003,055 | ¥ | ¥ 6,003,055 |
| Transfers between geographic areas | 901,505 | 175,061 | 35,689 | 261,970 | 1,189 | 1,375,414 | (1,375,414) | |
| Total | ¥ 1,963,482 | ¥ 3,057,832 | ¥ 379,434 | ¥ 1,522,434 | ¥ 455,287 | ¥ 7,378,469 | ¥ (1,375,414) | ¥ 6,003,055 |
| Operating income (loss) | ¥ 122,040 | ¥ 106,434 | ¥ (9,014) | ¥ 133,773 | ¥ 13,782 | ¥ 367,015 | ¥ (4,530) | ¥ 362,485 |
| Assets | ¥ 3,510,627 | ¥ 9,530,735 | ¥ 643,254 | ¥ 2,159,892 | ¥ 765,941 | ¥ 16,610,449 | ¥ (137,891) | ¥ 16,472,558 |
| Long-lived assets | ¥ 1,286,249 | ¥ 3,472,527 | ¥ 139,316 | ¥ 629,015 | ¥ 177,074 | ¥ 5,704,181 | ¥ | ¥ 5,704,181 |

For the three months ended September 30, 2013

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| | Yen (millions) | | | | | | Reconciling Items | Consolidated |
|--|----------------|------------------|------------|-----------|------------------|-------------|----------------------|--------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | | |
| Net sales and other operating revenue: | | | | | | | | |
| External customers | ¥ 505,002 | ¥ 1,384,716 | ¥ 154,810 | ¥ 568,889 | ¥ 276,804 | ¥ 2,890,221 | ¥ | ¥ 2,890,221 |
| Transfers between geographic areas | 509,468 | 87,197 | 19,665 | 124,989 | 3,645 | 744,964 | (744,964) | |
| Total | ¥ 1,014,470 | ¥ 1,471,913 | ¥ 174,475 | ¥ 693,878 | ¥ 280,449 | ¥ 3,635,185 | ¥ (744,964) | ¥ 2,890,221 |
| Operating income (loss) | ¥ 49,281 | ¥ 46,029 | ¥ (13,574) | ¥ 60,020 | ¥ 18,651 | ¥ 160,407 | ¥ 11,044 | ¥ 171,451 |

For the three months ended September 30, 2014

| | Yen (millions) | | | | | | Reconciling Items | Consolidated |
|--|----------------|------------------|-----------|-----------|------------------|-------------|----------------------|--------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | | |
| Net sales and other operating revenue: | | | | | | | | |
| External customers | ¥ 514,195 | ¥ 1,428,983 | ¥ 169,497 | ¥ 655,733 | ¥ 246,368 | ¥ 3,014,776 | ¥ | ¥ 3,014,776 |
| Transfers between geographic areas | 461,328 | 83,255 | 15,344 | 133,272 | 655 | 693,854 | (693,854) | |
| Total | ¥ 975,523 | ¥ 1,512,238 | ¥ 184,841 | ¥ 789,005 | ¥ 247,023 | ¥ 3,708,630 | ¥ (693,854) | ¥ 3,014,776 |
| Operating income (loss) | ¥ 59,891 | ¥ 38,921 | ¥ (7,527) | ¥ 68,495 | ¥ 9,189 | ¥ 168,969 | ¥ (4,527) | ¥ 164,442 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Explanatory notes:

1. Major countries or regions in each geographic area:

| | |
|---------------|--|
| North America | United States, Canada, Mexico |
| Europe | United Kingdom, Germany, France, Belgium, Russia |
| Asia | Thailand, Indonesia, China, India, Vietnam |
| Other Regions | Brazil, Australia |

- Operating income (loss) of each geographical area is measured in a consistent manner with consolidated operating income, which is income before income taxes and equity in income of affiliates before other income (expenses).
- Assets of each geographical area are defined as total assets, including derivative financial instruments, investments in affiliates, and deferred tax assets.
- Sales and revenues between geographic areas are generally made at values that approximate arm's-length prices.
- Unallocated corporate assets, included in reconciling items, amounted to ¥300,860 million as of September 30, 2013 and ¥281,684 million as of September 30, 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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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Per Share Data

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

For the six months ended September 30, 2013 and 2014

| | Yen | |
|---|---------------|---------------|
| | September 30, | September 30, |
| | 2013 | 2014 |
| Basic net income attributable to Honda Motor Co., Ltd. per common share | ¥ 134.75 | ¥ 160.02 |

| | Yen (millions) | |
|---|----------------------|----------------------|
| | September 30, | September 30, |
| | 2013 | 2014 |
| The bases of computation | | |
| Net income attributable to Honda Motor Co., Ltd. | ¥ 242,867 | ¥ 288,410 |
| Amount not applicable to common stock | | |
| Net income attributable to Honda Motor Co., Ltd. applicable to common stock | ¥ 242,867 | ¥ 288,410 |
| Weighted average number of common shares | 1,802,295,981 shares | 1,802,290,363 shares |

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

For the three months ended September 30, 2013 and 2014

| | Yen | |
|---|---------------|---------------|
| | September 30, | September 30, |
| | 2013 | 2014 |
| Basic net income attributable to Honda Motor Co., Ltd. per common share | ¥ 66.79 | ¥ 78.73 |

| | Yen (millions) | |
|--------------------------|----------------|---------------|
| | September 30, | September 30, |
| | 2013 | 2014 |
| The bases of computation | | |

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| | | | | |
|---|---|----------------------|---|----------------------|
| Net income attributable to Honda Motor Co., Ltd. | ¥ | 120,368 | ¥ | 141,898 |
| Amount not applicable to common stock | | | | |
| Net income attributable to Honda Motor Co., Ltd. applicable to common stock | ¥ | 120,368 | ¥ | 141,898 |
| Weighted average number of common shares | | 1,802,295,360 shares | | 1,802,289,860 shares |

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