

HONDA MOTOR CO LTD  
Form 20-F  
June 21, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 20-F**

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended March 31, 2012**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from            to**

**OR**

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

**Commission file number 1-7628**

**HONDA GIKEN KOGYO KABUSHIKI KAISHA**

(Exact name of Registrant as specified in its charter)

**HONDA MOTOR CO., LTD.**

(Translation of Registrant's name into English)

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**JAPAN**

(Jurisdiction of incorporation or organization)

**No. 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan**

(Address of principal executive offices)

**Mitsuhiro Okayama, Honda North America, Inc.,**

**ir@hna.honda.com, (212)707-9920, 156 West 56th Street, 20th Floor, New York, NY 10019, U.S.A.**

(Name, E-mail and/or Facsimile number, Telephone and Address of Company Contact Person)

**Securities registered pursuant to Section 12(b) of the Act.**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock*</b>	<b>New York Stock Exchange</b>

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

**None**

(Title of class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**None**

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

<b>Title of each class</b>	<b>Outstanding as of March 31, 2012</b>
<b>Common Stock</b>	<b>1,802,299,559**</b>

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transmission report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or, a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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U.S.GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

\* Not for trading purposes, but only in connection with the registration of American Depositary Shares, each representing one share of Common Stock.

\*\* Shares of Common Stock include 61,138,613 shares represented by American Depositary Shares.

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Unless the context otherwise requires, the terms *we*, *us*, *our*, *Registrant*, *Company* and *Honda* as used in this Annual Report each refer to Motor Co., Ltd. and its consolidated subsidiaries.

**Item 1. Identity of Directors, Senior Management and Advisors**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****A. Selected Financial Data:**

The selected consolidated financial data set out below for each of the five fiscal years ended March 31, 2012 have been derived from our consolidated financial statements that were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

You should read the U.S. GAAP selected consolidated financial data set out below together with *Item 5. Operating and Financial Review and Prospects* and our consolidated financial statements contained in this Annual Report.

	Fiscal years ended March 31,					U.S. dollars (millions) 2012
	2008	2009	Yen (millions) 2010	2011	2012	
<b>Income statement data:</b>						
Net sales and other operating revenue	¥ 12,002,834	¥ 10,011,241	¥ 8,579,174	¥ 8,936,867	¥ 7,948,095	\$ 96,704
Research and development	587,959	563,197	463,354	487,591	519,818	6,325
Operating income	953,109	189,643	363,775	569,775	231,364	2,815
Income before income taxes and equity in income of affiliates	895,841	161,734	336,198	630,548	257,403	3,132
Equity in income of affiliates	118,942	99,034	93,282	139,756	100,406	1,222
Net income	627,347	150,933	282,611	563,477	222,074	2,702

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Net income attributable to Honda Motor Co., Ltd.	600,039	137,005	268,400	534,088	211,482	2,573
<b>Balance sheet data:</b>						
Total assets	¥ 12,615,543	¥ 11,818,917	¥ 11,629,115	¥ 11,570,874	¥ 11,780,759	\$ 143,336
Long-term debt, excluding current portion	1,836,652	1,932,637	2,313,035	2,043,240	2,235,001	27,193
Honda Motor Co., Ltd. shareholders' equity	4,550,479	4,007,288	4,328,640	4,449,975	4,402,614	53,566
Total equity	4,692,285	4,130,344	4,456,430	4,582,912	4,528,290	55,095
Common stock	86,067	86,067	86,067	86,067	86,067	1,047
<b>Cash flow data:</b>						
Depreciation excluding property on operating leases	¥ 417,393	¥ 441,868	¥ 401,743	¥ 351,496	¥ 320,996	\$ 3,906
Depreciation of property on operating leases	101,032	195,776	227,931	212,143	209,762	2,552
Total depreciation	518,425	637,644	629,674	563,639	530,758	6,458
Capital expenditures	668,228	635,190	392,062	318,543	397,218	4,833
Purchase of operating lease assets	839,261	668,128	544,027	798,420	683,767	8,319
Total capital expenditures	1,507,489	1,303,318	936,089	1,116,963	1,080,985	13,152

**Table of Contents****Weighted average number of shares outstanding**

	(Thousands of shares)				
	2008	2009	2010	2011	2012
Weighted average number of common shares outstanding	1,815,356	1,814,560	1,814,605	1,806,360	1,802,300

**Net income attributable to Honda Motor Co., Ltd. per common share**

	2008	2009	(Yen) 2010	2011	2012	(US\$) 2012
Basic	¥ 330.54	¥ 75.50	¥ 147.91	¥ 295.67	¥ 117.34	\$ 1.43
Diluted	330.54	75.50	147.91	295.67	117.34	1.43

Net income attributable to Honda Motor Co., Ltd. per common share has been computed by dividing net income attributable to Honda Motor Co., Ltd. available to common shareholders by the weighted average number of common shares outstanding during each year.

**Dividends declared during the period per common share**

	2008	2009	(Yen) 2010	2011	2012
Dividends declared during the period per common share	¥84.00	¥77.00	¥34.00	¥51.00	¥60.00
	(US\$ 0.84)	(US\$ 0.78)	(US\$ 0.37)	(US\$ 0.61)	(US\$ 0.73)

Additionally, a year-end dividend of ¥15 (\$0.18) per common share aggregating ¥27.0 billion (\$329 million) relating to fiscal 2012 was determined by our Board of Directors in April 2012 and approved by our shareholders in June 2012. This dividend will be paid in June 2012.

U.S. dollar amounts for dividends per share are translated from yen for the convenience of readers at the year-end exchange rate of each period.

**Exchange Rates**

In this Annual Report, yen amounts have been translated into U.S. dollars for the convenience of readers. Unless otherwise noted, the rate used for these translations was ¥82.19 = \$1.00, which represents the approximate exchange rate quoted on the Tokyo Foreign Exchange Market on March 31, 2012. No representation is made that yen amounts could have been, or could be, converted into U.S. dollars at that rate or any other rate on this or any other data or at all.



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The following table sets out information regarding the noon buying rates for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York expressed in yen per \$1.00 during the periods shown. On May 31, 2012, the noon buying rate was ¥78.29=\$1.00. The average exchange rate for the period shown is the average of the month-end rates during the period.

Years ended March 31,	(Yen)			
	Average	Period end	High	Low
2008	113.61	99.85	124.09	96.88
2009	100.85	99.15	110.48	87.80
2010	92.49	93.40	100.71	86.12
2011	85.00	82.76	94.68	78.74
2012	78.86	82.41	85.26	75.72
2013 (through May 31, 2012)	79.05	78.29	82.62	78.29
Dec-2011			78.13	76.98
Jan-2012			78.13	76.28
Feb-2012			81.10	76.11
Mar-2012			83.78	80.86
Apr-2012			82.62	79.81
May-2012			80.36	78.29

*B. Capitalization and Indebtedness*

Not applicable.

*C. Reason for the Offer and Use of Proceeds*

Not applicable.

*D. Risk Factors*

You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, Honda's business, financial condition or results of operations could be adversely affected. In that event, the trading prices of Honda's common stock and American Depositary Shares could decline, and you may lose all or part of your investment. Additional risks not currently known to Honda or that Honda now deems immaterial may also harm Honda and affect your investment.

**Risks Relating to Honda's Industry**

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

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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.

### **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.

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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**

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

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

Honda purchases materials and components and sells its products and components in foreign currencies. Therefore, currency fluctuations 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.

##### **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.

#### **Legal and Regulatory Risks**

**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.

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

Honda owns or otherwise has rights in a number of patents and trademarks relating to the products it manufactures, which have been obtained over a period of years. These patents and trademarks have been of value in the growth of Honda's business and may continue to be of value in the future. Honda does not regard any of its

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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.

### **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**

#### **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.

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

Honda purchases raw materials and parts from numerous external suppliers, and relies on certain suppliers for some of the raw materials and parts which it uses in the manufacture of its products. Honda's ability to continue to obtain these supplies in an efficient and cost-effective manner is subject to a number of factors, some of which are 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.

#### **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.

**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, 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.

**Honda may be adversely affected by inadvertent 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

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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.

### **Risks Relating to Pension Costs and Other Postretirement Benefits**

Honda has pension plans and provides other post-retirement 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 long-term 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.

### **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.

### **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.

### **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.

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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.



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### **U.S. investors may have difficulty in serving process or enforcing a judgment against the Company or its directors, executive officers or corporate auditors**

The 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.

### **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 year-end 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.

### **Cautionary statement with respect to forward looking statements in this Annual Report**

This Annual Report includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward looking statements included in this Annual Report are based on the current assumptions and beliefs of Honda in light of the information currently available to it, and involve known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause Honda's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors are generally set forth in Item 3.D Risk Factors and include, without limitation:

the political, economic and social conditions in Japan and throughout the world including North America, Europe and Asia, including economic slowdowns, recessions, changes in consumer preferences, rising fuel prices, financial crises and other factors, as well as the relevant governments' specific policies with respect to economic growth, inflation, taxation, currency conversion, imports and sources of supplies and the availability of credit, particularly to the extent such current or future conditions and policies affect the automobile, motorcycle and power product industries and markets in Japan and other markets throughout the world in which Honda conducts its

business, and the demand, sales volume and sales prices for Honda's automobiles, motorcycles and power products;

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the effects of competition in the automobile, motorcycle and power product markets on the demand, sales volume and sales prices for Honda's automobiles, motorcycles and power products;

Honda's ability to finance its working capital and capital expenditure requirements, including obtaining any required external debt or other financing;

the effects of economic stagnation or recession in Honda's principal markets and of exchange rate and interest rate fluctuations on Honda's results of operations; and

the effects of environmental and other governmental regulations and legal proceedings.

Honda undertakes no obligation and has no intention to publicly update any forward looking statement after the date of this Annual Report. Investors are advised to consult any further disclosures by Honda in its subsequent filings pursuant to the Securities and Exchange Act of 1934.

***Item 4. Information on the Company***

***A. History and Development of the Company***

Honda Motor Co., Ltd. is a limited liability, joint stock corporation incorporated on September 24, 1948 under the Commercial Code of Japan as Honda Giken Kogyo Kabushiki Kaisha. It was formed to succeed to the business of an unincorporated enterprise established in 1946 by the late Soichiro Honda to manufacture motors for motorized bicycles.

Honda develops, produces, and manufactures a variety of motor products, ranging from small general-purpose engines and scooters to specialty sports cars that incorporate Honda's highly efficient internal combustion engine technology.

Honda's principal executive office is located at 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo, 107-8556, Japan. Its telephone number is 81-3-3423-1111.

***Principal Capital Investments***

In the fiscal years ended March 31, 2010, 2011 and 2012, Honda's capital expenditures were ¥893.0 billion, ¥1,125.0 billion, and ¥1,108.1 billion, respectively, on an accrual basis. Also, capital expenditures excluding those with respect to property on operating leases were ¥348.9 billion, ¥326.6 billion, and ¥424.4 billion, respectively, on an accrual basis. For further details of Honda's capital expenditures during fiscal 2012, see "Property, Plants and Equipment" included as Item 4.D of this Annual Report.

*B. Business Overview*

***General***

Honda's business segments are the Motorcycle business, Automobile business, Financial services business, and Power product and other businesses.

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The following tables show the breakdown of Honda's revenues from external customers by category of activity and by geographical markets based on the location of the customer during the fiscal years ended March 31, 2010, 2011 and 2012:

	Fiscal years ended March 31,		
	2010	2011	2012
	Yen (billions)		
Motorcycle Business	¥ 1,140.2	¥ 1,288.1	¥ 1,348.8
Automobile Business	6,554.8	6,794.0	5,805.9
Financial Services Business	606.3	561.8	516.1
Power Product and Other Businesses	277.6	292.6	277.1
<b>Total</b>	<b>¥ 8,579.1</b>	<b>¥ 8,936.8</b>	<b>¥ 7,948.0</b>

	Fiscal years ended March 31,		
	2010	2011	2012
	Yen (billions)		
Japan	¥ 1,577.3	¥ 1,503.8	¥ 1,517.9
North America	3,736.4	3,921.3	3,480.7
Europe	764.7	610.1	515.7
Asia	1,543.3	1,852.4	1,458.7
Other Regions	957.2	1,049.0	974.8
<b>Total</b>	<b>¥ 8,579.1</b>	<b>¥ 8,936.8</b>	<b>¥ 7,948.0</b>

**Motorcycle Business**

In 1949, Honda began mass production of motorcycles with the *Dream D-Type*, followed by other models such as the *Benly* and the *Cub F-Type*. By 1957, Honda became the top Japanese manufacturer in terms of motorcycle production volume. Honda expanded its business overseas by establishing American Honda Motor Co., Inc. in the United States in 1959. Honda's first overseas production started in Belgium in 1963.

Honda produces a wide range of motorcycles, ranging from the 50cc class to the 1800cc class in cylinder displacement. Honda's motorcycles use internal combustion engines developed by Honda that are air- or water-cooled, four-cycle, and single, two, four or six-cylinder. Honda's motorcycle line consists of sports (including trial and moto-cross racing), business and commuter models. Honda has also produced all-terrain vehicles (ATVs) since 1984 and multi utility vehicles (MUVs) since 2008.

The following table sets out unit sales for Honda's Motorcycle business, including motorcycles, and all-terrain vehicles (ATVs) and revenue from Motorcycle business, and the breakdown by geographical markets based on the location of the customer during the fiscal years ended March 31, 2010, 2011 and 2012:

	Fiscal years ended March 31,					
	2010		2011		2012	
	Units	Revenue	Units	Revenue	Units	Revenue

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	(thousands)	(billions)	(thousands)	(billions)	(thousands)	(billions)
Japan	190	¥ 70.4	190	¥ 70.2	220	¥ 72.9
North America	189	103.9	185	96.6	200	97.3
Europe	199	124.6	202	103.8	198	96.1
Asia	7,628	461.0	9,178	577.6	9,910	579.5
Other Regions	1,433	380.1	1,690	439.7	2,031	502.8
Total	9,639	¥ 1,140.2	11,445	¥ 1,288.1	12,559	¥ 1,348.8
Motorcycle revenue as a percentage of total sales revenue		13%		15%		17%

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Motorcycles are produced by Honda in Japan at the Kumamoto factory. Honda's motorcycles are also produced by subsidiaries in countries around the world including Thailand, Vietnam, India, Brazil and Argentina.

For further information on recent operations and a financial review of the Motorcycle business, see "Operating Results" in Item 5. Operating and Financial Review and Prospects.

## ***Automobile Business***

Honda started the Automobile business in 1963 with the *T360* mini truck and the *S500* small sports car, and subsequently launched a series of mass-produced models including the *Civic* in 1972, the *Accord* in 1976, which established a base for its Automobile business. In 1969, production of the mini vehicles *N600* and *TN600* began in Taiwan using component parts sets. In 1982, Honda became the first Japanese automaker to begin local automobile production in the United States (with the *Accord*).

Honda's automobiles use gasoline engines of three, four or six-cylinder, diesel engines and gasoline-electric hybrid systems. Honda also offers alternative fuel-powered vehicles such as natural gas, ethanol, and fuel cell vehicles.

Honda's principal automobile products include the following vehicle models:

Passenger cars:

*Accord, Brio, City, Civic, CR-Z, Fit/Jazz, Fit/Jazz Hybrid, Fit Shuttle, Fit Shuttle Hybrid, FREED, FREED Hybrid, Insight, Inspire, Legend, Stream, Acura RL, Acura TL, Acura TSX, Everus SI*

Light trucks:

*Crosstour, CR-V, Elysion, Odyssey, Pilot, Ridgeline, Step WGN, Acura MDX, Acura RDX, Acura ZDX*

Mini vehicles:

*Acty, Life, N Box, Vamos, Zest*

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The following table sets out Honda's unit sales of automobiles and revenue from Automobile business and the breakdown by geographical markets based on the location of the customer during the fiscal years ended March 31, 2010, 2011 and 2012:

	2010		Fiscal years ended March 31, 2011		2012	
	Units (thousands)	Revenue (billions)	Units (thousands)	Revenue (billions)	Units (thousands)	Revenue (billions)
Japan	646	¥ 1,383.8	582	¥ 1,310.7	580	¥ 1,329.6
North America	1,297	3,013.4	1,458	3,252.8	1,323	2,855.6
Europe	249	575.3	198	441.6	158	355.9
Asia	950	1,041.2	1,008	1,221.7	874	836.3
Other Regions	250	540.9	266	567.1	202	428.3
<b>Total</b>	<b>3,392</b>	<b>¥ 6,554.8</b>	<b>3,512</b>	<b>¥ 6,794.0</b>	<b>3,137</b>	<b>¥ 5,805.9</b>
Automobile revenue as a percentage of total sales revenue		77%		76%		73%

\* 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. As a result, they are not included in total sales of our automobile segment or in our measure of unit sales.



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Automobiles are produced by Honda at two sites in Japan: the Saitama factory and the Suzuka factory. Our major production sites overseas include those located in Ohio (U.S.A.), Alabama (U.S.A.), Indiana (U.S.A.), Ontario (Canada), Swindon (U.K.), Ayutthaya (Thailand), Greater Noida (India) and Sao Paulo (Brazil). Yachiyo Industry Co., Ltd., one of our consolidated subsidiaries, assembles mini vehicles for the Japanese market.

For further information on recent operations and a financial review of the Automobile business, see **Operating Results** in **Item 5. Operating and Financial Review and Prospects**.

**Financial Services Business**

We offer a variety of financial services to our customers and dealers through finance subsidiaries in countries including Japan, the United States, Canada, the United Kingdom, Germany, Brazil and Thailand, with the aim of providing sales support for our products. The services of these subsidiaries include retail lending, leasing to customers and other financial services, such as wholesale financing to dealers.

The following table sets out Honda's revenue from Financial services business and the breakdown by geographical markets based on the location of the customer during the fiscal years ended March 31, 2010, 2011 and 2012:

	<b>Fiscal years ended March 31,</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
	<b>(billions)</b>	<b>(billions)</b>	<b>(billions)</b>
Japan	¥ 24.6	¥ 26.3	¥ 28.9
North America	553.1	503.9	455.5
Europe	10.4	9.2	8.1
Asia	4.3	3.7	2.8
Other Regions	13.8	18.5	20.6
<b>Total</b>	<b>¥ 606.3</b>	<b>¥ 561.8</b>	<b>¥ 516.1</b>
<b>Financial Service revenue as a percentage of total sales revenue</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>

For further information on recent operations and a financial review of the Financial services business, see **Operating Results** in **Item 5. Operating and Financial Review and Prospects**.

**Power Product and Other Businesses**

Honda's Power product business began in 1953 with the introduction of the model the *H*, its first general purpose engine. Since then, Honda has manufactured a variety of power products including tillers, portable generators, general-purpose engines, grass cutters, outboard marine engines, water pumps, snow throwers, power carriers, power sprayers, lawn mowers and lawn tractors (riding lawn mowers). In 2003, Honda introduced a compact home-use cogeneration\* unit. In addition, Honda began sales of thin film solar cells made of crystalline silicon for home use in 2007 and for public and industrial use in 2008.

\* Cogeneration: Cogeneration refers to the multiple applications of energy derived from a single source, such as using the heat supplied during the combustion process that drives an engine for other heating or cooling purposes.

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The following table sets out Honda's revenue from Power product and other businesses and the breakdown by geographical markets based on the location of the customer during the fiscal years ended March 31, 2010, 2011 and 2012:

	2010		Fiscal years ended March 31, 2011		2012	
	Units (thousands)	Revenue (billions) ¥	Units (thousands)	Revenue (billions) ¥	Units (thousands)	Revenue (billions) ¥
Japan	322	98.3	388	96.5	392	86.4
North America	1,818	65.8	2,085	67.9	2,314	72.1
Europe	1,066	54.3	1,174	55.2	1,121	55.4
Asia	1,069	36.7	1,325	49.3	1,472	40.0
Other Regions	469	22.3	537	23.6	520	23.0
Total	4,744	277.6	5,509	292.6	5,819	277.1
Power Product and Other revenue as a percentage of total sales revenue		3%		3%		3%

For further information on recent operations and a financial review of the Power product and other businesses, see "Operating Results" in Item 5. Operating and Financial Review and Prospects.

**Marketing and Distribution**

Most of Honda's products are distributed under the Honda trademarks in Japan and/or in overseas markets.

**Sales in Japan**

Sales of Honda motorcycles, automobiles, and power products in Japan are made through different distribution networks. Honda's products are sold to consumers primarily by independent retail dealers throughout Japan.

Motorcycles are distributed through approximately 7,000 outlets, including approximately 600 PRO S shops and approximately 100 Honda Dream authorized dealerships.

As for the automobile distribution network, at present, approximately 760 retail dealers operate approximately 2,160 shops and sell models including the *Accord*, *Accord Tourer*, *Civic-Type R*, *EURO*, *Insight*, *Inspire*, *Legend*, *CR-V*, *CR-Z*, *FREED*, *FREED Hybrid*, *FREED SPIKE*, *FREED SPIKE Hybrid*, *Elysion*, *Fit*, *Fit Hybrid*, *Fit Shuttle*, *Fit Shuttle Hybrid*, *Odyssey*, *Step WGN*, *Stream*, *Acty*, *Life*, *N Box*, *Vamos* and *Zest*.

Power products are distributed in Japan to approximately 1,200 retail dealers throughout Japan, including affiliates of Honda. A number of small engines are also sold to other manufacturers for use in their products.

**Service and Parts Related Operations in Japan**

Sales of spare parts and after sales services are mainly provided through retail dealers. Training programs on automobile service technicians are provided for dealers regularly by Honda's Automobile Sales Operations (Japan).

**Overseas Sales**

In fiscal 2012, approximately 96% of Honda's overseas sales were made through its principal foreign sales subsidiaries, which distribute Honda's products to local wholesalers and retail dealers.

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In the United States, Honda markets its products through a sales network of approximately 1,070 independent local dealers for motorcycles, approximately 1,310 for automobiles and approximately 7,400 for power products. Many of the motorcycle dealers and some of the automobile dealers also sell Honda's power products. In 1986, Honda opened the first Acura automobile dealerships in the United States. The Acura network in the United States totaled 272 dealerships at the end of fiscal 2012. The Acura network offers *ILX*, *MDX*, *RDX*, *RL*, *TL*, *TSX*, *TSX Sport Wagon* and *ZDX* models.

With regard to exports from North America, Honda is currently exporting such North American-built models as the *Accord*, *Civic*, *Crosstour*, *Element*, *Odyssey*, *Pilot*, *Ridgeline*, *Acura MDX*, *Acura RDX*, *Acura TL* and *Acura ZDX* to other markets. In fiscal 2012, Honda exported approximately 65,600 units from North America to 45 countries throughout the world.

In Europe, Honda's products are distributed through approximately 1,650 independent local dealers for motorcycles, approximately 1,400 for automobiles and approximately 2,600\* for power products.

\* Total number represents dealers in 11 countries where Honda has foreign sales subsidiaries

In Asia, Honda's products are distributed through approximately 12,500 independent local dealers for motorcycles, approximately 1,430 for automobiles and approximately 2,740\* for power products.

\* Total number represents dealers in six countries where Honda has foreign sales subsidiaries.

The Company exports motorcycle components to 14 countries, including Indonesia, Vietnam, Thailand and Brazil, where motorcycles are manufactured by its subsidiaries, joint venture firms and licensees. Some of the components used in the production of these vehicles are supplied locally.

The Company exports automobile components to 15 countries, including the United States, Canada, China, Thailand and Brazil, where automobiles are manufactured by its subsidiaries, joint venture firms and licensees. Some of the components used in the production of these vehicles are supplied locally.

The Company also exports power product components to seven countries, including Thailand and China, where power products are manufactured by its subsidiaries, joint venture firms and licensees. Some of the components used in the production of these products are supplied locally.

## **Service and Parts Related Operations Overseas**

Honda provides its overseas operations, joint venture firms, independent distributors and licensees with spare parts and necessary technical information, which they in turn supply to wholesale or retail dealers, either directly or through one or more spare parts distributors.

*Components and Parts, Raw Materials and Sources of Supply*

Honda manufactures the major components and parts used in its products, including engines, frames and transmissions. Other components and parts, such as shock absorbers, electrical equipment and tires, are purchased from numerous suppliers. The principal raw materials used by Honda are steel plate, aluminum, special steels, steel tubes, paints, plastics and zinc, which are purchased from several suppliers. The most important raw material purchased is steel plate, accounting for approximately 46% of Honda's total purchases of raw materials.

No single supplier accounted for more than 5% of the Company's purchases of major components and parts and principal raw materials during the fiscal year ended March 31, 2012.

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Ordinarily, Honda does not have and does not anticipate having any difficulty in obtaining its required materials from suppliers and considers its contracts and business relations with the suppliers to be satisfactory. The Company does not believe any of its Japanese domestic suppliers are substantially more dependent on foreign suppliers than Japanese suppliers generally. However, it should be noted that Japanese industry in general is heavily dependent on foreign suppliers for substantially all of its raw materials.

### *Seasonality*

Honda's Motorcycle and Power product businesses have historically experienced some seasonality. However, this seasonality has not generally been material to our financial results.

### *Environmental and Safety Regulation*

#### **Outline of Environmental and Safety Regulation for Automobiles**

##### **1. Emissions**

###### **Japan**

In March 2008, to strengthen the enforcement of laws, the 2009 Exhaust Emission Standards were created after the passage of long-term regulation. Long-term targets for gasoline vehicles remained unchanged except those for direct injection gasoline vehicles, which were also required to meet the particulate matter (PM) standard. New long-term emissions targets for diesel vehicles were lowered by more than 60% from the 2005 level of NOx and PM standards.

###### **The United States**

Increasingly stringent emission regulations under the Clean Air Act have been enacted since the 1990s by the U.S. federal government.

Under the Clean Air Act, the State of California is permitted to establish its own emission control standards to the extent they are more stringent than federal standards. Pursuant to this authority, the California Air Resources Board (CARB) adopted the California Low Emission Vehicle Program in 1990, aiming to establish the strictest emission regulation in the world.

In April 2004, the CARB finalized its Zero-Emission Vehicles (ZEV) requirements. Under these requirements, beginning with 2005 model cars, 6% of vehicles sold in California by a car manufacturer must be Partial Zero Emission Vehicles (PZEV), which includes Super Ultra Low

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Emission Vehicles (SULEV) with warranties coverage up to the earlier of 15 years or 150,000 driven miles, 2% must be advanced technology PZEV and 2% must be ZEV. Required percentages have been gradually increased under the ZEV standards from the 2008 model cars.

In March 2009, the CARB amended ZEV regulation to require 7,500 Fuel Cell Vehicles (FCV) in the entire industry instead of the previous requirement of 2,500 FCV. In addition, manufacturers should sell a significant number of Enhanced Advanced Technology Partial Zero Emission Vehicles (Enhanced AT-PZEV) in the market after the 2012 model year.

In December 2011, the CARB issued the Advanced Clean Car package of regulations, which included proposals to amend California Low Emission Vehicle Program III (LEV III) and ZEV regulations. As to the LEV III regulation, which applies to 2015 and subsequent model years, limit values for emissions and evaporative emissions, etc. are enhanced. The ZEV regulation was revised so that requirements can be satisfied by TZEV (formerly, Enhanced AT-PZEV) and ZEV alone for 2018 and subsequent model years. Also, the BEVx category was added for ZEV vehicles; such category includes battery electric vehicles with auxiliary power units.



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In addition, the Environmental Protection Agency (EPA) is planning to propose a LEV III equivalent emission regulation (Tier 3) in 2012.

Currently, many other states have also adopted or planned to adopt the California LEV III and ZEV regulations.

## **Europe**

In 2005, the European Union created new emission standards (Euro5 and Euro6) and comprehensive requirements for gasoline vehicles and diesel vehicles. Euro5 was implemented in September 2009. Emission limits for gasoline vehicles and diesel vehicles were further lowered compared to the Euro4 level of HC, NOx and PM. PM mass emission standards shall apply only to vehicles with direct injection engines.

Additionally, Euro5 required limits on particle number emissions from diesel vehicles, and implemented new test measurements for PM mass emissions from gasoline vehicles with direct injection engines and diesel vehicles on and after September 2011.

Euro6 will be implemented in 2014. Emission limits for diesel vehicles will be lowered even more than the Euro5 level HC and NOx. Additionally, Euro6 will require limits on particle numbers from gasoline vehicles with direct injection engines.

## **Russia**

The Euro4 regulation has been in effect from January 2010. Additionally, the Euro5 regulation will be implemented in January 2014.

## **China**

China adopted Step3 and Step4 emission regulations for light-duty vehicles in 2005. These regulations are similar to European regulations (such as Euro3 and Euro4). Step3 was implemented in 2007 and Step4 was implemented in July 2010. In addition, China has proposed to implement Step5 emission regulations in 2015 or 2016, based on Euro5.

In the city of Beijing, Step3 was implemented in December 2005 and Step4 was implemented in March 2008. In addition, the city of Beijing is considering the introduction of Step5 emission regulations in the second half of 2012.

## **Other Regions**

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In Korea, the Atmospheric Environment Preservation Act, which applies to the whole country, was amended. Diesel Euro6 (including the Particulate Number (PN) regulations) and the enhancement of gasoline evaporative emission regulations will be enforced from 2014. In addition, the Special Act on Capital Region Air Quality Improvements, which applies in the capital region, is currently under review. The 2014 enforcement items in the Atmospheric Environment Preservation Act may become effective as early as 2012.

Several other Asian countries have adopted regulations which are similar to the European regulations (such as Euro2 and Euro3). Some of these countries are considering the introduction of Euro4 and Euro5.

Australia implemented Euro4-equivalent regulations in July 2008. In addition, Australia will introduce Euro5-equivalent regulations from November 2013.

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### **2. Fuel Economy / CO<sub>2</sub>**

#### **Japan**

In 2005, discussions about the POST-2010 standard took place among the applicable ministries and industries. In February 2007, the final POST-2010 target, or the 2015 standard, was announced. Fuel consumption will be reduced by 29.2% compared to the 2010 target for passenger cars.

In June 2010, the Ministry of Land, Infrastructure and Transport (MLIT) and the Ministry of Economy, Trade and Industry (METI) jointly commenced a study to formulate new fuel efficiency standards for passenger motor vehicles, etc. from 2020. In July 2011, the joint committee opened their proposals for public comments. The next term fuel economy standards, effective from 2020, are expected to improve the 2015 standards by 19.6% and adopt the Corporate Average Fuel Economy (CAFE) method from the US.

In order to introduce E10, fuel that is 10% ethanol blended in gasoline, the public was invited to comment in January 2012 on an amendment of an announcement that prescribes details of safety regulations for road vehicles. Japan plans to introduce E10 from April 2012.

Ethanol blended fuel is a biomass fuel. Biomass fuel is regarded as an effective countermeasure for CO<sub>2</sub> reduction. CO<sub>2</sub> emissions after burning ethanol fuel produced with biomass resources (such as plants or wood) are not counted as CO<sub>2</sub> emissions under the Kyoto Protocol.

#### **The United States**

The Federal Motor Vehicle Information and Cost Savings Act requires automobile manufacturers to comply with the CAFE standards. Under the CAFE standards, manufacturers are subject to substantial penalties if automobiles produced by them in any model year do not meet the average standards for each category.

In March 2009, the National Highway Traffic Safety Administration (NHTSA) issued the CAFE regulation standard for passenger cars and light trucks for the 2011 model year. The CAFE standard calculation of passenger cars and light trucks for the 2011 model year use a footprint prescribed in the CAFE regulation issued in 2006. The industry-wide combined average for the 2011 model year was estimated to be 27.3 mpg.

The EPA and the NHTSA jointly finalized the U.S. federal Green House Gas (GHG) regulation from 2012 model year in accordance with President Obama's announcement. The standard for the 2016 model year is 250 g-CO<sub>2</sub>/mile or 35.5 mpg over the industry average. In addition, a manufacturer is also deemed to comply with CARB GHG regulation if the manufacturer complies with EPA-GHG, based on an agreement among the White House, the CARB and the industry.

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In March 2008, the EPA denied California's GHG regulation waiver request against the CARB. On January 26, 2009, U.S. President Obama announced that he had directed the EPA to review California's waiver request. The EPA approved the waiver on July 8th, 2009 because the CARB promised that a manufacturer was also deemed to comply with CARB GHG regulation if the manufacturer complied with EPA-GHG from the 2012 through 2016 model years.

President Obama ordered NHTSA and EPA to extend the National Program for cars and light-duty trucks to the 2017 model year and beyond with the support of CARB on May 21, 2010. NHTSA, EPA, and CARB gave the notice of their intent to conduct a joint rulemaking to establish 2017 and later model year fuel economy and greenhouse gas standards on October 1, 2010. The NHTSA and EPA issued a proposed regulation on December 1, 2011 on GHG / CAFE regulations for 2017 and subsequent model years. CARB also issued a proposed regulation that is almost equivalent to EPA's proposal on GHG regulations.

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### **Europe**

In 2008, the European parliament adopted CO<sub>2</sub> regulations in response to concerns related to possible global climate changes. The adopted CO<sub>2</sub> regulations were published by Official Journal in June 2009.

Pursuant to the CO<sub>2</sub> regulations, the European Commission set a more stringent target of 130 grams of carbon dioxide per kilometer for new passenger cars offered for sale in the EU from 2012. In addition, the CO<sub>2</sub> regulations provided manufacturers with the necessary incentive to reduce the CO<sub>2</sub> emissions of their vehicles by imposing an excess emissions premium if their average emission levels are above the limit value curve. This premium is based on the number of grams per kilometer (g/km) that an average vehicle sold by the manufacturer exceeding the limit imposed by the curve, multiplied by the number of vehicles sold by the manufacturer.

### **China**

China adopted a fuel consumption regulation for passenger vehicles in 2004. Step 1 of this regulation was implemented in 2005 and Step 2 was implemented in 2008. Step 3 will presumably be implemented in 2012. It will be a Corporate Average Fuel Consumption regulation from Step 3.

### **Other Regions**

Korea introduced CAFE in 2005 and plans to phase-in CAFE and CO<sub>2</sub> regulations from 30% for the 2012 model year to 100% for the 2015 model year.

India and Australia have also proposed to introduce fuel economy / CO<sub>2</sub> regulations in 2015 and 2020 in a phased manner.

Taiwan and Malaysia are considering introducing fuel economy / CO<sub>2</sub> regulations.

## **3. Recycling / End-of-Life Vehicles (ELV) / REACH**

### **Japan**

Japan enacted the Automobile Recycling Law in July 2002, which required manufacturers to take back air bags, fluorocarbon and shredder residue derived from end-of-life vehicles (ELV), which became effective on January 1, 2005. ELV processing costs are collected from owners of cars currently in use and purchasers of new cars.

## Europe

On December 30, 2006, the European Union adopted the Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which became effective on June 1, 2007. From June 1, 2008, any manufacturer or importer of chemical substances is required to submit a registration to the Agency, based on annual production or import quantity levels. Submitting a pre-registration between June 1 and December 1, 2008 will allow the manufacturer or importer to extend the deadline for submitting the registration for existing chemical substances. The list of Substance of Very High Concern (SVHC) is amended periodically to include new substances. Currently, 73 substances are in the SVHC list. Upon a request by a consumer, a supplier of a product containing SVHC must provide the consumer with sufficient information, including at least the name of the substance, within 45 days.

On February 18, 2011, the first set of substances which require authorization for use after specified dates were announced. Manufacturers using these substances in Europe must either be authorized for use after submitting an application or use substitute substances. Substances which require authorization will be added periodically. Currently, 14 substances require authorization.

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### **Other Regions**

Taiwan and Korea implemented automobile recycling laws in January 1, 2008, following the regulations established by the European Union and Japan. In addition, China has a plan to implement automobile recycling laws in the near future.

### **4. Safety**

#### **Japan**

In November 2007, MLIT issued safety standards, which are applicable from July 1, 2012, for vehicles which use high voltage electric power such as electric vehicles or hybrid electric vehicles, to avoid electric shocks during normal operations and post crash. And further, in 2011, they have adopted Economic Commission for Europe (ECE) R100 which was amended to incorporate the Japanese electrical safety standard.

Japan Automobile Standards Internationalization Center (JASIC), which is organized by the MLIT and Japan Automobile Manufacturers Association (JAMA), among others, has started to review a proposal for the unification of Safety/Environment Standards, vehicle categories and certification in order to promote further internationalization of standards and certifications. JASIC made the proposal to other contracting parties of the 58 / 98 Agreement in 2009 and aims at reaching an agreement among the contracting parties by 2015.

In January 2010, MLIT started preparing a guideline for measurements of the silent characteristic of hybrid vehicles and also started studying how to regulate this.

In March 2010, in the session of the World Forum for Harmonization of Vehicle Regulations (WP29) of the United Nations Economic Commission for Europe, Japan proposed the establishment of a mutual certification system of international vehicle type certifications, which was agreed upon.

In March 2010, triggered by a hit-and-run accident in the United States, the MLIT began research on introducing brake-override-systems.

In May 2011, the MLIT introduced a pedestrian leg protection standard, adopting, for the first time in the world, a flexible leg impactor that is improved in biomechanism characteristic.

#### **The United States**

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In August 2006, the NHTSA issued a final rule revising performance requirements for advanced airbag systems. The rule upgrades the maximum speed for frontal barrier crash tests using a belted small adult female dummy. Manufacturers must comply with the upgraded requirements for 35% of all vehicles produced by 2009, 65% by 2010, 100% (with carryover credit) by 2011, and all vehicles by 2012.

In January 2008, the NHTSA issued a final rule to revise some performance requirements for event data recorders and to delay the effective date. Manufacturers offering passenger cars and/or other light vehicles equipped with event data recorders must comply with the revised requirements on or after September 2012.

In February 2008, the Cameron Gulbransen Kids Transportation Safety Act was established, and the NHTSA issued some regulations to prevent accidents involving children based on the Act. Manufacturers must comply with the new requirements, in accordance with proposed phase-in compliance schedules. The NHTSA has decided to postpone the rulemaking schedule for the final rule until the end of 2012 due to the need for their further research and data analysis.

In June 2008, the NHTSA issued a final rule to revise some performance requirements and phase-in compliance schedules in upgraded side impact occupant protection standards. For both the moving deformable barrier test and the oblique side pole impact test, manufacturers must comply with the revised requirements for 20% of all vehicles produced by 2010, 40% by 2011, 60% by 2012, 80% by 2013 and 100% by 2014.



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In May 2009, the NHTSA issued a final rule to upgrade the vehicle roof crush standard. The rule newly introduces the Two-sided Roof Test, which imposes the strength tests for both sides of the vehicle roof and increases the maximum applied load. For vehicles with a gross vehicle weight rating (GVWR) of 2,722 kg or less, manufacturers must comply with the upgraded requirements for 25% of all vehicles produced by 2012, 50% by 2013, 75% by 2014, and 100% by 2015. For heavier vehicles, manufacturers must comply with the standards on and after September 2016.

In January 2011, the NHTSA issued a final rule to prevent the ejection of occupants in rollover accidents. The rule requires ejection mitigation countermeasure (e.g. advanced glazing or head protection side airbag) equipment which meet with performance requirements. Manufacturers must comply with the new requirements for 25% of all vehicles produced by 2013, 50% by 2014, 75% by 2015, 100% (with carryover credit) by 2016, and all vehicles by 2017.

In February 2012, the NHTSA issued a proposed Driver Distraction Guideline. The purpose of the guideline is to reduce the number of crashes and resulting deaths and injuries that occur due to distracted driving while performing non-driving activities with integrated in-vehicle electronic devices. Compliance with this guideline is voluntary, but the NHTSA believes that manufacturers will take the initiative to implement these guidelines in an effort to improve safety.

## **Europe**

The European Commission issued a new regulation for type approval requirements for the General Safety of vehicles (GSR). It includes an installation requirement for the advanced safety system (Electronic Stability Control System (ESC) and Tire Pressure Monitoring Systems (TPMS)) and a tire performance requirement in order to improve the safety and environmental performance of vehicles.

In February 2011, the United Nations issued a revised ECE regulation relating to the installation of lighting devices, requiring automatic switching of dipped-beam headlamps. For M1 and N1 vehicles, the dipped-beam headlamps shall be switched on and off automatically relative to the ambient light conditions, if a vehicle is equipped with daytime running lamps on and after January 30, 2015.

Legislation of eCall is under consideration in the EU and Russia. eCall is a system that can automatically transmit vehicle status (Supplemental Restraint System (SRS) deployment, location, direction and other) to conventional infrastructures simultaneously with voice messages when crash accidents happen. Some relevant draft standards were published in the EU and Russia. The effective date of the EU eCall is scheduled for the end of first quarter in 2015 for new vehicle. The effective date of Russian eCall (ERA-GLONASS) is scheduled for January 1, 2013 for new vehicle.

## **5. New Car Assessment Program (NCAP)**

Programs that provide customers with assessments of car safety functions and promote the development of car safety by automobile manufacturers are conducted in countries such as the United States, Japan, Australia, the EU, Korea, China and Malaysia. The principal items assessed in these programs are passenger protection and braking power, which are typically assessed with stricter standards or criteria than those required by statute.

**Outline of Environmental and Safety Regulation for Motorcycles**

**1. Emissions**

**Japan**

Japan has emissions regulations for motorcycles applicable to all classes of engine displacement. Some aspects of these requirements, such as standards for hydro-carbon levels and durability, are stricter than the

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current European regulations, namely the Euro3 regulations. MLIT introduced the Worldwide Harmonized Motorcycle Emissions Certification Procedure (WMTC) and its applicable standards in 2010. It will apply to new models from October 1, 2012.

### **The United States**

Emissions regulations regarding off-road motorcycles and ATVs were introduced in 2006. In addition, the EPA adopted the current California emissions standards regarding on-road motorcycles on a national basis, two years behind the schedule of California. The new regulations include fuel permeation requirements rather than traditional evaporative emission standards.

### **Canada**

The Canadian federal government introduced emissions regulations, generally equivalent to the U.S. EPA regulations, for on-road motorcycles from the 2006 model year and for off-road motorcycles from April 2011.

### **Europe**

The EU maintains emissions regulations (Euro3) for motorcycles, as well as the Motor Cycle (& Moped) Whole Vehicle Type Approval (WVTA) , a uniform certification system for two and three-wheeled motor vehicles. The Euro3 regulations are the most stringent class standard for motorcycles. Euro3 regulations have been in effect from January 2006. The European Commission has introduced a recast proposal of WVTA which contains Euro4, Euro5 and Euro6 stage regulations.

### **Other Regions**

Other countries, mainly in Asia, have implemented tighter emissions regulations based on European regulations.

In Thailand, a sixth stage of emissions control, which is generally equivalent to or stricter than Euro3, has been implemented.

In Indonesia, Euro2-equivalent regulations have been in effect from January 2006.

In China, the National third stage of emissions control, which is generally equivalent to or stricter than Euro3 regulations, was introduced in 2008.

In Korea, Euro3-equivalent regulations were implemented in 2008.

In Brazil, Euro3-equivalent regulations have been in effect from the beginning of 2009.

In India, second stage regulations based on the Indian authorities own test method are in effect and enhanced regulations were enacted in 2005. The third stage of emission control was implemented in 2010.

## **2. Safety**

### **Japan**

Japan introduced ECE R10 (Electromagnetic Compatibility). The ECE R10-03 series will apply to all models from August 1, 2016. The ECE R10-04 series will apply to new models from August 1, 2016 and all models from October 28, 2016.

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### **The United States**

The Consumer Product Safety Improvement Act of 2008 was signed into law by former President Bush on August 14, 2008. In accordance with this, children's products including ATVs and off-road motorcycles for children have had to comply with hazardous substance and other requirements (e.g. certificate, third party testing, tracking label requirements) after November 11, 2008, and ATVs products have had to comply with the American National Standards Institute (ANSI) standard from April 13, 2009.

Three-wheeled all-terrain vehicles, or ATVs (formerly referred to as ATCs) were a problem due to the youth-involved accidents in the 80s, and ATV regulations established at that time. However, it turned out that a voluntary standard, which was agreed to between the industry and regulators, was established. Although the number of accidents did not increase in the 90s, the ATV market in the US experienced a rapid development from 2000 and the problem of youth-involved accidents increasing continued to be a focal point.

The Consumer Product Safety Commission (CPSC) and ATV industry updated the voluntary standard in 2007. That standard has been introduced in the regulation.

### **Canada**

The Canadian government revised the controls and display regulation in order to harmonize with U.S. motor vehicle safety standards. It has applied to all motorcycles manufactured from February 22, 2008.

### **Europe**

The number of ATVs designed to travel on four low pressure tires on non-paved surfaces recently increased in the EU market. Because travel on public roads is necessary in Europe, manufacturers in China, Taiwan and the U.S. have been receiving approval for their ATVs by the Whole Vehicle Type Approval (WVTA) Quadricycle category, and the vehicles are used in mixed traffic without safety measures. For that reason, the European Commission is continuing discussions with each industry organization, recognizing the need for a review of the definition and the requirements of these vehicles.

From January 19, 2013, a new directive regarding driving licenses will become effective. The directive revises the categories of licenses and includes a new category for mopeds.

The European Commission issued a recast proposal of WVTA which contains a mandatory advanced brake system requirement.

### **Other regions**

The Brazilian government issued a new regulation regarding anti-theft device, which requires installations of an immobilizer and a vehicle tracking system on vehicles and motorcycles sold or registered from August 1, 2009. However, this regulation has not been implemented yet, because the Prosecutors Office claimed it was unconstitutional and asked the court to overturn it. The contents and the effective date of this regulation have been under consultation between the government and the industry. The regulation was originally scheduled to be implemented from August 30, 2012 but is now expected to be postponed because infrastructure will not be ready in time.

Many Asian countries, such as India, Thailand, and Vietnam, are introducing several regulations, regarding lighting, braking, and anti-theft, based on ECE regulations.

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### **Outline of Environmental and Safety Regulation for Power Products**

#### **1. Emissions**

##### **The United States**

The EPA introduced more stringent exhaust standards and new evaporative emission standards for fuel tanks and fuel lines used in small non-road engines. The regulation applied starting in the 2011 model year for Class II engines (above 225 cc), in the 2012 model year for Class I engines (less than 225 cc, used in non-handheld applications) and generally in 2010 for handheld products. EPA also adopted a more stringent level of emission standards for outboard and personal watercraft engines started with the 2010 model year. This new regulation includes standards to control evaporative emissions for all vessels using marine spark-ignition engines.

##### **Canada**

The Canadian federal government has introduced emissions regulations generally equivalent to the U.S. EPA regulations for outboard and personal watercraft engines from the 2012 model year. This new regulation includes controls for evaporative emissions from the 2015 model year.

##### **China**

An exhaust emission standard was introduced in China on March 1, 2011. Its requirements are based on the European exhaust emission regulation and are applicable to small spark-ignition engines for non-road mobile machinery with 19 kW or less.

#### **2. Safety**

##### **Japan**

The Institute of Agricultural Machinery amended the safety standard of backward speed requirement for walk-behind equipment from 3.6 km/h to 1.8 km/h, and the interpretation of splash protection guard requirements for brush cutters. New models have had to comply with the standard from April 2010 and all models will need to comply with it from April 2015.

##### **The United States**

Based on the Consumer Product Safety Improvement Act of 2008, walk-behind lawn mowers have had to comply with the certificate requirements from November 11, 2008. The CPSC has enhanced the recall system by this Act.

## **Europe**

The Machinery Directive was changed and a new directive has been effective from December 29, 2009. The main changes were to clarify the scope of the directive (e.g. partly completed machinery such as an engine unit), add the concrete description of market survey and create an obligation to establish a penalty description for member states.

## **China**

The Chinese State Council published the Agricultural Machinery Safety Supervision and Management Regulations. This regulation requires that defective agricultural machinery producers should conduct recalls in a timely manner. The producers should establish the quality assurance system for their products. In addition, agricultural machinery is required to comply with the applicable new technical standards. The new regulation was implemented on November 1, 2009.



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### *Preparing for the Future*

Honda aims to achieve global growth by further encouraging and strengthening innovation and creativity and creating quality products that please the customers and exceed their expectations.

In 2011, Honda suffered the effects of two large-scale disasters, the Great East Japan Earthquake and the floods in Thailand, but Honda will focus all its energies on the tasks set out below, aiming to get back on a growth trajectory as it pursues the vision toward 2020 of providing good products to customers with speed, affordability, and low CO<sub>2</sub> emissions .

#### 1. Research and Development

In connection with its efforts to develop the most effective safety and environmental technologies, Honda will continue to be innovative in advanced technology and products. Honda aims to create and introduce new value-added products to quickly respond to specific needs in various markets around the world. Honda will also continue its efforts to conduct research on experimental technologies for the future.

#### 2. Production Efficiency

Honda will establish and enhance efficient and flexible production systems at its global production bases and supply high quality products, with the aim of meeting the needs of its customers in each region. Learning from the experience of disasters such as the Great East Japan Earthquake and the floods in Thailand, Honda will work at improving its global supply chain, implementing disaster prevention measures at each place of business and devising more effective business continuity plans (BCPs).

#### 3. Sales Efficiency

Honda will remain proactive in its efforts to expand product lines through the innovative use of IT and will show its continued commitment to different customers throughout the world by upgrading its sales and service structure.

#### 4. Product Quality

In response to increasing customer demand, Honda will upgrade its quality control by enhancing the functions of and coordination among the development, purchasing, production, sales and service departments.

#### 5. Safety Technologies

Honda is working to develop safety technologies that enhance accident prediction and prevention, technologies to help reduce the risk of injuries to passengers and pedestrians from car accidents, and technologies that enhance compatibility between large and small vehicles, as well as expand its lineup of products incorporating such technologies. Honda will reinforce and continue to advance its contribution to traffic safety in motorized societies in Japan and abroad. Honda also intends to remain active in a variety of traffic safety programs, including advanced driving and motorcycling training programs provided by local dealerships.

## 6. The Environment

Honda will step up its efforts to create better, cleaner and more fuel-efficient engine technologies and to further improve recyclables throughout its product lines. Honda has now set a target to reduce CO<sub>2</sub> emissions from its global products by 30 percent by the end of 2020 compared to year 2000 levels. In addition to reducing CO<sub>2</sub> emissions during production and supply chain, Honda will strengthen its efforts to realize reductions in CO<sub>2</sub> emissions through its entire corporate activities. Furthermore, Honda will strengthen its efforts in advancing technologies in the area of total energy management, to reduce CO<sub>2</sub> emissions through mobility and people's everyday lives.

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7. Continuing to Enhance Honda's Social Reputation and Communication with the Community

In addition to continuing to provide products incorporating Honda's advanced safety and environmental technologies, Honda will continue striving to enhance its social reputation by, among other things, strengthening its corporate governance, compliance, and risk management as well as participating in community activities and making philanthropic contributions.

Through these company-wide activities, Honda will strive to be a company that its shareholders, investors, customers and society want to exist.

**Table of Contents***C. Organizational Structure*

As of March 31, 2012, the Company had 94 Japanese subsidiaries and 284 overseas subsidiaries. The following table sets out for each of the Company's principal subsidiaries, the country of incorporation, function and percentage ownership and voting interest held by Honda.

<b>Company</b>	<b>Country of Incorporation</b>	<b>Function</b>	<b>Percentage Ownership and Voting Interest</b>
Honda R&D Co., Ltd.	Japan	Research & Development	100.0
Honda Engineering Co., Ltd.	Japan	Manufacturing and Sales of machine tools, equipment and production techniques	100.0
Yachiyo Industry Co., Ltd.	Japan	Manufacturing	50.5
Honda Finance Co., Ltd.	Japan	Finance	100.0
American Honda Motor Co., Inc.	U.S.A.	Sales	100.0
Honda North America, Inc.	U.S.A.	Coordination of Subsidiaries Operation	100.0
Honda of America Mfg., Inc.	U.S.A.	Manufacturing	100.0
American Honda Finance Corporation	U.S.A.	Finance	100.0
Honda Manufacturing of Alabama, LLC	U.S.A.	Manufacturing	100.0
Honda Manufacturing of Indiana, LLC	U.S.A.	Manufacturing	100.0
Honda Transmission Mfg. of America, Inc.	U.S.A.	Manufacturing	100.0
Honda R&D Americas, Inc.	U.S.A.	Research & Development	100.0
Honda Canada Inc.	Canada	Manufacturing and Sales	100.0
Honda Canada Finance Inc.	Canada	Finance	100.0
Honda de Mexico, S.A. de C.V.	Mexico	Manufacturing and Sales	100.0
Honda Motor Europe Limited	U.K.	Coordination of Subsidiaries Operation and Sales	100.0
Honda of the U.K. Manufacturing Ltd.	U.K.	Manufacturing	100.0
Honda Finance Europe plc	U.K.	Finance	100.0
Honda France S.A.S.	France	Sales	100.0
Honda Bank GmbH	Germany	Finance	100.0
Honda Deutschland GmbH	Germany	Sales	100.0
Honda Motor (China) Investment Co., Ltd.	China	Coordination of Subsidiaries Operation and Sales	100.0
Honda Auto Parts Manufacturing Co., Ltd.	China	Manufacturing	100.0
Honda Automobile (China) Co., Ltd.	China	Manufacturing	65.0
Honda Motorcycle & Scooter India (Private) Ltd.	India	Manufacturing and Sales	100.0
Honda Siel Cars India Limited	India	Manufacturing and Sales	96.8
P.T. Honda Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Taiwan Co., Ltd.	Taiwan	Sales	100.0
Asian Honda Motor Co., Ltd.	Thailand	Coordination of Subsidiaries Operation and Sales	100.0
Honda Leasing (Thailand) Co., Ltd.	Thailand	Finance	100.0
Honda Automobile (Thailand) Co., Ltd.	Thailand	Manufacturing and Sales	89.0
Thai Honda Manufacturing Co., Ltd.	Thailand	Manufacturing	60.0
Honda Vietnam Co., Ltd.	Vietnam	Manufacturing and Sales	70.0
Honda Motor de Argentina S.A.	Argentina	Manufacturing and Sales	100.0
Honda South America Ltda.	Brazil	Coordination of Subsidiaries Operation	100.0
Banco Honda S.A.	Brazil	Finance	100.0
Honda Automoveis do Brasil Ltda.	Brazil	Manufacturing and Sales	100.0
Moto Honda da Amazonia Ltda.	Brazil	Manufacturing and Sales	100.0

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Honda Turkiye A.S.	Turkey	Manufacturing and Sales	100.0
Honda Australia Pty. Ltd.	Australia	Sales	100.0

**Table of Contents***D. Property, Plants and Equipment*

The following table sets out information, as of March 31, 2012, with respect to Honda's principal manufacturing facilities, all of which are owned by Honda:

<b>Location</b>	<b>Number of Employees</b>	<b>Principal Products Manufactured</b>
Sayama, Saitama, Japan	5,146	Automobiles
Hamamatsu, Shizuoka, Japan	2,435	Power products and transmissions
Suzuka, Mie, Japan	6,931	Automobiles
Ohzu-machi, Kikuchi-gun Kumamoto, Japan	3,065	Motorcycles, all-terrain vehicles, power products and engines
Marysville, Ohio, U.S.A.	5,804	Automobiles
Anna, Ohio, U.S.A.	2,181	Engines
East Liberty, Ohio, U.S.A.	2,158	Automobiles
Lincoln, Alabama, U.S.A.	4,097	Automobiles and engines
Greensburg, Indiana, U.S.A.	1,818	Automobiles
Alliston, Ontario, Canada	4,074	Automobiles and engines
El Salto, Mexico	2,361	Motorcycles and automobiles
Swindon, Wiltshire, U.K.	3,697	Automobiles and engines
Guangzhou, China	810	Automobiles
Gurgaon, India	4,089	Motorcycles
Greater Noida, India	2,977	Automobiles
Karawang, Indonesia	1,559	Automobiles and engines
Ayutthaya, Thailand	3,569	Automobiles
Bangkok, Thailand	3,095	Motorcycles and power products
Vinhphuc, Vietnam	3,298	Motorcycles and automobiles
Buenos Aires, Argentina	759	Motorcycles and automobiles
Sumare, Brazil	3,061	Automobiles
Manaus, Brazil	9,132	Motorcycles and power products
Gebze, Turkey	846	Automobiles

In addition to its manufacturing facilities, the Company's properties in Japan include sales offices and other sales facilities in major cities, repair service facilities, and research and development facilities.

As of March 31, 2012, the Company's property, with a net book value of approximately ¥22.1 billion, was subject to specific mortgages securing indebtedness.

*Capital Expenditures*

Capital expenditures in fiscal 2012 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.

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Total capital expenditures for the year amounted to ¥1,090.3 billion, decreased ¥19.4 billion from the previous year. Also, total capital expenditures, excluding property on operating leases, for the year amounted to ¥406.5 billion, increased ¥95.2 billion from the previous year. Spending by business segment is shown below.

	Fiscal years ended March 31,		
	2011	2012	Increase (Decrease)
	Yen (millions)		
Motorcycle Business	¥ 37,084	¥ 62,075	¥ 24,991
Automobile Business	260,149	334,196	74,047
Financial Services Business	798,584	684,083	(114,501)
Financial Services Business (Excluding Property on Operating Leases)	164	316	152
Power Product and Other Businesses	13,963	10,005	(3,958)
Total	¥ 1,109,780	¥ 1,090,359	¥ (19,421)
Total (Excluding Property on Operating Leases)	¥ 311,360	¥ 406,592	¥ 95,232

Intangible assets are not included in the table above.

In Motorcycle business, we made capital expenditures of ¥62,075 million in the fiscal year ended March 31, 2012. 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 ¥334,196 million in the fiscal year ended March 31, 2012. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

In Financial services business, capital expenditures excluding property on operating leases amounted to ¥316 million in the fiscal year ended March 31, 2012, while capital expenditures for property on operating leases were ¥683,767 million. Capital expenditures in Power products and other businesses in the fiscal year ended March 31, 2012, totaling ¥10,005 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 2012*

Honda de Mexico, S.A. de C.V., which is one of the Company's consolidated subsidiaries, plans to build a new auto plant in Guanajuato, Mexico with an investment of approximately \$800 million. The annual production capacity of this new plant will be approximately 200,000 units. This new plant is planned to start operation from the first half of 2014.

Our original capital expenditure plans for the period from the fiscal year ended March 31, 2012 during the preceding fiscal year have not changed.

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The estimated amounts of capital expenditures for fiscal year ending March 31, 2013 are shown below.

	<b>Fiscal year ending March 31, 2013 Yen (millions)</b>
Motorcycle Business	¥ 71,000
Automobile Business	496,800
Financial Services Business	400
Power Product and Other Businesses	11,800
<b>Total</b>	<b>¥ 580,000</b>



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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.

### ***Item 4A. Unresolved Staff Comments***

We do not have any unresolved written comments provided by the staff of the Securities and Exchange Commission regarding our periodic reports under the Securities and Exchange Act of 1934.

### ***Item 5. Operating and Financial Review and Prospects***

#### ***A. Operating Result***

##### ***Overview***

##### **Business Environment**

During the past year, we faced a challenging economic environment. In the United States, although the overall economy continued to show signs of a gradual recovery, a high unemployment rate, sluggish sales of homes and fiscal austerity could result in the economy slipping into recession. In Europe, the sovereign debt crisis, rising oil prices and other factors led to stagnation, which slowed the economy to a crawl. In Asia, growth continued in China and the pace of growth slackened in India. A general recovery is underway in other countries in the region. In Japan, economic conditions remained challenging amid a mild recovery.

##### **Overview of Fiscal Year 2012 Operating Performance**

Honda's consolidated net sales and operating revenues for the fiscal year ended March 31, 2012, decreased from the fiscal year ended March 31, 2011, due mainly to decreased net sales in Automobile business attributable to temporary plant shutdown and reduced production by the Great East Japan Earthquake, the floods in Thailand and negative foreign currency translation effects, which was partially offset by increased net sales in Motorcycle business. Operating income decreased from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales and model mix, increased R&D expenses and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses.

##### **Motorcycle Business**

Honda's unit sales in fiscal year 2012 increased 9.7% from the previous fiscal year, to 12,559 thousand units, despite lower sales caused by the floods in Thailand. The increase was mainly attributable to increased sales in India and Vietnam in line with expanded production capacity, and to strong sales in Brazil.

#### **Automobile Business**

Honda's unit sales in fiscal year 2012 declined 10.7% from the previous fiscal year, to 3,137 thousand units, with all regions recording sharp sales declines. The primary reason for these declines was production shutdowns caused by supply chain disruptions stemming first from the Great East Japan Earthquake and flooded Thai factory due to the floods in Thailand.

#### **Power Product and Other Businesses**

Honda's unit sales in fiscal year 2012 rose 5.6% from the previous fiscal year to 5,819 thousand units, mainly due to strong sales of completed products such as pumps and lawn mowers in Asia and Europe.

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### ***Fiscal Year 2012 Compared with Fiscal Year 2011***

#### **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, 2012, decreased ¥988.7 billion, or 11.1%, to ¥7,948.0 billion from the fiscal year ended March 31, 2011, due mainly to decreased net sales in Automobile business by the Great East Japan Earthquake, the floods in Thailand and negative foreign currency translation effects, which was partially offset by increased net sales in Motorcycle business. 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 ¥555.6 billion, or 6.2%, compared to the decrease as reported of ¥988.7 billion, which includes negative foreign currency translation effects.

#### **Operating Costs and Expenses**

Operating costs and expenses decreased ¥650.3 billion, or 7.8%, to ¥7,716.7 billion from the previous fiscal year. Cost of sales decreased ¥577.2 billion, or 8.9%, to ¥5,919.6 billion from the previous fiscal year, due mainly to a decrease in costs attributable to decreased unit sales in Automobile business and positive foreign currency effects. Selling, general and administrative expenses decreased by ¥105.3 billion, or 7.6%, to ¥1,277.2 billion from the previous fiscal year, due mainly to a decrease in selling expenses attributable to decreased product warranty expenses, decreased unit sales in Automobile business, and positive foreign currency effects. R&D expenses increased by ¥32.2 billion, or 6.6%, to ¥519.8 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 decreased ¥338.4 billion, or 59.4%, to ¥231.3 billion from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales, increased R&D expenses and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses. Excluding negative foreign currency effects of ¥114.0 billion, Honda estimates operating income decreased ¥224.3 billion.

With respect to the discussion above of the changes, management identified the 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**

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Income before income taxes and equity in income of affiliates decreased ¥373.1 billion, or 59.2%, to ¥257.4 billion. Main factors of this decrease except factors relating operating income are as follows;

Unrealized gains and losses related to derivative instruments had a negative impact of ¥5.9 billion. Other income (expenses) excluding unrealized gains and losses related to derivative instruments had a negative impact of ¥28.7 billion, due mainly to gain on sales of investments in affiliates related to the dissolution of the joint venture, which was included in the previous fiscal year and a decrease in foreign currency transaction gains.

### **Income Tax Expense**

Income tax expense decreased ¥71.0 billion, or 34.4%, to ¥135.7 billion from the previous fiscal year. The effective tax rate increased 19.9 percentage points to 52.7% from the previous fiscal year. The increase in the

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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, which was included in the previous fiscal year and adjustments for the change in income tax laws in Japan in the current fiscal year.

### **Equity in Income of Affiliates**

Equity in income of affiliates decreased ¥39.3 billion, or 28.2%, to ¥100.4 billion, due mainly to a decrease in income attributable to decreased net sales by the Great East Japan Earthquake at affiliates in Asia and Japan, and decreased Equity in income of the affiliate which was dissolved pursuant to a joint venture agreement in the previous fiscal year.

### **Net Income**

Net income decreased ¥341.4 billion, or 60.6%, to ¥222.0 billion from the previous fiscal year.

### **Net Income attributable to Noncontrolling Interests**

Net income attributable to noncontrolling interests decreased ¥18.7 billion, or 64.0%, to ¥10.5 billion from the previous fiscal year.

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

Net income attributable to Honda Motor Co., Ltd. decreased ¥322.6 billion, or 60.4%, to ¥211.4 billion from the previous fiscal year.

### **Business Segments**

#### **Motorcycle Business**

Honda's unit sales of motorcycles, all-terrain vehicles (ATVs) totaled 12,559 thousand units, increased by 9.7% from the previous fiscal year, due mainly to an increase in unit sales in Asia and Other Regions, including South America.

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Revenue from external customers increased ¥60.6 billion, or 4.7%, to ¥1,348.8 billion from the previous fiscal year, due mainly to increased unit sales, which was partially offset by negative 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 ¥158.6 billion, or 12.3%, compared to the increase as reported of ¥60.6 billion, which includes negative foreign currency translation effects.

Operating costs and expenses increased ¥56.6 billion, or 4.9%, to ¥1,206.2 billion from the previous fiscal year. Cost of sales increased by ¥51.0 billion, or 5.8%, to ¥939.0 billion, due mainly to an increase in costs attributable to increased unit sales, which was partially offset by positive foreign currency effects. Selling, general and administrative expenses increased by ¥10.0 billion, or 5.2%, to ¥203.8 billion, due mainly to an increase in selling expenses attributable to increased unit sales. R&D expenses decreased by ¥4.4 billion, or 6.6%, to ¥63.3 billion.

Operating income increased ¥4.0 billion, or 2.9%, to ¥142.6 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales, which was partially offset by income related to licensing agreements which was included in the previous fiscal year, increased selling, general and administrative expenses and negative foreign currency effects.

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### ***Japan***

Total industry demand for motorcycles in Japan\* in fiscal year 2012 was approximately 450 thousand units, approximately 6% higher than in the previous fiscal year. Although the number of licensed riders declined in line with the continued decline in the population of young people in Japan as well as changes in consumer preferences, unit sales growth was driven by the launch of new models, etc.

Honda's consolidated total unit sales in Japan in fiscal year 2012 were 220 thousand units, up 15.8% from the previous fiscal year. This result reflects the positive impact of the launch of the new *Dio110* model scooter, increased sales of the *Giorno* scooter, and the newly launched global strategic road sports *CBR250R* model, whose global manufacturing base is in Asia.

\* Source: JAMA (Japan Automobile Manufacturers Association)

### ***North America***

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States\* during calendar year 2011 declined approximately 5% from the previous fiscal year, to approximately 663 thousand units. Demand fell short of making a full-scale recovery as consumer sentiment remained muted despite signs of improvement in the employment rate and income levels.

Under these circumstances, Honda's consolidated unit sales in North America for fiscal year 2012 increased 8.1% from the previous fiscal year, to 200 thousand units. Unit sales of motorcycles increased 18.9% from the previous fiscal year, to 107 thousand units, due to strong sales of the newly introduced global strategic road sports *CBR250R* model, the *Ruckus* scooter and certain other models. Unit sales of ATVs decreased 2.1%, to 93 thousand units despite brisk demand for utility ATVs, such as *Foreman TRX500*, which underwent a full model change.

\* Source: MIC (Motorcycle Industry Council)

### ***Europe***

Total demand for motorcycles in Europe\* during calendar year 2011 declined approximately 8%, to approximately 865 thousand units. Weak consumer sentiment due to growing economic instability in Southern European countries in particular adversely affected demand.

Under these circumstances, Honda's consolidated unit sales in Europe for fiscal year 2012 decreased 2.0% from the previous fiscal year, to 198 thousand units, slightly better than the lackluster market as a whole. This result is attributable to strong sales of the newly-launched global strategic road sports *CBR250R* model and newly-launched scooter model *Vision110*.

\* Based on Honda research, the motorcycle registration market for Europe includes 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium and Austria.

*Asia*

Total demand for motorcycles in Asia<sup>\*1</sup> during calendar year 2011 increased approximately 3%, to approximately 42.9 million units. Demand for motorcycles continued to expand despite the impact of the floods in Thailand, the introduction of interest rate hikes to control inflation and tightening of credit policies in certain countries in the region. Unit sales in India rose approximately 16%, to approximately 13.14 million units, while sales in Indonesia increased approximately 9%, to approximately 8.01 million units. Sales in Thailand rose approximately 4%, to approximately 1.92 million units, despite the effects of the flooding.



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Under these circumstances, Honda's unit sales on a consolidated basis in Asia<sup>2</sup> for fiscal year 2012 rose 8.0%, to 9,910 thousand units. Sales rose on growth in sales of the *Active* scooters and *Shine* motorcycles in India, and the *AirBlade* scooters and *Wave* cub-type motorcycle models in Vietnam.

With respect to production activities, P.T. Astra Honda Motor, which is an affiliate accounted for under the equity method, in Indonesia, announced plans to build a fourth factory solely for scooters, with an annual production capacity of around 1,100 thousand units, in order to meet burgeoning demand in the Indonesian market. By the autumn of 2013, the company's annual production capacity will be approximately 5,300 thousand units.

\*1: Based on Honda research, the motorcycle registration market includes eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

\*2: This total includes sales of completed products of the Company and its consolidated subsidiaries and unit sales of parts for use in local production to Honda's affiliates accounted for under the equity method.

## ***Other Regions***

In Brazil, the principal market within Other Regions, total demand in calendar year 2011 increased approximately 7%, to 1,930 thousand\* units, on the momentum created by economic growth in the first half of the year. This result was achieved despite a fiscal tightening policy, and an economic slowdown brought on by the reverberations of the European sovereign debt crises in the second half.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), unit sales rose 20.2% over the previous fiscal year, to 2,031 thousand units. Strong sales of mainstay models in Brazil, including the *CG150 Fan* motorcycles and *NXR150 Bros* dual-sport motorcycles contributed to sales growth.

\* Source: ABRACICLO (the Brazilian association of motorcycle, moped, and bicycle manufacturers)

## **Automobile Business**

Honda's unit sales of automobiles totaled 3,137 thousand units, decreased by 10.7% from the previous fiscal year, due mainly to a decrease in unit sales in all regions by the Great East Japan Earthquake and the floods in Thailand.

Revenue from external customers decreased ¥988.1 billion, or 14.5%, to ¥5,805.9 billion from the previous fiscal year, due mainly to decreased unit sales and negative 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 decreased by approximately ¥702.7 billion, or 10.3%, compared to the decrease as reported of ¥988.1 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales decreased ¥979.5 billion, or 14.4%, to ¥5,822.7 billion from the previous fiscal year.

Operating costs and expenses decreased ¥637.8 billion, or 9.8%, to ¥5,899.9 billion from the previous fiscal year. Cost of sales decreased by ¥587.2 billion, or 11.5%, to ¥4,518.5 billion, due mainly to a decrease in costs attributable to decreased unit sales and positive foreign currency effects. Selling, general and administrative expenses decreased by ¥88.6 billion, or 8.5%, to ¥953.5 billion, due mainly to a decrease in selling expenses attributable to decreased product warranty expenses, decreased unit sales, and positive foreign currency effects. R&D expenses increased by ¥38.0 billion, or 9.7%, to ¥427.8 billion, due mainly to improving safety and environmental technologies and enhancing of the attractiveness of the products.

Operating loss was ¥77.2 billion, a decrease of ¥341.7 billion of operating income from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales, increased R&D expenses and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses.

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The proportion of retail unit sales by each vehicle class is as follows;

	2011	2012
Passenger cars:	65%	62%
<i>Accord, Brio, City, Civic, CR-Z, Fit/Jazz,</i>		
<i>Fit/Jazz Hybrid, Fit Shuttle, Fit Shuttle Hybrid, FREED,</i>		
<i>FREED Hybrid, Insight, Inspire, Legend, Stream,</i>		
<i>Acura RL, Acura TL, Acura TSX, Everus S1</i>		
Light trucks:	31%	33%
<i>Crosstour, CR-V, Elysion, Odyssey,</i>		
<i>Pilot, Ridgeline, Step WGN,</i>		
<i>Acura MDX, Acura RDX, Acura ZDX</i>		
Mini vehicles:	4%	5%
<i>Acty, Life, N Box, Vamos, Zest</i>		

Although there are various factors that affect the profitability of each vehicle class, Honda believes that sales price is an important factor in determining profitability. In general, the weighted average sales price in the light trucks category is higher relative to the total average sales price, while the weighted average sales price in the mini vehicles category is relatively lower, although sales price varies from model to model. The proportion of total unit sales attributable to the light trucks category, which generally has relatively higher average sales prices, has been increasing since the previous fiscal year.

Furthermore, it should be noted that the profitability of each category depends on various factors, such as production costs of specific models, selling, general and administrative expenses and R&D expenses allocated to each category, regional differences in market and exchange rate conditions. Although expenses vary from model to model, Honda believes that, in general, weighted average expenses in the light trucks category are higher relative to total average expenses, while weighted average expenses in the mini vehicles category are relatively lower.

**Japan**

Total industry automobile sales in Japan\*<sup>1</sup> for fiscal year 2012 rose approximately 3%, to approximately 4.75 million units. Although the Great East Japan Earthquake and the floods in Thailand had an impact, automobile sales remained stable due to government stimulus policies that provided tax breaks and subsidies for eco-car purchases in the second half of the fiscal year as well as other factors.

Honda's unit sales in Japan were almost on a par with the previous fiscal year at 580 thousand units<sup>2</sup>. The impact of lower production due to the Great East Japan Earthquake and the floods in Thailand negated strong sales of new models such as the *Fit Shuttle*, the *Fit Shuttle Hybrid*, and the *FREED Hybrid*, as well as of the new *N Box* mini vehicle.

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In production activities, Honda's domestic unit production of automobiles declined 4.6% from the previous fiscal year, to 870 thousand units due to the impact of the Great East Japan Earthquake and the floods in Thailand.

\*1: Source: JAMA (as measured by the number of regular vehicle registrations (661 cc or higher) and mini vehicles (660 cc 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. As a result, they are not included in total sales of our automobile segment or in our measure of unit sales.

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### ***North America***

In calendar year 2011, total industry sales in the United States\* increased approximately 9% over the previous year, to approximately 12.78 million units. Sales of small passenger cars and SUVs in particular were firm, reflecting an upswing in consumer sentiment and an improvement in the employment rate.

Under these circumstances, Honda's consolidated automobile unit sales in North America for fiscal year 2012 decreased approximately 9.3% from the previous fiscal year, to 1,323 thousand units. The launch of the fully remodeled *Civic* and *CR-V* models generated sales, but supply constraints caused by supply chain disruptions from the Great East Japan Earthquake had a negative impact on vehicle availability.

In production activities, Honda manufactured 1,229 thousand units, down 4.8% from the previous fiscal year.

Honda Manufacturing of Indiana, LLC, Honda's consolidated subsidiary in the U.S, began a second production shift from October 2011, which increased annual production capacity at the plant to 200 thousand units.

Honda de Mexico, S.A. de C.V., Honda's consolidated subsidiary in Mexico, announced plans to build a new factory with an annual production capacity of approximately 200 thousand units in order to meet expected market expansion in the compact car segment. This move is expected to raise Honda's annual automobile production capacity in North America to 1.87 million units by the first half of 2014.

\* Source: Ward's Auto

### ***Europe***

During calendar year 2011, total demand in Europe<sup>\*1</sup> edged down approximately 1% from the previous year, to approximately 13.57 million units. In Germany, individual retail market sales significantly declined, despite signs of a market recovery. The main factor was weak consumer sentiment due to concerns about the economy. On the other hand, in Russia<sup>\*2</sup>, sales increased approximately 39%, to approximately 2.65 million units, supported by higher sales of locally produced vehicles.

Honda's consolidated unit sales in Europe decreased 20.2% from the previous fiscal year, to 158 thousand units, despite increased sales of the fully remodeled *Civic*. In addition to supply constraints caused by supply chain disruptions from the Great East Japan Earthquake, the decline was due to increased sales competition, and a drop-off in individual retail market sales which forms the core of Honda sales.

On the production front, unit output at Honda's U.K. plant declined 24.7% from the prior fiscal year, to 104 thousand units.

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\*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

\*2: Source: AEB (The Association of European Businesses)

### *Asia*

In Asia in calendar year 2011, total demand increased approximately 6% from the previous year, to approximately 7.9 million units\*<sup>1</sup>, despite lower sales in Thailand caused by the flooding. Higher overall sales resulted from a rise in demand in Indonesia, India and certain other countries. Unit sales in China rose approximately 2%, to approximately 18.51 million units\*<sup>2</sup>, despite lower growth brought on by the end of a tax break available through 2010 and more stringent qualification standards for a government incentive program for fuel-efficient vehicles.

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Honda's unit sales in Asia outside Japan, along with shipments to China, for fiscal year 2012 declined 13.3%, to 874 thousand units. The decline was a direct result of lower production due to the Great East Japan Earthquake and the floods in Thailand.

On the production front, Honda's unit production decreased 23.1%, to around 834 thousand<sup>\*1</sup> due to the impact of the floods in Thailand. In Asia, excluding China, production totaled 198 thousand units, while output in China was approximately 636 thousand units.

Production activities at certain automobile plants in the Asia region were suspended due to the floods in Thailand. Subsequently, however, production has gradually resumed at all factories since January 2012.

P.T. Honda Prospect Motor, Honda's consolidated subsidiary in Indonesia, announced plans to construct a new automobile factory with an annual production capacity of 120 thousand units for production of the *BRIO* and other compact cars. This new facility is expected to raise the company's annual production capacity to 180 thousand units in 2014.

Furthermore, Dongfeng Honda Automobile Co., Ltd., an affiliate accounted for under the equity method, is constructing a second plant to respond to a continuing increase in demand in China's automobile market. By the end of 2013, Dongfeng Honda's total annual production capacity is scheduled to increase to 360 thousand units.

Moreover, Guangqi Honda Automobile Co., Ltd., an affiliate accounted for under the equity method, has announced plans to build a third production line with an annual production capacity of 120 thousand units. This new line will raise the company's annual production capacity to 600 thousand units in 2014.

As a result, Honda's annual production capacity of automobiles in China, including the annual production capacity of Honda Automobile (China) Co., Ltd., a factory focused on production for export, is scheduled to increase from 770 thousand units at present to 1,010 thousand units in 2014.

\*1: The total is based on Honda research and includes the following 10 countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Singapore, Taiwan, 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***

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Total industry demand for automobiles in Brazil\*, one of the principal markets among the Other Regions, increased approximately 3%, to approximately 3,430 thousand units in calendar year 2011, marking a record for the 5th consecutive year. Although the growth rate dropped due to the impact of fiscal tightening measures from the end of 2010, light commercial vehicle sales increased.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), unit sales in fiscal year 2012 declined 24.1% from the previous fiscal year, to 202 thousand units. This was due to supply chain disruptions caused by the Great East Japan Earthquake and supply constraints caused by the floods in Thailand.

On the production front, Honda's unit production in Brazil, one of the principal markets among the Other Regions, decreased 36.5%, to 80 thousand units from the previous fiscal year.

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



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### **Power Product and Other Businesses**

Honda's unit sales of power products totaled 5,819 thousand units, increased by 5.6% from the previous fiscal year, due mainly to an increase in unit sales in North America and Asia.

Revenue from external customers decreased ¥15.5 billion, or 5.3%, to ¥277.1 billion from the previous fiscal year, due mainly to decreased sales of other business, negative foreign currency translation effects, which was partially offset by increased unit sales of power products. 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 ¥4.8 billion, or 1.7%, compared to the decrease as reported of ¥15.5 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales decreased ¥18.0 billion, or 5.9%, to ¥289.7 billion from the previous fiscal year.

Operating costs and expenses decreased ¥19.5 billion, or 6.2%, to ¥293.7 billion from the previous fiscal year. Cost of sales decreased by ¥19.5 billion, or 8.6%, to ¥208.6 billion, due mainly to a decrease in costs attributable to decreased net sales of other business and positive foreign currency effects. Selling, general and administrative expenses increased by ¥1.3 billion, or 2.4%, to ¥56.5 billion. R&D expenses decreased by ¥1.3 billion, or 4.4%, to ¥28.6 billion.

Operating loss was ¥4.0 billion, an improvement of ¥1.4 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales of power products, which was partially offset by increased selling, general and administrative expenses and negative foreign currency effects.

### ***Japan***

Unit sales for fiscal year 2012 increased 1.0% from the previous fiscal year, to 392 thousand units, due to higher sales of generators, snow blowers and certain other products, despite lower sales of general-purpose engines for OEM\* use.

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

### ***North America***

Unit sales in fiscal year 2012 increased 11.0% from the previous fiscal year, to 2,314 thousand units. Although sales of lawn mowers and certain other products declined, increased sales of general-purpose engines to OEM manufacturers of pressure washers contributed to the increase.

### ***Europe***

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Unit sales in fiscal year 2012 declined 4.5% from the previous fiscal year, to 1,121 thousand units due to decreased sales of general-purpose engines for OEM use. On a bright note, sales of completed products such as lawn mowers and other gardening equipment, as well as snow blowers were strong.

### *Asia*

Unit sales in fiscal year 2012 increased 11.1% from the previous fiscal year, to 1,472 thousand units due to economic expansion and government support programs for farm households, which contributed to strong sales of engines for agricultural equipment and construction machinery, pumps, and brush cutters. This increase was realized despite decreased sales in Thailand due to the impact of the floods.

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### ***Other Regions***

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), unit sales in fiscal year 2012 declined 3.2% from the previous fiscal year, to 520 thousand units, the result of lower sales of general-purpose engines for OEM use. This was mainly due to lower demand in Brazil. Sales of brush cutters and general-purpose engines for OEM use rose in Australia.

### **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 ¥81.2 billion, or 1.7%, to ¥4,918.8 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 ¥168.0 billion, or 3.5%, compared to the increase as reported of ¥81.2 billion, which includes negative foreign currency translation effects.

Revenue from external customers in Financial services business decreased ¥45.7 billion, or 8.1%, to ¥516.1 billion from the previous fiscal year, due mainly to negative 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 decreased by approximately ¥6.7 billion, or 1.2%, compared to the decrease as reported of ¥45.7 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales decreased ¥46.8 billion, or 8.2%, to ¥526.5 billion from the previous fiscal year.

Operating costs and expenses decreased ¥30.6 billion, or 7.9%, to ¥356.5 billion from the previous fiscal year. Cost of sales decreased ¥16.6 billion, or 5.4%, to ¥293.2 billion from the previous fiscal year, due mainly to a decrease in costs related to lease residual values and positive foreign currency effect. Selling, general and administrative expenses decreased ¥13.9 billion, or 18.1%, to ¥63.3 billion from the previous fiscal year, due mainly to a decrease in provisions for credit losses, losses on lease residual values and positive foreign currency effects.

Operating income decreased ¥16.2 billion, or 8.7%, to ¥170.0 billion from the previous fiscal year, due mainly to negative foreign currency effects, which was partially offset by a decrease in losses on lease residual values.

### **Geographical Information**

#### ***Japan***

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In Japan, revenue from domestic and export sales decreased ¥248.2 billion, or 6.9%, to ¥3,362.9 billion from the previous fiscal year, due mainly to a decrease in revenue in Automobile business by the Great East Japan Earthquake and the floods in Thailand. Operating loss was ¥109.8 billion, a decrease of ¥175.9 billion of operating income from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales and model mix, increased R&D expenses and negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses.

### *North America*

In North America, which mainly consists of the United States, revenue decreased ¥433.1 billion, or 10.4%, to ¥3,714.7 billion from the previous fiscal year, due mainly to a decrease in revenue in Automobile business by

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the Great East Japan Earthquake, the floods in Thailand and negative foreign currency translation effects. Operating income decreased ¥77.6 billion, or 25.8%, to ¥223.2 billion from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales, model mix and negative foreign currency effects.

### ***Europe***

In Europe, revenue decreased ¥118.5 billion, or 16.9%, to ¥580.7 billion from the previous fiscal year, due mainly to a decrease in revenue in the Automobile business by the Great East Japan Earthquake, the floods in Thailand and negative foreign currency translation effects. Operating loss was ¥12.1 billion, a decrease of ¥1.9 billion of operating income from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales and model mix.

### ***Asia***

In Asia, revenue decreased ¥350.6 billion, or 19.0%, to ¥1,490.4 billion from the previous fiscal year, due mainly to a decrease in revenue in Automobile businesses by the Great East Japan Earthquake, the floods in Thailand and negative foreign currency translation effects, which was partially offset by an increase in revenue in Motorcycle business. Operating income decreased ¥73.7 billion, or 49.0%, to ¥76.8 billion from the previous fiscal year, due mainly to a decrease in income attributable to decreased net sales and model mix and negative foreign currency effects.

### ***Other Regions***

In Other Regions, revenue decreased ¥88.9 billion, or 9.1%, to ¥893.1 billion from the previous fiscal year, due mainly to a decrease in revenue in Automobile businesses by the Great East Japan Earthquake, the floods in Thailand and negative foreign currency translation effects, which was partially offset by an increase in revenue in Motorcycle business. Operating income decreased ¥12.5 billion, or 18.1%, to ¥56.9 billion from the previous fiscal year, due mainly to a decrease in income attributable to increased selling, general and administrative expenses and negative foreign currency effects.

### ***Fiscal Year 2011 Compared with Fiscal Year 2010***

#### **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, 2011, increased ¥357.6 billion, or 4.2%, to ¥8,936.8 billion from the fiscal year ended March 31, 2010, due mainly to increased net sales in Automobile business and Motorcycle business, which was partially offset by a decrease in net sales attributable to negative 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 ¥743.3 billion, or 8.7%, compared to the increase as reported of ¥357.6 billion, which includes negative foreign currency translation effects.

## Operating Costs and Expenses

Operating costs and expenses increased ¥151.6 billion, or 1.8%, to ¥8,367.0 billion from the previous fiscal year. Cost of sales increased ¥82.1 billion, or 1.3%, to ¥6,496.8 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased net sales, which was partially offset by continuing cost reduction and positive foreign currency effects. Selling, general and administrative expenses increased ¥45.3 billion, or 3.4%, to ¥1,382.6 billion from the previous fiscal year, due mainly to an increase in selling expenses attributable to increased net sales, the impact of the Great East Japan Earthquake, which was partially offset by a decrease in provisions for credit losses in Financial services business, and positive foreign currency effects. R&D expenses increased by ¥24.2 billion, or 5.2%, to ¥487.5 billion from the previous fiscal year, due mainly to improving safety and environmental technologies and enhancing of the attractiveness of the products.

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### **Operating Income**

Operating income increased ¥206.0 billion, or 56.6%, to ¥569.7 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales, and continuing cost reduction, which was partially offset by increased selling, general and administrative expenses and R&D expenses, negative foreign currency effects and the impact of the Great East Japan Earthquake. Excluding negative foreign currency effects of ¥137.6 billion, Honda estimates operating income increased ¥343.6 billion.

With respect to the discussion above of the changes, management identified the 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, Canadian dollar, Euro, British pound, Brazilian real and Japanese yen, 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 ¥294.3 billion, or 87.6%, to ¥630.5 billion. Main factors of this increase except factors relating operating income are as follows;

Unrealized gains and losses related to derivative instruments had a negative impact of ¥30.4 billion. Other income (expenses) excluding unrealized gains and losses related to derivative instruments had a positive impact of ¥118.8 billion, due mainly to gain on sales of investments in affiliates related to the dissolution of the joint venture and an increase in foreign currency transaction gains.

\* Information about the dissolution of the joint venture is described in note (6) Investments in and Advances to affiliates to the accompanying consolidated financial statement.

### **Income Tax Expense**

Income tax expense increased ¥59.9 billion, or 40.8%, to ¥206.8 billion from the previous fiscal year. The effective tax rate decreased 10.9 percentage points to 32.8% 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**

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Equity in income of affiliates increased ¥46.4 billion, or 49.8%, to ¥139.7 billion, due mainly to an increase in income attributable to increased net sales and continuing cost reduction at affiliates in Japan and Asia.

### **Net Income**

Net income increased ¥280.8 billion, or 99.4%, to ¥563.4 billion from the previous fiscal year.

### **Net Income attributable to Noncontrolling Interests**

Net income attributable to noncontrolling interests increased ¥15.1 billion, or 106.8%, to ¥29.3 billion from the previous fiscal year.

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

Net income attributable to Honda Motor Co., Ltd. increased ¥265.6 billion, or 99.0%, to ¥534.0 billion from the previous fiscal year.



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### **Business Segments**

#### **Motorcycle Business**

Honda's unit sales of motorcycles, all-terrain vehicles (ATVs) totaled 11,445 thousand units, increased by 18.7% from the previous fiscal year, due mainly to an increase in unit sales in Asia and Other Regions, including South America.

Revenue from external customers increased ¥147.9 billion, or 13.0%, to ¥1,288.1 billion from the previous fiscal year, due mainly to increased unit sales, and revenue related to licensing agreements. 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 ¥171.3 billion, or 15.0%, compared to the increase as reported of ¥147.9 billion, which includes negative foreign currency translation effects.

Operating costs and expenses increased ¥68.1 billion, or 6.3%, to ¥1,149.6 billion from the previous fiscal year. Cost of sales increased by ¥61.2 billion, or 7.4%, to ¥887.9 billion, due mainly to an increase in costs attributable to increased net sales, which was partially offset by the positive foreign currency effects. Selling, general and administrative expenses increased by ¥3.8 billion, or 2.0%, to ¥193.8 billion. R&D expenses increased by ¥3.0 billion, or 4.7%, to ¥67.8 billion.

Operating income increased ¥79.7 billion, or 135.6%, to ¥138.5 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and income related to licensing agreements.

\* Information about licensing agreements is described in note (6) Investments in and Advances to affiliates to the accompanying consolidated financial statements.

#### ***Japan***

Total industry demand for motorcycles in Japan in fiscal 2011 was approximately 420 thousand units\*, approximately 3% higher than in the previous fiscal year. Although the percentage of younger people in the total population continued to decline and there were changes in consumer preferences, unit sales grew primarily due to the introduction of new models.

Total unit sales on a consolidated basis were 190 thousand units, and about the same level as in the previous fiscal year, as sales of the scooters *PCX* and *Giorno* expanded.

In addition, the brand-new electric-powered *EV-neo*, a commercial use scooter that emits zero CO<sub>2</sub> emissions in use, was made available on lease.

\* Source: JAMA (Japan Automobile Manufacturers Association)

***North America***

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States during calendar 2010 declined approximately 17% from the previous year, to about 700 thousand\* units. Although there were signs of recovery, mainly in sales of utility ATVs, this did not lead to a full-scale recovery in demand.

Honda's consolidated unit sales in North America declined 2.1%, to 185 thousand units. Unit sales of touring models, such as *Goldwing*, as well as cruiser models including *Shadow*, were favorable, however, unit sales of sports models such as *CBR1000R* and *CRF230M* motocross models decreased. As a result, unit sales of motorcycles were down 8.2% from the previous fiscal year, to approximately 90 thousand units. However, unit sales of ATVs rose 4.4%, to approximately 95 thousand units, because of strong demand for utility ATVs, including the *Four Trax Rancher* and other models.

\* Source: MIC (Motorcycle Industry Council)

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### *Europe*

Total demand for motorcycles in Europe\* during calendar 2010 declined about 13%, to approximately 920 thousand units. This major drop in demand was due to a number of factors, including a reactionary decline following the end of subsidies for motorcycle purchases in Italy and the impact of an increase in the value-added tax (VAT) in Spain.

Honda's consolidated unit sales in Europe increased 1.5% compared with the previous fiscal year, to 202 thousand units. Despite the effects of a decline in the market for 125cc scooters, units sales of *PCX* motorcycles were favorable and sales of the naked type *CBF1000*, the new *VFR1200F* sports tourer, and other models rose.

\* Based on Honda research, the motorcycle registration market for Europe includes 10 countries: the United Kingdom, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium and Austria.

### *Asia*

Demand for motorcycles continued to expand in Asia, despite price increases, including the price of gasoline, tighter credit, and other factors in certain countries. In calendar 2010, total demand for motorcycles\*<sup>1</sup> rose about 10%, to approximately 43.8 million units.

Unit sales in India rose about 29%, to approximately 11.3 million units, while sales in Indonesia increased about 26%, to approximately 7.36 million units, and sales in Thailand expanded approximately 12%, to approximately 1.85 million units.

Honda's unit sales on a consolidated basis in Asia<sup>2</sup> for the fiscal year increased 20.3%, to 9,178 thousand units. This increase was due to an expansion in sales of the *CB Twister* motorcycle and the *Activa* scooter in India, unit sales of a new *Wave 110i* Cub-style 110cc motorcycle and *Scoopy i* scooter in Thailand, as well as other factors.

With respect to production activities, Honda Motorcycle & Scooter India Private Limited, Honda's consolidated subsidiary in India, announced it would further expand the production capacity of a second plant that is already under construction, and also build a third plant, to meet the rapidly expanding demand in the Indian market. Combined with expansion in capacity at the existing plant, when the second plant goes into operation in the first half of calendar 2012, Honda Motorcycle and Scooter India is scheduled to have annual production capacity of approximately 2.8 million units. Additionally, when the third plant goes into operation in the first half of calendar 2013, Honda Motorcycle and Scooter India is scheduled to have annual production capacity of approximately 4.0 million units.

Also, Honda Vietnam Co., Ltd., Honda's consolidated subsidiary in Vietnam, announced it would expand the capacity of its second plant to meet the favorable increase in demand. By the latter half of calendar 2011, this expansion in facilities is scheduled to bring total annual capacity to approximately 2.0 million units.

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In Indonesia, P.T. Astra Honda Motor, which is an affiliate accounted for under the equity method, made the decision to build a new plant to respond to continued robust growth in demand. When this new facility goes into operation in the latter half of calendar 2011, the annual production capacity of Astra Honda Motor is scheduled to increase to approximately 4.0 million units.

Honda resolved at a meeting of the Board of Directors on December 16, 2010 to sell to its joint venture partners all the shares held by Honda in Hero Honda Motors Limited, an affiliate of Honda accounted for under the equity method, for the dissolution of the joint venture. Accordingly, Honda executed the share transfer agreement and new license agreements on January 22, 2011. In accordance with the terms of the share transfer agreement, Honda sold all the shares it held in the joint venture partners as of March 22, 2011.

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\*1: Based on Honda research, the motorcycle registration market includes eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

\*2: This total includes sales of completed products of the Company and its consolidated subsidiaries and unit sales of parts for use in local production to Honda's affiliates accounted for under the equity method.

### ***Other Regions***

In Brazil, the principal market within Other Regions, total demand in calendar 2010 increased approximately 12%, to about 1.8 million\* units. This was due to improved consumer confidence accompanying an increase in the employment rate and personal income as well as easier availability of credit starting from mid-year onward.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), unit sales rose 17.9% over the previous fiscal year, to 1.69 million units. This was the result of increased sales of mainstay models, including the *CG150FAN* and *NXR150* motorcycles in Brazil.

\* Source: ABRACICLO (the Brazilian association of motorcycle, moped, and bicycle manufacturers)

### **Automobile Business**

Honda's unit sales of automobiles totaled 3,512 thousand units, increased by 3.5% from the previous fiscal year, due mainly to an increase in unit sales in North America and Asia, which was partially offset by a decrease in unit sales in Japan and Europe.

Revenue from external customers increased ¥239.2 billion, or 3.6%, to ¥6,794.0 billion from the previous fiscal year, due mainly to increased unit sales and increase in sales mix to higher priced vehicles, which was partially offset by the negative 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 ¥545.7 billion, or 8.3%, compared to the increase as reported of ¥239.2 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales increased ¥247.4 billion, or 3.8%, to ¥6,802.3 billion from the previous fiscal year.

Operating costs and expenses increased ¥109.6 billion, or 1.7%, to ¥6,537.7 billion from the previous fiscal year. Cost of sales increased by ¥39.2 billion, or 0.8%, to ¥5,105.7 billion, due mainly to an increase in costs attributable to increased net sales, which was partially offset by continuing cost reduction and the positive foreign currency effects. Selling, general and administrative expenses increased by ¥49.9 billion, or 5.0%, to ¥1,042.1 billion, due mainly to losses in connection with the Great East Japan Earthquake of March 11, 2011, increased advertisement and sales promotion expenses related to sales increase, and product warranty expenses. Losses relating to the Great East Japan Earthquake mainly consisted of losses on damaged property, plant and equipment of ¥15.6 billion and ¥7.7 billion of fixed research and development costs that still had to be incurred even though research and development activities at certain locations had to be suspended. R&D expenses increased by ¥20.4 billion, or 5.5%, to ¥389.8 billion, due mainly to improving safety and environmental technologies and enhancing of the attractiveness

of the products.

Operating income increased ¥137.7 billion, or 108.7%, to ¥264.5 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and continuing cost reduction, which was partially offset by increased selling, general and administrative expenses and R&D expenses, negative foreign currency effects and the impact of the Great East Japan Earthquake.

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The proportion of retail unit sales by each vehicle class is as follows;

	2010	2011
Passenger cars:	69%	65%
<i>Accord, Airwave, City, Civic, CR-Z, Fit/Jazz, Fit/Jazz Hybrid,</i>		
<i>FREED, Insight, Inspire, Legend, Partner, Stream,</i>		
<i>Acura CSX, Acura RL, Acura TL, Acura TSX</i>		
Light trucks:	26%	31%
<i>Crosstour, CR-V, Element, Elysion, Odyssey,</i>		
<i>Pilot, Ridgeline, Step WGN,</i>		
<i>Acura MDX, Acura RDX, Acura ZDX</i>		
Mini vehicles:	5%	4%
<i>Acty, Life, Vamos, Zest</i>		

Although there are various factors that affect the profitability of each vehicle class, Honda believes that sales price is an important factor in determining profitability. In general, the weighted average sales price in the light trucks category is higher relative to the total average sales price, while the weighted average sales price in the mini vehicles category is relatively lower, although sales price varies from model to model. The proportion of total unit sales attributable to the light trucks category, which generally has relatively higher average sales prices, has been increasing since the previous fiscal year.

Furthermore, it should be noted that the profitability of each category depends on various factors, such as production costs of specific models, selling, general and administrative expenses and R&D expenses allocated to each category, regional differences in market and exchange rate conditions. Although expenses vary from model to model, Honda believes that, in general, weighted average expenses in the light trucks category are higher relative to total average expenses, while weighted average expenses in the mini vehicles category are relatively lower.

**Japan**

Total industry automobile sales in Japan\* for the fiscal year 2011 decreased about 6%, to approximately 4.6 million units. In the first half of the fiscal year, automobile sales held firm because of the positive effects of government policies that provided tax breaks and subsidies for purchasing eco-cars and other factors. However, these subsidies terminated in the latter half of the fiscal year, resulting in a reactionary decline in sales.

Honda's unit sales in Japan decreased 9.9% from the previous fiscal year, to 582 thousand units. Although sales of the new model the *FREED SPIKE*, the *CR-Z*, the *StepWGN*, which earned the top spot in accumulated sales through 2010 in the minivan category, and the *Fit Hybrid* were quite favorable, overall sales experienced a reactionary decline after the termination of subsidies for eco-cars.

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Among production activities, unit output for the domestic market decreased following the termination of eco-car subsidies, but exports increased, with particularly strong unit sales of *CR-V* models in North America. During the fiscal year under review, Honda's domestic unit production of automobiles was approximately 912 thousand units, about the same level as in the previous fiscal year.

Please note that Honda suspended production following the Great East Japan Earthquake, and, as a result, unit output was about 39 thousand units lower than the original plan.

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

\*2: Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries are accounted for as operating leases in conformity with U.S. generally accepted accounting principles. As a result, they are not included in total sales of our automobile segment or in our measure of unit sales.



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### ***North America***

In calendar 2010, total industry sales in the United States\* increased about 11% over the previous year, to approximately 11.77 million units. Sales of light trucks were especially strong and rose approximately 18% over the level in 2009.

Honda's consolidated automobile unit sales in North America rose 12.4%, to 1,458 thousand units. Sales of the *CR-V*, *Pilot*, *MDX*, the all-new *Odyssey* that was launched in September 2010, and light trucks were favorable. In addition, sales of the *Crosstour* and the launching of new models of the *TSX Sports Wagon* and *TL* contributed to growth.

In production activities, Honda manufactured approximately 1,292 thousand units in North America, 12.1% higher than in the previous fiscal year. This increase was led by higher production of the popular *CR-V* and *Pilot*, models and the all-new *Odyssey*.

\* Source: Ward's Auto

### ***Europe***

During calendar 2010, total demand in Europe\*<sup>1</sup> decreased approximately 5% from the previous year, to approximately 13.79 million units. During the first half of the year, the market was supported by government subsidies in some countries, but in the second half consumer confidence declined significantly due to the impact of stringent credit policies in the principal countries of the region, and a marked decline was reported, especially in markets targeting individual retail customers. On the other hand, in Russia\*<sup>2</sup>, sales increased about 30%, to approximately 1.91 million units.

Honda's consolidated unit sales in Europe decreased 20.5%, to 198 thousand units due to the effects of the slump in the retail sales market, increased competition and other factors.

In the area of production, unit output at Honda's U.K. plant rose 40.0% over the prior fiscal year, to approximately 139 thousand units, in part because of temporarily suspended production in the prior year.

\*1: Source: ACEA (Association des Constructeurs Europeens d'Automobiles (the European Automobile Manufacturers Association) (New passenger car registrations cover EU27 and EFTA3))

\*2: Source: AEB (The Association of European Businesses)

### ***Asia***

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In Asia, total demand continued to increase due to robust economic growth and the positive effects of new car model launches. Unit sales in China rose about 32% over the previous year to approximately 18.06 million units.\*<sup>1</sup> In Asia, excluding China, units sales climbed 27%, to about 7.48 million units.\*<sup>2</sup>

Honda's unit sales in Asia outside Japan rose 6.1%, to 1,008 thousand units, supported by solid economic expansion in the region. Sales of the *CR-V* in Thailand, Indonesia, Malaysia and elsewhere in Asia, as well as sales of the *City* in Thailand, continued to be favorable. Together with sales growth in China, Honda's overall sales in Asia expanded.

In the production area, in response to continued expansion in demand in China's automobile market, Guangqi Honda Automobile Co., Ltd., an affiliate accounted for under the equity method, is scheduled to increase its annual production capacity from the current 360 thousand to 480 thousand units by the latter half of calendar 2011. In addition, Dongfeng Honda Automobile Co., Ltd., an affiliate accounted for under the equity method, started construction of a second plant in response to continued expansion in demand in China's automobile market. Within the latter half of calendar 2012, that company's total annual production capacity is scheduled to increase to 340 thousand units.

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\*1: Source: China Association of Automobile Manufacturers

\*2: The total is based on Honda research and includes the following 10 countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Singapore, Taiwan, Korea, India and Pakistan.

### ***Other Regions***

Total industry demand for automobiles in Brazil, one of the principal markets among the Other Regions, increased about 11%, to approximately 3.33 million<sup>\*1</sup> units in calendar 2010. This was the result of rising consumer confidence due to a surge in employment and income as well as an improvement in the purchasing environment for new automobiles due to lower interest rates and easier availability of credit in Brazil.

In Australia, total demand for automobiles expanded about 11% over the previous year, to approximately 1.04 million units, supported by continued favorable economic conditions.<sup>\*2</sup>

Honda's total sales in Other regions expanded 6.4%, to 266 thousand units, due primarily to increased sales of the *City* in Brazil, despite intensified competition in Australia and decreased sales in the Middle East.

\*1: Source: ANFAVEA (Associação Nacional dos Fabricantes de Veículos Automotores (the Brazilian automobile association, includes passenger cars and light commercial vehicles))

\*2: Source: FCAI (Federal Chamber of Automotive Industries (the Australian automobile association))

### **Power Product and Other Businesses**

Honda's unit sales of power products totaled 5,509 thousand units, increased by 16.1% from the previous fiscal year, due to increased unit sales in all the regions.

Revenue from external customers increased ¥14.9 billion, or 5.4%, to ¥292.6 billion from the previous fiscal year, due mainly to the increased unit sales of power products, which was partially offset by negative 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 ¥27.5 billion, or 9.9%, compared to the increase as reported of ¥14.9 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales increased ¥13.0 billion, or 4.4%, to ¥307.8 billion from the previous fiscal year.

Operating costs and expenses increased ¥1.8 billion, or 0.6%, to ¥313.3 billion from the previous fiscal year. Cost of sales decreased by ¥1.3 billion, or 0.6%, to ¥228.1 billion, due mainly to continuing cost reduction, which was partially offset by an increase in costs attributable to

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increased net sales. Selling, general and administrative expenses increased by ¥2.4 billion, or 4.6%, to ¥55.2 billion. R&D expenses increased by ¥0.7 billion, or 2.5%, to ¥29.9 billion.

Operating loss including that of other business was ¥5.5 billion, an improvement of ¥11.1 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales of power products, which was partially offset by increased selling, general and administrative expenses and negative foreign currency effects.

### *Japan*

In the power products field, during the fiscal year under review, Honda's sales increased 20.5%, to 388 thousand units. This was due to an increase in sales of general-purpose engines for OEM use to

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manufacturers of construction machinery in the United States and in the Middle East and Africa as well as an increase in Japan in sales of electric power generators, tillers, snow blowers and other types of machinery. In May 2010, Honda newly launched the *ENEPO EU9iGB*, a gas-powered electric power generation unit that runs on household butane gas canisters.

### ***North America***

Honda's consolidated unit sales in North America increased 14.7%, to 2,085 thousand units. This increase was due to higher sales of general-purpose engines for OEM use to manufacturers of lawn mowers, construction machinery, pressure washers and other machinery as well as increased sales of generators accompanying the recovery in the economies of the region.

### ***Europe***

In Europe, consolidated unit sales increased 10.1% over the previous fiscal year, to 1,174 thousand units, because of strong demand for general-purpose engines for OEM use in construction machinery, and generators as well as sales of snow blowers, despite intensified competition in the lawn mower market.

### ***Asia***

In Asia outside of Japan, consolidated unit sales increased 23.9%, to 1,325 thousand units. This increase was due to favorable sales of engines for agricultural equipment and pumps, generators and brush cutters supported by economic expansion in the region, and continuation of government subsidies for farm households. Weather conditions also contributed to increased sales.

### ***Other Regions***

Unit sales in Other Regions increased 14.5% over the previous fiscal year, to 537 thousand units. Factors accounting for this increase were favorable sales of general-purpose engines for OEM use for installation in construction machinery and pumps to the Middle East and South America, due mainly to economic recovery.

### **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.

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Total amount of finance subsidiaries-receivables and property on operating leases of finance subsidiaries increased by ¥67.9 billion, or 1.4%, to ¥4,837.6 billion from the previous fiscal year, due mainly to an increase of finance subsidiaries-receivables attributable to the adoption of new accounting standards, which was partially offset by negative foreign currency translation effects. 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 ¥595.9 billion, or 12.5%, compared to the increase as reported of ¥67.9 billion, which includes negative foreign currency translation effects.

Revenue from external customers in Financial services business decreased ¥44.4 billion, or 7.3%, to ¥561.8 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, revenue for the year would have decreased by approximately ¥1.2 billion, or 0.2%, compared to the decrease as reported of ¥44.4 billion, which includes negative foreign currency translation effects. Revenue including intersegment sales decreased ¥45.3 billion, or 7.3%, to ¥573.4 billion from the previous fiscal year.

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Operating costs and expenses decreased ¥36.7 billion, or 8.7%, to ¥387.1 billion from the previous fiscal year. Cost of sales decreased ¥11.6 billion, or 3.6%, to ¥309.8 billion from the previous fiscal year, due mainly to a decrease in costs related to lease residual values. Selling, general and administrative expenses decreased ¥25.0 billion, or 24.5%, to ¥77.3 billion from the previous fiscal year, due mainly to a decrease in provisions for credit losses.

Operating income decreased ¥8.6 billion, or 4.4%, to ¥186.2 billion from the previous fiscal year, due mainly to negative foreign currency effects, which was partially offset by a decrease in provisions for credit losses and losses on lease residual values.

Our finance subsidiaries in North America have historically accounted for all leases as direct financing leases. However, starting in the fiscal year ended March 31, 2007, some of the leases which do not qualify for direct financing leases accounting treatment are accounted for as operating leases. Generally, direct financing lease revenues and interest income consist of the recognition of finance lease revenue at inception of the lease arrangement and subsequent recognition of the interest income component of total lease payments using the effective interest method. In comparison, operating lease revenues include the recognition of the gross lease payment amounts on a straight line basis over the term of the lease arrangement, and operating lease vehicles are depreciated to their estimated residual value on a straight line basis over the term of the lease. It is not anticipated that the differences in accounting for operating leases and direct financing leases will have a material net impact on Honda's results of operations overall, however, operating lease revenues and associated depreciation of leased assets do result in differing presentation and timing compared to those of direct financing leases.

Honda consolidated former Qualifying Special Purpose Entities (QSPEs) that were not consolidated as of March 31, 2010. As a result, previously derecognized finance subsidiaries receivables held by former QSPEs increased in the Company's consolidated balance sheet as of April 1, 2010. In addition, Honda doesn't recognize certain gains or losses related to securitization transactions such as gains or losses attributable to the change in the fair value of retained interests since the year ended March 31, 2011.

Information about credit losses and losses on lease residual values is provided at Item 5. Operating and Financial Review and Prospects A.

Operating Results, Application of Critical Accounting Policies. Information about consolidation of former QSPEs, finance subsidiaries-receivables and securitizations is described in notes 1(c), (3) and (4) to the accompanying consolidated financial statements.

## **Geographical Information**

### ***Japan***

In Japan, revenue from domestic and export sales increased ¥305.4 billion, or 9.2%, to ¥3,611.2 billion from the previous fiscal year, due mainly to an increase in revenue in Automobile business and revenue related to licensing agreements. Operating income was ¥66.1 billion, an increase of ¥95.2 billion of operating income from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and model mix, continuing cost reductions and income related to licensing agreements, which was partially offset by increased selling, general and administrative expenses and R&D expenses, negative foreign currency effects and the impact of the Great East Japan Earthquake.

### ***North America***

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In North America, which mainly consists of the United States, revenue increased ¥239.6 billion, or 6.1%, to ¥4,147.8 billion from the previous fiscal year, due mainly to an increase in revenue in Automobile business, which was partially offset by negative foreign currency translation effects. Operating income increased ¥64.5 billion, or 27.3%, to ¥300.9 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and model mix, and a decrease in fixed costs per unit as a result of increased production, which was partially offset by increased selling, general and administrative expenses and negative foreign currency effects.



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### ***Europe***

In Europe, revenue decreased ¥126.1 billion, or 15.3%, to ¥699.2 billion from the previous fiscal year, due mainly to a decrease in revenue in the Automobile business and negative foreign currency translation effects. Operating loss was ¥10.2 billion, an improvement of ¥0.6 billion from the previous fiscal year, due mainly to decreased selling, general and administrative expenses, which was partially offset by a decrease in income attributable to decreased net sales and model mix, negative foreign currency effects.

### ***Asia***

In Asia, revenue increased ¥322.5 billion, or 21.2%, to ¥1,841.1 billion from the previous fiscal year, due mainly to an increase in revenue in Automobile and Motorcycle businesses, which was partially offset by negative foreign currency translation effects. Operating income increased ¥37.6 billion, or 33.3%, to ¥150.6 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 and negative foreign currency effects.

### ***Other Regions***

In Other Regions, revenue increased ¥85.5 billion, or 9.5%, to ¥982.0 billion from the previous fiscal year, due mainly to an increase in revenue in Motorcycle and Automobile businesses and positive foreign currency translation effects. Operating income increased ¥23.7 billion, or 51.8%, to ¥69.5 billion from the previous fiscal year, due mainly to an increase in income attributable to increased net sales and model mix, positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

## **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. Our significant accounting policies are more fully described in note (1) to the accompanying consolidated financial statements.

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.

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 product recalls. We provide for estimated warranty costs at the time products are sold to customers or the time new warranty programs are initiated. 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.

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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 provisions for those product warranties and net sales and other operating revenue for each of the years in the three-year period ended March 31, 2012 are as follows:

	2010	Yen (millions) 2011	2012
<b>Provisions for product warranties</b>			
Balance at beginning of year	¥ 233,979	¥ 226,038	¥ 213,943
Warranty claims paid during the period	(86,886)	(82,080)	(82,547)
Liabilities accrued for warranties issued during the period	79,520	84,920	60,004
Changes in liabilities for pre-existing warranties during the period*	(3,571)	(3,550)	(17,697)
Foreign currency translation	2,996	(11,385)	(3,141)
<b>Balance at end of year</b>	<b>¥ 226,038</b>	<b>¥ 213,943</b>	<b>¥ 170,562</b>
<b>Net sales and other operating revenue</b>	<b>¥ 8,579,174</b>	<b>¥ 8,936,867</b>	<b>¥ 7,948,095</b>

\* 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 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. Receivables on past due operating lease rental payments are included in other current assets in the consolidated balance sheets.

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 such as a rise in unemployment rates or declines in used vehicle prices. Our finance subsidiaries estimate losses incurred on retail and direct financing lease receivables (consumer finance receivables) and recognize them in the allowance for credit losses. Estimated losses on past due operating lease rental payments are also recognized in the allowance for credit losses. In the case of property on operating leases, estimated losses due to customer defaults are not recognized in the allowance for credit losses because a loss is realized on the disposition

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of the property. Therefore we present these losses as impairment losses on property on operating leases. Consumer finance receivables consist of a large number of smaller-balance homogenous loans and leases. Our finance subsidiaries segment these receivables into groups with common characteristics, and estimate collectively the allowance for credit losses on consumer finance receivables by the group. Our finance subsidiaries take into consideration various methodologies when estimating the allowance including vintage loss rate analysis and delinquency roll rate analysis. When

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performing the vintage loss rate analysis, consumer finance receivables are segregated between retail and direct financing lease, and further segmented into groups with common risk characteristics including collateral type, credit grades, and original terms. Loss rates are projected for these pools based on historical rates and adjusted for considerations of emerging trends and changing economic conditions. The roll rate analysis is used primarily by our finance subsidiaries in North America. This analysis tracks the migration of finance receivables through various stages of delinquency and ultimately to charge-offs. Roll rates are projected based on historical results while also taking into consideration trends and changing economic conditions. Similar to our portfolio of consumer finance receivables, our portfolio of receivables on past due operating lease rental payments is collectively evaluated for the allowance for credit losses. Property on operating leases are also collectively evaluated for impairment losses to be realized upon early disposition.

Wholesale receivables are considered to be impaired and recognized in the allowance for credit losses when it is probable that it will be unable to collect all amounts due according to the original terms of the contract. Our finance subsidiaries recognize estimated losses on them in allowance for credit losses. Credit risk on wholesale receivables is affected primarily by the financial strength of the dealers within the portfolio. Wholesale receivables are evaluated for impairment on an individual dealer basis. Ongoing evaluations of dealerships are performed to determine whether there is evidence of impairment. Factors can include payment performance, overall dealership financial performance, or known difficulties experienced by the dealership.

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 2012, the provision for fiscal 2012 and the allowance balance at the end of fiscal 2012 would have increased by approximately ¥3.8 billion and ¥2.3 billion, respectively. Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions in fiscal 2012.

*Additional Narrative of the Change in Credit Loss*

The following tables summarize our allowance for credit losses on finance receivables:

For the year ended March 31, 2010	Yen (billions)			
	Retail	Direct financing lease	Wholesale	Total
Provisions for credit losses				
Balance at beginning of year	¥ 34.3	¥ 1.8	¥ 1.8	¥ 38.0
Provision	30.0	1.9	0.3	32.3
Charge-offs	(43.7)	(3.2)	(0.6)	(47.6)
Recoveries	13.9	1.1	0.0	15.1
Adjustments from foreign currency translation	(0.6)	0.1	(0.0)	(0.5)
Balance at end of year	¥ 33.9	¥ 1.7	¥ 1.6	¥ 37.3

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Ending receivable balance	¥ 3,246.4	¥ 449.4	¥ 331.7	¥ 4,027.6
Average receivable balance, net	¥ 3,181.0	¥ 497.8	¥ 325.5	¥ 4,004.5
Net Charge-offs as a % of average receivable balance	0.94%	0.42%	0.18%	0.81%
Allowance as a % of ending receivable balance	1.05%	0.40%	0.49%	0.93%

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For the year ended March 31, 2011	Yen (billions)			
	Retail	Direct financing lease	Wholesale	Total
Provisions for credit losses				
Balance at beginning of year	¥ 33.9	¥ 1.7	¥ 1.6	¥ 37.3
Adjustment resulting from the adoption of new accounting standards on variable interest entities (note 1(c))	0.8			0.8
Adjusted balance at beginning of year	¥ 34.8	¥ 1.7	¥ 1.6	¥ 38.2
Provision	10.3	0.7	0.3	11.3
Charge-offs	(27.6)	(1.5)	(0.5)	(29.7)
Recoveries	11.1	0.5	0.0	11.7
Adjustments from foreign currency translation	(3.0)	(0.0)	(0.0)	(3.2)
Balance at end of year	¥ 25.5	¥ 1.4	¥ 1.4	¥ 28.4
Ending receivable balance	¥ 3,368.0	¥ 362.1	¥ 301.6	¥ 4,031.7
Average receivable balance, net	¥ 3,346.5	¥ 374.9	¥ 309.5	¥ 4,031.0
Net Charge-offs as a % of average receivable balance	0.49%	0.26%	0.15%	0.45%
Allowance as a % of ending receivable balance	0.76%	0.40%	0.47%	0.71%

For the year ended March 31, 2012	Yen (billions)			
	Retail	Direct financing lease	Wholesale	Total
Provisions for credit losses				
Balance at beginning of year	¥ 25.5	¥ 1.4	¥ 1.4	¥ 28.4
Provision	10.3	0.3	0.0	10.8
Charge-offs	(21.1)	(0.7)	(0.0)	(21.9)
Recoveries	6.6	0.1	0.0	6.8
Adjustments from foreign currency translation	(0.9)	(0.0)	(0.0)	(1.0)
Balance at end of year	¥ 20.4	¥ 1.1	¥ 1.4	¥ 23.0
Ending receivable balance	¥ 3,328.1	¥ 380.3	¥ 301.3	¥ 4,009.8
Average receivable balance, net	¥ 3,233.1	¥ 366.1	¥ 243.7	¥ 3,843.0
Net Charge-offs as a % of average receivable balance	0.45%	0.16%	0.03%	0.39%
Allowance as a % of ending receivable balance	0.62%	0.30%	0.46%	0.57%

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

	Yen (billions)		
	2010	2011	2012
Provision for credit losses on past due rental payments	¥ 1.9	¥ 1.6	¥ 1.1
Impairment losses on operating leases due to early termination	¥ 3.3	¥ 0.8	¥ 1.5

*Fiscal Year 2012 Compared with Fiscal Year 2011*

The provision for credit losses on finance receivables decreased by ¥0.5 billion, or 5%, and net charge-offs decreased by ¥2.8 billion, or 16%. The decline in net charge-offs is due mainly to the improved credit quality of our North American portfolio and sustained strength in used vehicle prices.

*Fiscal Year 2011 Compared with Fiscal Year 2010*

The provision for credit losses on finance receivables decreased by ¥20.9 billion, or 65%, and net charge-offs decreased by ¥14.5 billion, or 45%. Impairment losses on operating leases due to early termination



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decreased by ¥2.4 billion, or 75%. These declines in losses are due mainly to the improvement in the overall credit quality of our North American portfolio and economic conditions and strength in used vehicle prices.

### **Losses on Lease Residual Values**

Our finance subsidiaries in North America establish contract residual values of lease vehicles at lease inception based on expectations of future used vehicle values, taking into consideration external industry data. End-customers of leased vehicles typically have an option to buy the leased vehicle for the contractual residual value of the vehicle or to return the vehicle to our finance subsidiaries through the dealer at the end of the lease term. Likewise, dealers have the option to buy the vehicle returned by the customer or to return the vehicle to our finance subsidiaries. The likelihood that the leased vehicle will be purchased varies depending on the difference between the contractual residual value and the actual market value of the vehicle at the end of the lease term. 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. For direct financing leases, our finance subsidiaries in North America purchase insurance to cover a portion of the estimated residual value.

We periodically review the estimate of residual values. For vehicle leases accounted for as operating leases, the adjustments to estimated residual values result in changes to the remaining depreciation expense to be recognized prospectively on a straight-line basis over the remaining term of the lease.

For vehicle leases accounted for as direct financing leases, downward adjustments are made for declines in estimated residual values that are deemed to be other-than-temporary. The adjustments on the uninsured portion of the vehicle's residual value are recognized as a loss in the period in which the estimate changed.

The primary components in estimating losses on lease residual values are the expected frequency of returns, or the percentage of leased vehicles we expect to be returned by customers at the end of the lease term, and the expected loss severity, or the expected difference between the residual value and the amount we receive through sales of returned vehicles plus proceeds from insurance, if any. We estimate losses on lease residual values by evaluating several different factors, including trends in historical and projected used vehicle values and general economic measures.

We also test our operating leases for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

Recoverability of operating leases to be held is measured by a comparison of the carrying amount of operating leases to future net cash flows (undiscounted and without interest charges) expected to be generated by the operating leases. If such operating leases are considered to be impaired, impairment losses to be recognized is measured by the amount by which the carrying amount of the operating leases exceeds the estimated fair value of the operating leases.

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, 2012, 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 ¥1.3 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 ¥0.2 billion, which

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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 ¥0.3 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 2012. Also, declines in auction values are likely to have a negative effect on return rates which could affect the sensitivities.

### *Fiscal Year 2012 Compared with Fiscal Year 2011*

Used vehicle prices remained strong during fiscal year 2012. Disruptions in the supply of new vehicles caused by the natural disasters in Japan and Thailand supported the demand for used vehicles. Losses related to lease residual value of our finance subsidiaries in North America declined for higher estimates of lease residual values. No impairment losses as a result of declines in estimated residual values were recognized during fiscal year 2012.

Incremental depreciation on operating leases declined by ¥2.1 billion, or 81%. Losses on lease residual values on direct financing leases declined by ¥1.7 billion, or 56%.

### *Fiscal Year 2011 Compared with Fiscal Year 2010*

Used vehicle prices continued to improve during fiscal year 2011 due in part to the low supply of used vehicles. Losses related to lease residual value of our finance subsidiaries in North America declined for higher estimates of lease residual values. No impairment losses as a result of declines in estimated residual values were recognized during fiscal year 2011.

Incremental depreciation on operating leases declined by ¥11.4 billion, or 81%. Losses on lease residual values on direct financing leases declined by ¥3.9 billion, or 56%.

## **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, 2012 were 2.0% and 2.1%, respectively, and our assumed expected long-term rate of return for the year ended March 31, 2012 was 3.0% for Japanese plans. Our assumed discount rate and rate of salary increase as of March 31, 2012 were 4.6~5.2% and 1.5~4.4%, respectively, and our assumed expected long-term rate of return for fiscal 2012 was 6.5~7.5% for foreign plans.

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We believe that the accounting estimates related to our pension plans is a 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.

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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**

Assumptions	Percentage point change (%)	Yen (billions)		
		Funded status	Equity	Pension expense
Discount rate	+0.5/-0.5	-84.0/+94.4	+32.1/-42.1	-2.6/+3.4
Expected long-term rate of return	+0.5/-0.5			-3.9/+3.9

**Foreign Plans**

Assumptions	Percentage point change (%)	Yen (billions)		
		Funded status	Equity	Pension expense
Discount rate	+0.5/-0.5	-50.0/+57.2	+21.0/-24.3	-4.8/+5.5
Expected long-term rate of return	+0.5/-0.5			-1.8/+1.8

(\*1) Note that this sensitivity analysis may be asymmetric, and are specific to the base conditions at March 31, 2012.

(\*2) Funded status for fiscal 2012 is affected by March 31, 2012 assumptions.  
Pension expense for fiscal 2012 is affected by March 31, 2011 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.

**Valuation of Deferred Tax Assets**

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income over the periods in which those temporary differences become deductible and operating loss carryforwards utilized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

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We believe that our accounting for the valuation of deferred tax assets is a critical accounting estimate because it required us to evaluate and assess the probability of future taxable income and our business plan, which are inherently uncertain.

Based upon the level of historical taxable income and projections for future taxable income over the periods for which the deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of these deductible differences and operating loss carryforwards, net of the existing valuation allowances at March 31, 2011 and 2012. The amount of the deferred tax asset considered realizable, however, could be significantly reduced in the near term if estimates of future taxable income during the carryforward period are reduced due to further changes in the economic environment surrounding us, effects by market conditions, effects of currency fluctuations or other factors and our consolidated results of operation could be adversely affected.

### *B. 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, bank loans and the issuance of corporate bonds. 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 ¥463.9 billion as of March 31, 2012. In addition, the Company's finance subsidiaries fund financial programs for customers and dealers primarily from medium-term notes, bank loans, commercial paper, corporate bonds, securitization of finance receivables and intercompany loans. The year-end balance of liabilities associated with these finance subsidiaries' funding for Financial services business was ¥4,113.3 billion as of March 31, 2012.

#### **Cash Flows**

#### *Fiscal Year 2012 Compared with Fiscal Year 2011*

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Consolidated cash and cash equivalents on March 31, 2012 decreased by ¥31.9 billion from March 31, 2011, to ¥1,247.1 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 ¥737.4 billion of cash inflows. Cash inflows from operating activities decreased by ¥333.4 billion compared with the previous fiscal year due mainly to a decrease in cash received due to decreased unit sales in the Automobile business, which was partially offset by decreased payments for parts and raw materials primarily caused by a decrease in automobile production.

Net cash used in investing activities amounted to ¥673.0 billion of cash outflows. Cash outflows from investing activities decreased by ¥58.3 billion compared with the previous fiscal year, due mainly to a decrease



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in acquisitions of finance subsidiaries-receivables and a decrease in purchase of operating lease assets, which was partially offset by increased capital expenditure and a decrease in collections of finance subsidiaries-receivables.

Net cash used in financing activities amounted to ¥44.1 billion of cash outflows. Cash outflows from financing activities decreased by ¥56.2 billion, compared with the previous fiscal year, due mainly to an increase in proceeds from debt and a decrease in purchases of treasury stock, which was partially offset by an increase in dividends paid.

### ***Fiscal Year 2011 Compared with Fiscal Year 2010***

Consolidated cash and cash equivalents on March 31, 2011 increased by ¥159.1 billion from March 31, 2010, to ¥1,279.0 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 ¥1,070.8 billion of cash inflows. Cash inflows from operating activities decreased by ¥473.3 billion compared with the previous fiscal year, due mainly to increased payments for parts and raw materials primarily due to an increase in automobile production, which was partially offset by an increase in cash received from customers, primarily due to increased unit sales in the Automobile business.

Net cash used in investing activities amounted to ¥731.3 billion of cash outflows. Cash outflows from investing activities increased by ¥135.6 billion compared with the previous fiscal year, due mainly to an increase in acquisitions of finance subsidiaries-receivables and an increase in purchase of operating lease assets, which was partially offset by an increase in collections of finance subsidiaries-receivables and an increase in proceeds from sales of operating lease assets.

Net cash used in financing activities amounted to ¥100.4 billion of cash outflows. Cash outflows from financing activities decreased by ¥458.8 billion, compared with the previous fiscal year, due mainly to an increase in debts which decreased in the previous fiscal year, which was partially offset by purchases of treasury stock and an increase in dividends paid.

## **Liquidity**

The ¥1,247.1 billion in cash and cash equivalents at the end of the fiscal year 2012 corresponds to approximately 1.9 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 ¥1,177.8 billion have committed lines of credit equivalent to ¥777.3 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.

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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, 2012.

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

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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.

### *C. Research and Development*

Honda and its consolidated subsidiaries use the most-advanced technologies to conduct R&D activities with the goal of creating distinctive products that are internationally competitive. To attain this goal, the Group's main R&D divisions operate independently as subsidiaries, allowing technicians 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 Europe (U.K.) Ltd. in the United Kingdom. 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 for the fiscal year ended March 31, 2012 amounted to ¥519.8 billion.

### **Motorcycle Business**

In the Motorcycle Business segment, Honda is aiming to deliver appealing products that offer outstanding environment performance and the joy of ownership to customers in a timely manner. To this end, Honda took initiatives to enhance product appeal, strengthen cost competitiveness, increase the speed of product and technology development, address the requirements of a low-carbon society, and ensure our continued dominance in major racing events.

One of the major developments in fiscal year 2012 was the launch of the New Mid Concept series in Japan, North America and Europe. This included the *NC700S* naked model which offers comfortable riding performance and high fuel economy; the fun to maneuver and incredibly fuel efficient *NC700X*; and the *Integra*, which combines a heightened dimension of motorcycle enjoyment with a level of riding comfort and convenience suitable for commuters. All three models are outfitted with 700cc mid-sized engines, which offer strong torque even at low and medium speeds in addition to low fuel consumption. Further, the *Integra*, comes equipped with a newly developed, second-generation dual-clutch transmission that is lighter and more compact than before. Honda also developed a 125cc global scooter engine, with improved durability, quietness and fuel efficiency. This engine was equipped in the *Click 125i*, a new 125cc scooter model launched in Thailand. For customers with smartphones, we rolled out Honda Moto LINC, a newly developed service for motorcycle owners based on the internavi LINC service offered to automobile owners.

R&D expenses in this segment in fiscal 2012 amounted to ¥63.3 billion.

In terms of major race results, Honda won the Triple Crown (Rider, Team, and Constructor's Championship) in the MotoGP class of the FIM Road Racing World Championship series in 2011.

**Automobile Business**

In the Automobile business segment, we are working to develop innovative technologies and create products which offer new value in order to meet customer needs. We are also actively developing technologies that provide advanced safety performance and address environmental issues.

Among our major achievements in Japan during fiscal year 2012, we launched the *N Box*, which brings together Honda's original center-tank-layout and a newly developed powerplant to create one of the most

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spacious interiors ever offered in a mini vehicle. In North America, Asia and other regions, we launched the fully remodeled *Civic*, with improved fuel economy and realizes a pleasant and refined interior space despite the vehicle's compact body dimensions. In Europe, an idle stop system was offered as a standard feature on all MT-type models of the fully remodeled *Civic* five-door. These and other innovations have improved the fuel efficiency of gasoline-powered vehicles by roughly 10%, and diesel-powered vehicles by approximately 20%.

Other R&D-related news included the announcement of Earth Dreams Technology, a range of next-generation technologies for simultaneously realizing high-level driving performance and exceptional fuel efficiency. Through improved engine and transmission efficiency, together with advances in hybrid motors and other electric-powered motor technology, we built upon a base of outstanding environmental performance in pursuing the joy of driving which is characteristic of Honda. Honda also unveiled the *NSX Concept*, a next-generation sports supercar equipped with a next-generation V-6 VTEC direct-injection engine mated with a highly-efficient, high-output hybrid system, Sport Hybrid SH-AWD (Super Handling All Wheel Drive), offering excellent drivability and fuel economy. The *NSX Concept* embodies the pursuit of exceptional environmental and fuel economy along with the acceleration feel and sheer driving pleasure expected from a sports supercar.

R&D expenses in this segment in fiscal 2012 amounted to ¥427.8 billion.

## **Power Product and Other Businesses**

In the Power product and other businesses segments, Honda introduced several measures in accordance with its business policy of proactively proposing new and useful ideas that will bring joy to customers worldwide. These centered on the creation of new technology for advanced industrial markets, the development of strategic products for emerging markets, the establishment of a foundation for addressing growth in overseas production, and efforts to strengthen the development operations supporting business operations.

Principal developments in this area included the sales launch to gas utility companies of a new model gas engine-based cogeneration unit for household use. This high-efficiency, household-use combined heat and power supply system, the *MCHP1.0K2*, generates power using a gas-powered engine, utilizing the subsequent waste heat to supply hot water. The *MCHP1.0K2* incorporates EXLink (Extended Expansion Linkage Engine), an original Honda product that boosts the efficiency of both power generation and heat utilization. As the world's smallest gas engine-based cogeneration unit, the *MCHP1.0K2* can now be installed in more ordinary households than ever before. In the area of outboard motors, we released the *BF250*, featuring top-of-class fuel efficiency and superior output performance, in Japan, North America, Europe, Southeast Asia, and other regions. The *BF250* has a newly developed 3.6 L V-6 VTEC engine, combined with a direct air intake system, the first ever application of this technology to an outboard motor. In the general-purpose engine category, Honda further reduced noise and vibration levels in a number of engines in the *GX* engine series. Sold in Japan, these engines also boast top-of-class low exhaust gas emissions and high fuel economy.

R&D expenses in this segment in fiscal 2012 amounted to ¥28.6 billion.

## **Fundamental Research**

During fiscal 2012, Honda continued its fundamental research activities to develop technologies in a diverse range of fields that will support the products of the future.

The major initiative undertaken during the fiscal year was the evolution of the *ASIMO* humanoid robot. Equipping *ASIMO* for the first time ever with autonomous behavior control technology has made it more independent, enabling the robot to move continuously without navigation input from a human operator. In terms of intelligence and physical form, the ability of *ASIMO* to adapt to conditions has improved dramatically, bringing it one step closer to practical usage in environments of coexistence with humans. Development is also proceeding on a task-performing robot arm. For this device, Honda is applying the posture control technology

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that allows *ASIMO* to walk and run, along with multi-joint simultaneous trajectory control technology, which controls the motors in *ASIMO*'s hand and foot joints all at once, to enable tasks to be performed in locations too dangerous for humans or where footing is unstable.

Honda is committed to continuing its humanoid robotics research, and will take proactive steps to convert this research into products for mass production and practical or applied use.

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

### ***Patents and Licenses***

At March 31, 2012, Honda owned more than 17,600 patents in Japan and more than 25,300 patents abroad. Honda also had applications pending for more than 13,200 patents in Japan and for more than 16,200 patents abroad. While Honda considers that, in the aggregate, Honda's patents are important, it does not consider any one of such patents, or any related group of them, to be of such importance that the expiration or termination thereof would materially affect Honda's business.

### ***D. Trend Information***

Honda uses principally the declining-balance method for calculating the depreciation of property, plant and equipment, and plans to change it to the straight-line method from the fiscal year ending March 31, 2013. We believe that the straight-line method better reflects the future usage of property plant and equipment. The effect of the change in depreciation method is recognized prospectively as a change in accounting estimate. The change in depreciation method is anticipated to cause a decrease in depreciation expense by approximately ¥40.0 billion for the fiscal year ending March 31, 2013.

See Item 5.A Operating and Financial Review and Prospects for information required by this item except the effect of the change in depreciation method above.

### ***E. Off-Balance Sheet Arrangements***

(Guarantee)

At March 31, 2012, we guaranteed ¥28.1 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 ¥28.1 billion. As of March 31, 2012, no amount was accrued for any estimated losses under the obligations, as it was probable that the employees would be able to make all scheduled payments.





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The following table shows our contractual obligations at March 31, 2012:

*Contractual Obligations*

	At March 31, 2012 Yen (millions)				
	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt	¥ 3,146,396	911,395	1,286,621	792,501	155,879
Operating leases	101,732	18,733	24,443	17,487	41,069
Purchase commitments <sup>*1</sup>	88,136	88,136			
Interest payments <sup>*2</sup>	203,160	79,056	87,640	33,788	2,676
Contributions to defined benefit pension plans <sup>*3</sup>	93,555	93,555			
<b>Total</b>	<b>¥ 3,632,979</b>	<b>1,190,875</b>	<b>1,398,704</b>	<b>843,776</b>	<b>199,624</b>

<sup>\*1</sup> Honda had commitments for purchases of property, plant and equipment at March 31, 2012.

<sup>\*2</sup> To estimate 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, 2012.

<sup>\*3</sup> Since contributions beyond the next fiscal year are not currently determinable, contributions to defined benefit pension plans reflect only contributions expected for the next fiscal year.

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 ¥43,627 million is not represented in the table above.

At March 31, 2012, we had no material capital lease obligations or long-term liabilities reflected on our balance sheet under U.S. GAAP other than those set forth in the table above.

*G. Safe Harbor*

All information disclosed under Item 5. E and F contains forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Such statements are based on management's assumptions and beliefs taking into account information currently available to it. Therefore, please be advised that Honda's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in Honda's principal markets and foreign exchange rates between the Japanese yen and the U.S. dollar, the Euro and other major currencies, as well as other factors detailed from time to time.

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***Item 6. Directors, Senior Management and Employees***

***A. Directors and Senior Management***

Honda's articles of incorporation provide for a Board of Directors of not more than 15 Directors and for a Board of Corporate Auditors of not more than seven Corporate Auditors. Directors and Corporate Auditors are elected by resolutions of the general meetings of shareholders. The Corporate Auditors are nominated by the Board of Directors as candidates for election with approval by the Board of Corporate Auditors. The normal term of office of a Director is one year and that of a Corporate Auditor is four years. Directors and Corporate Auditors may serve any number of consecutive terms.

The Board of Directors appoints one President and Director and may appoint one Chairman of the Board of Directors and several Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors from among its members. The President represents the Company. In addition, the Board of Directors may appoint, pursuant to its resolutions, Directors who shall each represent the Company. Under the Company Law, a representative director individually has authority to represent the Company generally in the conduct of its affairs. The Board of Directors has the ultimate responsibility for the administration of the affairs of the Company.

Under the Company Law, the Corporate Auditors of the Company have the duty to audit the Director's execution of their duties. Corporate Auditors are not required to be, and the Corporate Auditors of the Company are not, certified public accountants, and may not at the same time be Directors or employees of the Company or any of its subsidiaries. They are entitled to participate in meetings of the Board of Directors but are not entitled to vote. Corporate Auditors of the Company form the Board of Corporate Auditors, which must consist of at least three Corporate Auditors. Not less than half of the members of the Board of Corporate Auditors must be outside Corporate Auditors, each of whom has never served as a director, accounting councilor, operating officer, manager or employee of the Company or any of its subsidiaries. Corporate Auditors are required to elect from among themselves at least one Standing Corporate Auditor. Corporate Auditors also have a statutory duty to provide their report to the Board of Corporate Auditors, which must submit its audit report to the Representative Director each year. A Corporate Auditor may note his or her opinion in the audit report if his or her opinion is different from the opinion expressed in the audit report. The Board of Corporate Auditors is empowered to establish audit principles, methods of investigation by Corporate Auditors of the status of the corporate affairs, and assets of the Company and other matters concerning the performance of the Corporate Auditors' duties. In addition, the Company is required to appoint independent certified public accountants as accounting auditor. Such independent certified public accountants have as their primary statutory duties to audit the consolidated and non-consolidated financial statements of the Company prepared in accordance with the Company Law to be submitted by the Representative Director to general meetings of shareholders and to prepare an accounting audit report thereon and to notify the contents of such report to the specified Corporate Auditor and the specified Director in charge.

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The following table provides the names of all Directors and Corporate Auditors of the Company and the current positions held by such persons.

Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<b>(Date of birth) Representative Directors</b>			
<b>Takanobu Ito</b>	Director of the Company from June 2000	*3	21,800
(August 29, 1953)	President, Chief Executive Officer and Representative Director of the Company, appointed in April 2011 (presently held)		
	Chief Operating Officer for Automobile Operations appointed in April 2011 (presently held)		
	President and Director of the Company, appointed in June 2009		
	President and Director of Honda R&D Co., Ltd., appointed in April 2009		
	Senior Managing Director of the Company, appointed in June 2007		
	Chief Operating Officer for Automobile Operations, appointed in April 2007		
	Managing Officer of the Company, appointed in June 2005		

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General Manager of Suzuka Factory of Production Operations,  
appointed in April 2005

General Supervisor, Motor Sports,  
appointed in April 2004

Managing Director of the Company,  
appointed in June 2003

Responsible for Motor Sports,  
appointed in June 2003

President and Director of Honda R&D Co., Ltd.,  
appointed in June 2003

Senior Managing Director of Honda R&D Co., Ltd.,  
appointed in June 2001  
Director of the Company,  
appointed in June 2000

Executive Vice President of Honda R&D Americas, Inc.,  
appointed in April 1998

Joined Honda in April 1978

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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<p><b>Tetsuo Iwamura</b>  (Date of birth)  (May 30, 1951)</p>	<p>Director of the Company from June 2000 to June 2011, and from June 2012</p> <p>Executive Vice President, Executive Officer and Representative Director of the Company, appointed in June 2012 (presently held)</p> <p>Executive Vice President and Executive Officer appointed in April 2012</p> <p>Senior Managing Officer of the Company, appointed in June 2011</p> <p>Senior Managing Officer and Director of the Company, appointed in April 2011</p> <p>Senior Managing Director of the Company, appointed in June 2008</p> <p>Chief Operating Officer for Regional Operations (North America), appointed in April 2007 (presently held)</p> <p>President and Director of Honda North America, Inc., appointed in April 2007 (presently held)</p> <p>President and Director of American Honda Motor Co., Inc., appointed in April 2007 (presently held)</p>	*3	21,900

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Managing Director of the Company,

appointed in June 2006

Chief Operating Officer for Regional Operations (Latin America),

appointed in April 2003

President and Director of Honda South America Ltda., appointed in April 2003

President and Director of Moto Honda da Amazonia Ltda., appointed in April 2003

Director of the Company,

appointed in June 2000

Chief Operating Officer for Parts Operations,

appointed in April 2000

General Manager of Overseas Operation Office No. 1 for Regional Operations (the Americas),

appointed in June 1999

Joined Honda in April 1978

**Directors**

**Tatsuhiro Oyama**

Director of the Company from June 2001

\*3

24,400

(July 9, 1950)

Senior Managing Officer and Director of the Company, appointed in April 2011 (presently held)

Senior Managing Director of the Company,

appointed in June 2010

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
	Chief Officer of Driving Safety Promotion Center,  appointed in April 2010 (presently held)		
	Chief Operating Officer for Motorcycle Operations,  appointed in April 2008 (presently held)		
	Managing Director of the Company,  appointed in June 2006		
	Chief Operating Officer for Regional Operations (Asia & Oceania),  appointed in April 2006		
	President and Director of Asian Honda Motor Co., Ltd.,  appointed in April 2006		
	Chief Operating Officer for Parts Operations,  appointed in April 2003		
	President and Director of Honda Motorcycle Japan Co., Ltd., appointed in August 2001		
	Director of the Company,  appointed in June 2001		
	General Manager of Motorcycle Sales Division for Regional Sales Operations (Japan),  appointed in April 2001		



<b>Fumihiko Ike</b> (May 26, 1952)	Joined Honda in April 1969 Director of the Company from June 2003	*3	23,200
	Chief Operating Officer for IT Operations, appointed in April 2012 (presently held)		
	Responsible for Government & Industrial Affairs, appointed in April 2012 (presently held)		
	Senior Managing Officer and Director of the Company, appointed in April 2011 (presently held)		
	Chief Operating Officer for Business Management Operations, appointed in April 2011 (presently held)		
	Risk Management Officer, appointed in April 2011 (presently held)		
	General Supervisor, Information Systems appointed in April 2011		
	Chief Operating Officer for Regional Operations (Asia & Oceania), appointed in April 2008		
	President and Director of Asian Honda Motor Co., Ltd., appointed in April 2008		
	Managing Director of the Company, appointed in June 2007		

Chief Operating Officer for Business Management Operations, appointed in April 2006

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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
(Date of birth)			
<b>Tomohiko Kawanabe</b>	<p>Director of the Company, appointed in June 2003</p> <p>Chief Operating Officer for Power Product Operations, appointed in April 2003</p> <p>Joined Honda in February 1982</p> <p>Director of the Company from June 2010</p>	*3	15,500
(May 17, 1952)	<p>Senior Managing Officer and Director of the Company, appointed in April 2011 (presently held)</p> <p>Responsible for Quality, Certification and Regulation Compliance, appointed in April 2011 (presently held)</p> <p>Managing Director of the Company, appointed in June 2010</p> <p>President and Director of Honda R&amp;D Co., Ltd., appointed in April 2010</p>		
<b>Takashi Yamamoto</b>	<p>Joined Honda in April 1977</p> <p>Director of the Company from June 2000</p> <p>Senior Managing Officer and Director of the Company, appointed in June 2012 (presently held)</p>	*3	14,200
(January 12, 1953)	Senior Managing Officer of the Company,		

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appointed in April 2012

Chief Operating Officer for Production Operations,

appointed in April 2012 (presently held)

Managing Officer of the Company,

appointed in April 2011

General Manager of Automobile Production Planning Office in Production Operations,

appointed in April 2011 (presently held)

President and Director of Yutaka Giken Co., Ltd.,

appointed in June 2009

Managing Officer of the Company,

appointed in June 2007

General Manager of Saitama Factory of Production Operations, appointed in April 2007

Operating Officer of the Company,

appointed in June 2005

President and Director of Honda Manufacturing of Alabama, LLC,

appointed in April 2005

Responsible for Quality, Certification and Regulation Compliance,

appointed in April 2004

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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
(Date of birth)	Responsible for Quality, Certification and Regulation Compliance and Service Technology,  appointed in April 2002		
	Director of the Company,  appointed in June 2000		
	General Manager of Automobile Purchasing Division 1 for Purchasing Operations,  appointed in April 2000		
	Joined Honda in April 1977		
<b>Yoshiharu Yamamoto</b>	Director of the Company from June 2011	*3	14,200
(March 19, 1953)	Senior Managing Officer and Director of the Company, appointed in April 2012 (presently held)		
	Managing Officer and Director of the Company,  appointed in June 2011  Managing Officer of the Company,  appointed in April 2011		
	President, Chief Executive Officer and Director of  Honda R&D Co., Ltd.,  appointed in April 2011 (presently held)		
	Executive Vice President and Director of Honda R&D Co., Ltd.,  appointed in June 2010		

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Senior Managing Director of Honda R&D Co., Ltd.,

appointed in June 2007

Managing Director of Honda R&D Co., Ltd.,

appointed in June 2005

Joined Honda in April 1973

**Kensaku Hogen**

Director of the Company from June 2005

\*3

1,900

(August 2, 1941)

Director of the Company,

appointed in June 2005 (presently held)

Ambassador to Canada,

appointed in April 2001

**Nobuo Kuroyanagi**

Director of the Company from June 2009

\*3

1,400

(December 18, 1941)

Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), appointed in April 2012 (presently held)

Director of Mitsubishi UFJ Financial Group, Inc. (MUFG), appointed in April 2010

Director of the Company,

appointed in June 2009 (presently held)

Chairman of BTMU,

appointed in April 2008

President and CEO of MUFG,



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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
(Date of birth) <b>Takeo Fukui</b>  (November 28, 1944)	<p>Director of the Company from June 1988</p> <p>Director and Advisor of the Company, appointed in June 2009 (presently held)</p> <p>President and Director of the Company, appointed in June 2003</p> <p>Responsible for Motor Sports, appointed in June 1999</p> <p>Senior Managing Director of the Company, appointed in June 1999</p> <p>President and Director of Honda R&amp;D Co., Ltd., appointed in June 1998</p> <p>Managing Director of the Company, appointed in June 1996</p> <p>President and Director of Honda of America Mfg., Inc., appointed in June 1996</p> <p>Executive Vice President and Director of Honda of America Mfg., Inc., appointed in June 1994</p> <p>Senior Managing Director of Honda R&amp;D Co., Ltd., appointed in June 1990</p>	*3	40,800



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Director of the Company,

appointed in June 1988

President and Director of Honda Racing Corporation,

appointed in May 1987

Managing Director of Honda R&D Co., Ltd.,

appointed in May 1987

Joined Honda in April 1969

**Masahiro Yoshida**

Director of the Company from June 2010

\*3

17,900

(March 5, 1957)

Compliance Officer,

appointed in April 2012 (presently held)

Operating Officer and Director of the Company,

appointed in April 2011 (presently held)

Director of the Company,

appointed in June 2010

Chief Operating Officer for Business Support Operations, appointed in April 2010 (presently held)

General Manager of Hamamatsu Factory of Production Operations,

appointed in April 2008

Operating Officer of the Company,

appointed in June 2007

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Responsible for Human Resources and Associate Relations for Business Support Operations,

appointed in April 2007

Joined Honda in April 1979

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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<p><b>(Date of birth)</b> <b>Yuji Shiga</b>  (October 7, 1958)</p>	<p>Director of the Company from June 2012</p>	<p>*3</p>	<p>6,400</p>
	<p>Operating Officer and Director of the Company,  appointed in June 2012 (presently held)</p>		
	<p>Chief Operating Officer for Power Product Operations, appointed in April 2012 (presently held)</p>		
	<p>Operating Officer of the Company,  appointed in April 2011</p>		
	<p>Responsible for CIS countries, the Middle &amp; Near East and Africa for Regional Operations,  appointed in April 2011</p>		
	<p>General Manager of Operation Office No. 2 in Regional Operations (Asia &amp; Oceania),  appointed in April 2010</p>		
	<p>General Manager of Operation Office No. 1 in Regional Operations (North America),  appointed in April 2009</p>		
	<p>President of Jialing-Honda Motors Co., Ltd.,  appointed in June 2005</p>		
	<p>Joined Honda in April 1982</p>		

**Corporate Auditors**

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**Masaya Yamashita**

Corporate Auditor of the Company (full-time),

\*6

20,700

(April 5, 1953)

appointed in June 2012 (presently held)

Managing Officer of the Company,

appointed in June 2011

Managing Officer and Director of the Company,

appointed in April 2011

Managing Director of the Company,

appointed in June 2008

Chief Operating Officer for Purchasing Operations,

appointed in April 2008

General Manager of Kumamoto Factory of Production Operations,

appointed in April 2006

Operating Officer of the Company,

appointed in June 2005

Director of the Company,

appointed in June 2003

General Manager of Automobile Purchasing Division 1

for Purchasing Operations,

appointed in April 2002

Joined Honda in April 1977

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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<p><b>Hideki Okada</b>  (June 1, 1953)</p>	<p>Corporate Auditor of the Company (full-time),  appointed in June 2009 (presently held)</p> <p>General Manager of Regional Operation Planning Office (North America),  appointed in April 2007</p> <p>Executive Vice President and Director of American Honda Motor Co., Inc.,  appointed in April 2007</p> <p>Operating Officer of the Company,  appointed in June 2006</p> <p>General Manager of Accounting Division for Business Management Operation,  appointed in June 2004</p>	*4	20,600
<p><b>Hirotake Abe</b>  (November 13, 1944)</p>	<p>Joined Honda in April 1977</p> <p>Corporate Auditor of the Company,  appointed in June 2011 (presently held)</p> <p>Established the Certified Public Accountant  Hirotake Abe Office in January 2010 (presently held)</p> <p>Senior Adviser of Deloitte Touche Tohmatsu (presently, Deloitte Touche Tohmatsu LLC) in June 2007</p> <p>Executive Member of Deloitte Touche Tohmatsu Limited in June 2004</p>	*5	300

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<b>Tomochika Iwashita</b>	Registered as certified public accountant in March 1974		
(November 14, 1946)	Corporate Auditor of the Company,	*5	300
	appointed in June 2011 (presently held)		
	President and Director of		
	Tokio Marine & Nichido Life Insurance Co., Ltd.,		
	appointed in June 2006		
	Vice President and Director of Tokio Marine &		
	Nichido Fire Insurance Co., Ltd.,		
	appointed in June 2005		
	Director of Millea Holdings, Inc.		
	(presently, Tokio Marine Holdings, Inc.),		
	appointed in June 2005		
	Senior Managing Director of Tokio Marine &		
	Nichido Fire Insurance Co., Ltd.,		
	appointed in October 2004		
	Senior Managing Director of Tokio Marine and Fire Insurance Co., Ltd.		
	(presently, Tokio Marine & Nichido Fire Insurance Co., Ltd.),		
	appointed in June 2003		
	Managing Director of Tokio Marine and Fire Insurance Co., Ltd.		
	(presently, Tokio Marine & Nichido Fire Insurance Co., Ltd.),		
	appointed in June 2002		

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Name	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
<p><b>(Date of birth)</b> <b>Toshiaki Hiwatari</b></p>	<p>Corporate Auditor of the Company,  appointed in June 2012 (presently held)</p>	*6	None
	<p>Registered with the Daiichi Tokyo Bar Association  in September 2010</p>		
	<p>Advisor of TMI Associates  appointed in September 2010 (presently held)</p>		
	<p>Retired from office in June 2010</p>		
	<p>Prosecutor General appointed in July 2008</p>		
	<p>Superintending Prosecutor of the Tokyo High Public Prosecutors Office,  appointed in December 2006</p>		
	<p>Superintending Prosecutor of the Hiroshima High Public Prosecutors Office,  appointed in June 2006</p>		
	<p>Vice-Minister of Justice,  appointed in June 2004  Director-General of the Criminal Affairs Bureau of the  Ministry of Justice,  appointed in August 2002</p>		

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Director-General of General Affairs Department of the Supreme Public Prosecutors Office,

appointed in December 2001

Director of the Office for Promotion of Justice System Reform,

appointed in July 2001

Director-General of the Secretariat of the Justice System Reform Council, Cabinet Secretariat,

appointed in July 1999

Associate Vice-Minister of Justice,

appointed in June 1999

Chief Public Prosecutor in the Oita District Public Prosecutors Office,

appointed in July 1997

Appointed Public Prosecutor in the Supreme Public Prosecutors Office,

appointed in June 1997

Entered the Legal Training and Research Institute of the Supreme Court in April 1968

- \*1. Directors Mr. Kensaku Hogen and Mr. Nobuo Kuroyanagi satisfy the required conditions for the outside director provided for in Article 2, Paragraph 1, Item 15 of the Company Law.
- \*2. Corporate Auditors Mr. Hirotake Abe, Mr. Tomochika Iwashita and Mr. Toshiaki Hiwatari are outside corporate auditors as provided for in Article 2, Paragraph 1, Item 16 of the Company Law.



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- \*3. The term of office of a Director is one year after his/her election to office at the close of the ordinary general meeting of shareholders on June 21, 2012.
- \*4. The term of office of a Corporate Auditor is four years after his/her election to office at the close of the ordinary general meeting of shareholders on June 23, 2009.
- \*5. The term of office of a Corporate Auditor is four years after his/her election to office at the close of the ordinary general meeting of shareholders on June 23, 2011.
- \*6. The term of office of a Corporate Auditor is four years after his/her election to office at the close of the ordinary general meeting of shareholders on June 21, 2012.
- \*7. The Company has introduced an operating officer system to strengthen operations in regions and local workplaces, and implement quick and appropriate decisions. **Executive Officers, Senior Managing Officers, Managing Officers and Operating Officers** under the operating officer system are not statutory positions under the Company Law and do not conform to the definition of Directors and Senior Management as defined in Form 20-F. The Company's Senior Managing Officers, Managing Officers and Operating Officers (excluding officers who also hold the position of Director) under the operating officer system, as voluntarily disclosed in Japan, are as follows:

**Senior Managing Officers**

**Hideobu Iwata** President and Director of Honda of America Mfg., Inc.

**Managing Officers**

**Manabu Nishimae** Chief Operating Officer for Regional Operations  
(Europe, the Middle & Near East and Africa)  
President and Director of Honda Motor Europe Ltd.

**Koichi Fukuo** Executive in Charge of Business Unit No. 1, Automobile Operations

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

**Sho Minekawa** Chief Operating Officer for Regional Sales Operations (Japan)

**Toshihiko Nonaka** Responsible for Products, Automobile Operations  
Executive Vice President and Director, Honda R&D Co., Ltd.

**Takuji Yamada** Executive Vice President and Director of American Honda Motor Co., Inc.

**Masahiro Takedagawa** Chief Operating Officer for Regional Operations  
(Latin America)  
President and Director of Honda South America Ltda.  
President and Director of Honda Automoveis do Brazil Ltda.

**Yoshiyuki Matsumoto** Executive in Charge of Business Unit No. 3, Automobile Operations

**Ko Katayama** General Manager of Saitama Factory of Production Operations

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**Operating Officers**

<b>Seiji Kuraishi</b>	Chief Operating Officer for Regional Operations (China) President of Honda Motor (China) Investment Co., Ltd.
<b>Katsushi Watanabe</b>	General Manager of Kumamoto Factory of Production Operations
<b>Toshiaki Mikoshiba</b>	President of Guangqi Honda Automobile Co., Ltd.
<b>Yoshi Yamane</b>	General Manager of Suzuka Factory of Production Operations
<b>Takashi Sekiguchi</b>	President and Director of Honda Canada Inc.
<b>Takahiro Hachigo</b>	Executive Vice President and Director of Honda Motor Europe Ltd.
<b>Hiroshi Sasamoto</b>	President, Chief Executive Officer and Director of Honda Engineering Co., Ltd.
<b>Hiroyuki Yamada</b>	Chief Operating Officer for Customer Service Operations
<b>Chitoshi Yokota</b>	Executive in Charge of Business Unit No. 2, Automobile Operations
<b>Michimasa Fujino</b>	President and Director of Honda Aircraft Company, LLC
<b>Soichiro Takizawa</b>	Executive Vice President and Director of Honda Motor Europe Ltd. President and Director of Honda of the U.K. Manufacturing Ltd.
<b>Kohei Takeuchi</b>	General Manager of Accounting Division for Business Management Operations
<b>Naoto Matsui</b>	Chief Operating Officer for Purchasing Operations
<b>Mitsugu Matsukawa</b>	Executive Vice President of Honda Motor (China) Investment Co., Ltd.
<b>Shinji Aoyama</b>	General Manager of Motorcycle Business Planning Office for Motorcycle Operations

There is no family relationship between any director or executive officer and any other director or executive officer.

*B. Compensation*

Directors and Corporate Auditors receive remuneration, the aggregate maximum amount of which is approved at the annual general meeting of shareholders. The amounts of the remuneration approved to pay to Directors and Corporate Auditors are allocated among them at meeting of the Board of Directors and Corporate Auditors. Also, Directors and Corporate Auditors received bonuses, the aggregate amount of which was approved at the annual general meeting of shareholders. From fiscal year 2012, the amounts of the bonuses paid to Directors are allocated among them at meeting of the Board of Directors within the aggregate amount approved at the annual general meeting of shareholders. It is based on the Company's performance for each fiscal year, Director's bonuses in the past and other factors. The bonuses for Corporate Auditors are merged into remuneration from fiscal year 2012 as consideration for their duties after abolishing the bonuses for Corporate Auditors. All the Directors and Corporate Auditors contribute a portion of their remuneration to the officer shareholders' association, purchase shares of the Company's Common Stock and keep holding those shares during their services.

The total amount of remuneration paid to the Company's Directors and Corporate Auditors during the fiscal year ended March 31, 2012 was ¥866 million. This amount includes remuneration paid to nine Directors and two Corporate Auditors who retired during the fiscal year. The amount of remuneration paid to the Directors includes amount of wages paid to those Directors who were also Directors of subsidiaries of the Company.

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The total amount of bonuses paid to the Company's Directors and Corporate Auditors during the fiscal year ended March 31, 2012 was ¥372 million.

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The amounts of remuneration and bonuses that were paid during the year ended March 31, 2012 are as follows:

	Yen (millions)									
	Directors excluding outside Directors		Outside Directors		Corporate Auditors excluding outside Corporate Auditors		Outside Corporate Auditors		Total	
	number	amount	number	amount	number	amount	number	amount	number	amount
Remuneration	19	680	2	22	2	120	5	42	28	866
Bonus	18	326	2	6	2	30	3	9	25	372
<b>Total</b>		<b>1,007</b>		<b>28</b>		<b>150</b>		<b>52</b>		<b>1,239</b>

The amount of remuneration paid to Takanobu Ito during the fiscal year ended March 31, 2012 was ¥96 million. The amount of bonuses for Takanobu Ito accrued for the fiscal year ended March 31, 2012 was ¥26 million.

*C. Board Practices*

See Item 6.A Directors and Senior Management for information concerning the Company's Directors and Corporate Auditors required by this item.

*D. Employees*

The following tables list the number of Honda full-time employees as of March 31, 2012, 2011 and 2010.

**As of March 31, 2012**

Total	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses
187,094	39,954	134,357	2,145	10,638

At March 31, 2012, Honda had 187,094 full-time employees, including 118,923 local nationals employed in its overseas operations.

**As of March 31, 2011**

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<b>Total</b>	<b>Motorcycle Business</b>	<b>Automobile Business</b>	<b>Financial Services Business</b>	<b>Power Product and Other Businesses</b>
179,060	35,454	130,900	2,145	10,561

At March 31, 2011, Honda had 179,060 full-time employees, including 109,400 local nationals employed in its overseas operations.

**As of March 31, 2010**

<b>Total</b>	<b>Motorcycle Business</b>	<b>Automobile Business</b>	<b>Financial Services Business</b>	<b>Power Product and Other Businesses</b>
176,815	34,808	129,663	2,145	10,199

At March 31, 2010, Honda had 176,815 full-time employees, including 106,230 local nationals employed in its overseas operations.

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Most of the Company's regular employees in Japan, except management personnel, are required by the terms of the Company's collective bargaining agreement with its labor union to become members of the Federation of All Honda Workers' Union (AHWU), which is affiliated with the Japan Council of the International Metalworkers' Federation. Approximately 86% of the employees of the Company and its Japanese subsidiaries were members of AHWU at March 31, 2012.

In Japan, basic wages are negotiated annually and the average increases in wages of the Company's employees in fiscal 2010, 2011 and 2012 were 1.9%, 1.8% and 1.8%, respectively. In addition, in accordance with Japanese custom, each employee is paid a semi-annual bonus. Bonuses are negotiated during wage negotiations and are based on the overall performance of the Company or the applicable subsidiary in the previous year, the outlook for the current year and other factors.

The Company has had labor contracts with its labor union in Japan since 1970. These contracts are renegotiated with respect to basic wages and other working conditions. The regular employees of the Company's Japanese subsidiaries are covered by similar contracts. Since 1957, neither the Company nor any of its subsidiaries has experienced any strikes or other labor disputes that materially affected its business activities. The Company considers labor relations with its employees to be very good.

*E. Share Ownership*

The total amount of the Company's voting securities owned by its officers, Directors and Corporate Auditors as a group as of June 21, 2012 is as follows.

<b>Title of Class</b>	<b>Amount Owned</b>	<b>% of Class</b>
Common Stock	245,500 shares	0.014%

The Company's full-time employees are eligible to participate in the Honda Employee Shareholders' Association, whereby participating employees contribute a portion of their salaries to the Association and the Association purchases shares of the Company's Common Stock on their behalf. As of March 31, 2012, the Association owned 5,439,750 shares of the Company's common stock.

*Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders*

As of March 31, 2012, 1,811,428,430 shares of Honda's Common Stock were issued and 1,802,299,559 shares were outstanding.

The following table shows the shareholders that owned of record 5% or more of the issued shares of Honda's Common Stock as of March 31, 2012:

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<b>Name</b>	<b>Shares owned (thousands)</b>	<b>Ownership (%)</b>
Japan Trustee Services Bank, Ltd. (trust account)	136,263	7.52%

According to a statement on Schedule 13G (Amendment No. 8) filed by Mitsubishi UFJ Financial Group, Inc. with the Securities and Exchange Commission on February 10, 2012, Mitsubishi UFJ Financial Group, Inc. directly and indirectly held, as of December 31, 2011, 109,130,094 shares, or 6.0% of the then issued shares, of Honda's Common Stock.

None of the above shareholders has voting rights that are different from those of our other shareholders.

ADSs representing American Depositary Shares are issued by JPMorgan Chase Bank, N.A., as Depositary. The normal trading unit is 100 American Depositary Shares. Total issued shares of Honda as of the close of

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business on March 31, 2012 were 1,811,428,430 shares of Common Stock, of which 61,138,613 shares represented by ADSs and 282,184,586 shares not represented by ADSs were owned by residents of the United States. The number of holders of record of the Company's shares of Common Stock in the United States was 258 at March 31, 2012.

To the knowledge of Honda, it is not directly or indirectly owned or controlled by any other corporation, by any government, or by any other natural or legal person or persons severally or jointly. As far as is known to the Company, there are no arrangements, the operation of which may at a subsequent date, result in a change in control of the Company.

*B. Related Party Transactions*

Honda purchases materials, supplies and services from numerous suppliers throughout the world in the ordinary course of business, including firms with which Honda is affiliated.

During the fiscal year ended March 31, 2012, Honda had sales of ¥561.4 billion and purchases of ¥762.4 billion with equity affiliates accounted under the equity method. As of March 31, 2012, Honda had receivables of ¥176.2 billion from affiliated companies, and had payables of ¥142.4 billion to affiliated companies.

Honda does not consider the amounts involved in such transactions to be material to its business.

*C. Interests of Experts and Counsel*

Not applicable.

***Item 8. Financial Information***

*A. Consolidated Statements and Other Financial Information*

1 3. Consolidated Financial Statements

Honda's audited consolidated financial statements are included under Item 18 Financial Statements .



4. Not applicable.

5. Not applicable.

6. Export Sales.

See Information on the Company Marketing and Distribution Overseas Sales .

7. 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

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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.

## 8. Profit Redistribution Policy

The Company strives to carry out its operations from a global perspective and to increase its corporate value. With respect to the redistribution of profits to its shareholders, which it considers to be one of the most important management issues, its basic policy for dividends is to make distributions after taking into account its long-term consolidated earnings performance.

In addition, the Company's basic policy for dividends is to make quarterly distributions. The Company may determine dividends from surplus by a resolution of the Board of Directors. Annual dividends for the fiscal year ended March 31 of each year require a resolution at the general meeting of shareholders.

The Company may also acquire its own shares at a timing that it deems optimal, with the goal of improving efficiency of the Company's capital structure. The present goal is to maintain a shareholders' return ratio (i.e. the ratio of the total of the dividend payment and the repurchase of the Company's own shares to consolidated net income attributable to Honda Motor Co., Ltd.) of approximately 30%. Retained earnings will be allocated toward financing R&D activities that are essential for the future growth of the Company and capital expenditures and investment programs that will expand its operations for the purpose of improving business results and strengthening the Company's financial condition.

The Company determined year-end dividends of ¥15 per share for the year ended March 31, 2012. As a result, total dividends for the year ended March 31, 2012, together with the first quarter dividends of ¥15, the second quarter dividends of ¥15 and the third quarter dividends of ¥15, were ¥60 per share, an increase of ¥6 from the annual dividends paid for the year ended March 31, 2011.

Details of Distribution of Surplus (Record dates of the fiscal year ended March 31, 2012)

	<b>Resolution of the Board of Directors August 1, 2011</b>	<b>Resolution of the Board of Directors October 31, 2011</b>	<b>Resolution of the Board of Directors January 31, 2012</b>	<b>Resolution at General Meeting of Shareholders June 21, 2012</b>
Dividend per Share of Common Stock (yen)	15.00	15.00	15.00	15.00
Total Amount of Dividends (millions of yen)	27,034	27,034	27,034	27,034

*B. Significant Changes*

Except otherwise disclosed in this Annual Report on Form 20-F, no significant change has occurred since the date of the annual financial statements.

***Item 9. The Offer and Listing***

***A. Offer and Listing Details***

Honda's shares have been listed on the Tokyo Stock Exchange (TSE) since 1957 and as of March 31, 2012, Honda's shares were traded on two stock exchanges in Japan.

Since February 11, 1977, American Depositary Shares (each representing one share of Common Stock and evidenced by American Depositary Receipts (ADRs)) have been listed and traded on the New York Stock

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Exchange (the NYSE), having been traded on the over-the-counter markets in the United States since 1962. In addition, European Shares (each representing ten shares of Common Stock and evidenced by European Depositary Receipts (EDRs)) have been traded in bearer form on the over-the-counter markets in several European countries since 1963. In June 1981, the shares of Common Stock were admitted to the official list of The Stock Exchange of London. In May 1983, the Company listed its shares on the stock exchanges in Zurich, Geneva and Basel in the form of Swiss Bearer Depositary Receipts. In June 1985, the shares of Common Stock were admitted to trading on the Paris Stock Exchange. As for the stock exchanges in Switzerland, the floor exchanges in Zurich, Basel and Geneva were consolidated to form a single national bourse the Swiss Exchange, in 1995. The Paris Stock Exchange was merged with the exchanges in Amsterdam and Brussels and created Euronext in September 2000. The Company delisted itself from Euronext Paris and SWX Swiss Exchange and terminated European Depositary Receipts during fiscal year 2008.

The monthly average turnover of Honda's shares of Common Stock and American Depositary Shares for the fiscal year ended March 31, 2012 was approximately 126,069,500 shares of Common Stock on the TSE and approximately 14,737,097 American Depositary Shares on the NYSE.

The following table sets out, for the periods indicated, the reported high and low sales prices of Honda's shares on the TSE in yen and its American Depositary Shares on the NYSE in the U.S. dollars.

Fiscal year	Yen per share of Common Stock on the TSE		U.S. dollars per American Depositary Share on the NYSE	
	High	Low	High	Low
2008	4,600	2,610	37.80	27.01
2009	3,910	1,643	36.40	17.35
2010	3,410	2,300	37.23	24.83
2011				
1st quarter	¥ 3,405	¥ 2,570	\$ 36.16	\$ 28.33
2nd quarter	3,065	2,470	35.89	28.43
3rd quarter	3,315	2,713	39.69	33.82
4th quarter	3,745	2,820	44.54	36.51
2012				
1st quarter	¥ 3,255	¥ 2,843	\$ 39.59	\$ 33.76
2nd quarter	3,295	2,227	41.23	28.90
3rd quarter	2,511	2,127	32.65	27.52
4th quarter	3,300	2,393	39.35	31.11
CY 2011				
Dec	¥ 2,511	¥ 2,237	\$ 32.00	\$ 28.60
CY 2012				
Jan	¥ 2,797	¥ 2,393	\$ 35.59	\$ 31.11
Feb	3,195	2,591	38.88	34.98
Mar	3,300	2,920	39.35	36.23
Apr	3,250	2,805	38.96	34.67
May	2,900	2,486	35.38	31.64

*B. Plan of Distribution*

Not applicable.

*C. Markets*

See Item 9.A, Offer and Listing Details .

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*D. Selling Shareholders*

Not applicable.

*E. Dilution*

Not applicable.

*F. Expenses of the Issue*

Not applicable.

***Item 10. Additional Information***

*A. Share Capital*

Not applicable.

*B. Memorandum and Articles of Association*

Set forth below is information relating to Honda's Common Stock, including brief summaries of the relevant provisions of Honda's articles of incorporation and share handling regulations as currently in effect, and of the Company Law of Japan and related legislation.

**General**

Honda's authorized share capital as of the date of the filing of this Form 20-F is 7,086,000,000 shares of Common Stock, of which 1,811,428,430 shares were issued.

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In 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (including the cabinet order and ministerial ordinances promulgated thereunder; the Book-Entry Law ), and since then the shares of all Japanese companies listed on any Japanese financial instruments exchange, including Honda's shares, have become subject to this new system. On the same day, all existing shares were dematerialized and all existing share certificates for such shares became null and void. At present, the Japan Securities Depository Center, Inc. ( JASDEC ) is the sole institution that is designated by the relevant authorities as a book-entry transfer institution which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Law. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, such person must have an account at an account management institution unless such person has an account directly at JASDEC. Account management institutions are, in general, financial instruments firms engaged in type 1 financial instruments business (i.e., securities brokers/dealers), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law.

Under the Book-Entry Law, any transfer of shares of Japanese listed companies is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is by an application for book entry recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares recorded in such account.

Under the Company Law and the Book-Entry Law, in order to assert shareholders' rights against Honda, a shareholder must have its name and address registered in the register of shareholders, except in limited circumstances. Although, in general, holders of an account with shares recorded are to be registered in the

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register of shareholders on the basis of an all shareholders notice from JASDEC to Honda at certain prescribed times, in order to exercise minority shareholders' rights (other than those the record dates for which are fixed) against Honda, a holder of an account with shares needs to make an application through an account management institution to JASDEC, which will then give a notice of the name and address of such holder, the number of shares held by such holder and other requisite information to Honda, and to exercise rights within four weeks from such notice.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to Honda through JASDEC. Japanese financial instruments firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from Honda to non-resident shareholders are delivered to such standing proxies or mailing addresses.

## **Objects and Purposes**

Article 2 of the articles of incorporation of Honda states that its purpose is to engage in the following businesses:

Manufacture, sale, lease and repair of motor vehicles, ships and vessels, aircrafts and other transportation machinery and equipment.

Manufacture, sale, lease and repair of prime movers, agricultural machinery and appliances, generators, processing machinery and other general machinery and apparatus, electric machinery and apparatus and precision machinery and apparatus.

Manufacture and sale of fiber products, paper products, leather products, lumber products, rubber products, chemical industry products, ceramic products, metal products and other products.

Overland transportation business, marine transportation business, air transportation business, warehousing business, travel business and other transport business and communication business.

Sale of sporting goods, articles of clothing, stationary, daily sundries, pharmaceuticals, drink and foodstuffs and other goods.

Financial business, nonlife insurance agency business, life insurance agency business, construction business including building construction work and real estate business including real estate brokerage.

Publishing business, advertising business, translation business, interpretation business, management consultancy business, information services including information processing, information and communication and information provision, industrial planning and design, comprehensive security business and labor dispatch services.

Management of parking garages, driving schools, training and education facilities, racecourses, recreation grounds, sporting facilities, marina facilities, hotels, restaurants and other facilities.

Manufacture, sale and licensing of equipment, parts and supplies and all other relevant business activities and investments relating to each of the foregoing items.



**Dividends**

Under its articles of incorporation, Honda's financial accounts will be closed on March 31 of each year. The record dates for dividends are June 30, September 30, December 31 and March 31 of each year. In addition, Honda may distribute dividends from surplus by determining any record date.

Under the Company Law, a company is permitted to make distributions of surplus to the shareholders any number of times per fiscal year pursuant to resolutions of a general meeting of shareholders, subject to certain limitations provided by the Company Law and the Ordinances of the Ministry of Justice thereunder. Distributions

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of surplus are required, in principle, to be authorized by a resolution of a general meeting of shareholders. However, if the articles of incorporation so provide and certain other requirements under the Company Law are met, distributions of surplus may be made pursuant to a board resolution. Pursuant to the provisions of the Company Law and its articles of incorporation, the Board of Directors of Honda may determine distributions of its surplus.

Distributions of surplus may be made in cash or in-kind in proportion to the number of shares held by each shareholder. If a distribution of surplus is to be made in-kind, a special resolution of a general meeting of shareholders is required, except in the case that a right to receive cash distribution instead of distribution in-kind is granted to shareholders. If such right is granted, distributions in-kind may be made pursuant to an ordinary resolution of a general meeting of shareholders or, as the case may be, a board resolution.

Under the Company Law, Honda is permitted to prepare non-consolidated extraordinary financial statements consisting of a balance sheet as of any date subsequent to the end of the previous fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. If such extraordinary financial statements are prepared and approved in accordance with the provisions of the Company Law and the Ordinances of the Ministry of Justice thereunder, the results of such extraordinary financial statements may be considered in the calculation of distributable amount.

Under its articles of incorporation, Honda is not obligated to pay any dividends which are left unclaimed for a period of three full years after the date on which they first became payable.

## **Capital and Reserves**

The entire amount of the issue price of the shares to be issued in the future will generally be required to be accounted for as stated capital. However, Honda may account for an amount not exceeding one-half of such issue price as additional paid-in capital by resolution of the Board of Directors in accordance with the Company Law. Honda may at any time reduce the whole or any part of its additional paid-in capital or transfer them to stated capital by resolution of a general meeting of shareholders. The whole or any part of surplus may also be transferred to stated capital, additional paid-in capital or legal reserve by resolution of a general meeting of shareholders.

## **Stock Splits**

Honda may at any time split its shares into a greater number of shares by resolution of the Board of Directors. When the Board of Directors approves a stock split, it may also amend the articles of incorporation of Honda without approval of shareholders to increase the number of its authorized shares to such number as it determines, provided such number is equal to or less than the then-current number multiplied by the ratio of the stock split, so long as Honda does not issue more than one class of shares.

Under the Book-Entry Law, Honda must give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date. On the effective date of the stock split, the numbers of shares recorded in all accounts held by its shareholders at account management institutions or at JASDEC will be increased in accordance with the applicable ratio.

**Consolidation of Shares**

Honda may at any time consolidate its shares into a smaller number of shares by a special resolution of the general meeting of shareholders. A representative director of Honda must disclose the reason for the consolidation of the shares at the general meeting of shareholders.

Under the Book-Entry Law, Honda must give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the relevant effective date. On the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by its shareholders at account management institutions or at JASDEC will be decreased in accordance with the applicable ratio.

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### **Japanese Unit Share System**

Consistent with the requirements of the Company Law, the articles of incorporation of Honda adopts unit share system called as *tan-gen-kabu*, under which 100 shares constitute one voting unit of shares. The Board of Directors of Honda by itself may reduce, but not increase, the number of shares that constitute one voting unit or abolish the unit share system entirely by amendments to the articles of incorporation by a board resolution without approval of shareholders. An increase in the number of shares that constitute one voting unit requires an amendment to the articles of incorporation by a special resolution of a general shareholders' meeting. In any case, the number of shares constituting one voting unit may not exceed 1,000 shares or 0.5% of the total issued shares.

Under the Book-Entry Law, shares constituting less than one voting unit are transferable. Under the rules of the Japanese financial instruments exchanges, however, shares constituting less than one voting unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese financial instruments exchanges.

The holder of shares constituting less than one voting unit may at any time require Honda to purchase or sell such shares to constitute one voting unit at the market price in accordance with Honda's share handling regulations (see below). Because the transfer of ADRs does not require changes in the ownership of the underlying shares, holders of ADRs evidencing ADSs that constitute less than one voting unit of shares are not affected by these restrictions in their ability to transfer the ADRs. However, because transfers of less than one voting unit of the underlying shares are normally prohibited under the unit share system, under the Deposit Agreement, the right of ADR holders to surrender their ADRs and withdraw the underlying shares for sale in Japan may only be exercised as to whole voting units.

### ***Right of a Holder of Shares Representing Less Than One Voting Unit to Require Honda to Purchase or Sell Its Shares***

A holder of Honda's shares representing less than one voting unit may at any time require Honda to purchase its shares. These shares will be purchased at (a) the closing price of the shares reported by the Tokyo Stock Exchange on the day when the request for purchase reaches the share handling agent, or (b) if no sale takes place on the Tokyo Stock Exchange on that day, then the price at which the first sale of shares is effected on the Tokyo Stock Exchange thereafter. In each case, Honda will request the payment of an amount determined by Honda as an amount equal to the brokerage commission required for the sale and purchase of the shares. A holder of shares representing less than one voting unit may, in accordance with the provisions of Honda's share handling regulations, also make a request to the effect that such number of shares should be sold to it that will, when added to the shares less than one voting unit already held by that shareholder, constitute one voting unit. However, because holders of ADSs representing less than one unit are not able to withdraw the underlying shares from deposit, these holders will not be able to exercise many shareholder rights as a practical matter.

### ***Other Rights of a Holder of Shares Representing Less Than One Voting Unit***

In addition to the right described in the preceding paragraph, a holder of shares representing less than one voting unit also has the rights including the followings and these rights may not be restricted by the articles of incorporation:

rights to receive any consideration for acquisition by a corporation of special shares all of which may be acquired by such corporation (*zembu shutoku joukou tsuki shurui kabushiki*) as provided by Article 171, paragraph 1, item 1 of the Company Law,

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rights to receive any cash or other consideration for acquisition by a corporation of shares which may be acquired by such corporation on occurrence of certain event (*shutoku joukou tsuki shurui kabushiki*) as provided by Article 107, paragraph 1, item 3 of the Company Law,

rights to be allocated any shares without consideration as provided by Article 185 of the Company Law,

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rights to receive distribution of any residual assets of a corporation, and

any other rights provided in the relevant Ordinance of the Ministry of Justice, including rights to receive cash or other distribution derived from consolidation of shares, stock split, allocation of stock acquisition rights without consideration, distribution of surplus or reorganization of a corporation.

Other rights of a holder of shares constituting less than one voting unit may be restricted if the articles of incorporation so provide.

### ***Voting rights under the unit share system***

Under the unit share system, the shareholders shall have one voting right for each voting unit of shares that they hold. A shareholder who owns shares representing less than one voting unit will not be able to exercise voting rights and any other rights relating thereto.

### **Voting Rights**

Honda holds its ordinary general meeting of shareholders in June of each year. In addition, Honda may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice. Under the Company Law, notice of any shareholders' meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his resident proxy or mailing address in Japan in accordance with Honda's share handling regulations, at least two weeks prior to the date of the meeting. The record date for an ordinary shareholders' meeting is March 31 of each year.

A shareholder of Honda is generally entitled to one vote per voting unit of shares as described in this paragraph and under the Japanese Unit Share System above. In general, under the Company Law and the articles of incorporation of Honda, a resolution may be adopted at a meeting of shareholders by a majority of the shares having voting rights represented at the meeting. The Company Law and Honda's articles of incorporation require a quorum for the election of Directors and Corporate Auditors of not less than one-third of the total number of voting rights of all shareholders and the resolution shall be adopted by majority voting. Honda's shareholders are not entitled to cumulative voting in the election of directors. A corporate shareholder whose voting rights are in turn more than one-quarter directly or indirectly owned by Honda does not have voting rights. Also, Honda does not have voting rights with respect to its own shares.

Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights. Shareholders who intend to be absent from a general meeting of shareholders may exercise their voting rights in writing. In addition, they may exercise their voting rights by electronic means if the Board of Directors decides to accept such means.

Under the Company Law, in order to approve certain significant matters of a corporation, more strict requirement for the quorum or the number of voting rights to approve is provided. The articles of incorporation of Honda provide that such resolution may be adopted at a meeting of shareholders by two thirds of the voting rights of the shareholders present at the meeting representing at least one third of all the shareholders having voting rights. Such significant matters include, but not limited to:

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acquisition of its own shares by Honda from a specific shareholder other than its subsidiary,

acquisition of special shares all of which may be acquired by Honda (*zembu shutoku joukou tsuki shurui kabushiki*),

consolidation of the shares,

reduction of stated capital (with certain exceptions),

issuance or transfer of new shares or existing shares held by Honda as treasury stock to persons other than the shareholders at a specially favorable price,

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issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under specially favorable conditions,

discharge of a part of responsibilities of Directors, Corporate Auditors or accounting auditors,

distribution of surplus by property other than cash (only in the case that no cash distribution is allowed to shareholders),

amendments to the articles of incorporation,

transfer of whole or important part of business,

dissolution of a corporation,

reorganization of a corporation.

Pursuant to the terms of the Deposit Agreement, upon receipt of notice of any meeting of holders of Common Stock of the Registrant, the Depositary will mail to the record holders of ADRs and publish a notice which will contain the information in the notice of the meeting. The record holders of ADRs at the close of business on a date specified by the Depositary will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Common Stock of the Registrant represented by their respective Depositary Receipts. The Depositary will endeavor, in so far as practicable, to vote the amount of Common Stock of the Registrant represented by such Depositary Receipts in accordance with such instructions, and the Registrant has agreed to take all action which may at any time be deemed necessary by the Depositary in order to enable the Depositary to so vote such Common Stock. In the absence of such instructions, the Depositary has agreed to use its best efforts to give a discretionary proxy to a person designated by the Registrant. However, such proxy may not be given with respect to any proposition of which the Depositary has knowledge regarding any contest related to the action to be taken at the meeting, or the purpose of which is to authorize a merger, consolidation or any other matter which may substantially affect the rights or privileges of the Common Stock of the Registrant or other securities, property or cash received by the Depositary or the Custodian in respect thereof.

## **Subscription Rights and Stock Acquisition Rights**

Holders of Honda's shares have no preemptive rights under Honda's articles of incorporation. Under the Company Law, the Board of Directors may, however, determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, such rights must be given to all shareholders as of a specified record date by at least two weeks' prior public notice to shareholders of the record date. In addition, individual notice must be given to each of these shareholders at least two weeks prior to the date of expiration of the subscription rights.

Honda also may decide to grant the stock acquisition rights (*shinkabu-yoyakuken*), with or without bonds, to any person including its shareholders, by resolution of its Board of Directors unless issued under specially favorable conditions. The holder of such rights may exercise its rights within the exercise period by paying subscription moneys all as prescribed in the terms of such rights.

## **Liquidation Rights**



In the event of a liquidation of Honda, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the number of shares they own.

**Liability to Further Calls or Assessments**

All of Honda's currently issued shares, including shares represented by the ADSs, are fully paid and nonassessable.

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### **Shareholders Register Manager**

Sumitomo Mitsui Trust Bank, Limited is the Shareholders Register Manager for the shares. Sumitomo Mitsui's office is located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8233, Japan. Sumitomo Mitsui maintains Honda's register of shareholders and records the names and addresses of its shareholders and other relevant information in its register of shareholders upon notice thereof from JASDEC, as described in Record Date below.

### **Record Date**

As mentioned above, the record dates for Honda's dividends are June 30, September 30, December 31 and March 31, if paid. A holder of shares constituting one or more whole voting units who is registered as a holder on Honda's register of shareholders at the close of business as of March 31 is entitled to exercise its voting rights at the ordinary general meeting of shareholders with respect to the fiscal year ended on March 31. In addition, Honda may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice.

Under the Book-Entry Law, Honda is required to give notice of each record date to JASDEC at least two weeks prior to such record date. JASDEC is required to promptly give notice to Honda of the names and addresses of all of its shareholders of record, the numbers of shares held by them and other relevant information as of such record date.

The shares generally trade ex-dividend or ex-rights on the Japanese financial instruments exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings with respect to record dates on or after November 19, 2009.

### **Acquisition by Honda of Shares**

Under the Company Law, Honda is generally required to obtain authorization for any acquisition of its own shares by means of:

- (i) a resolution at a general meeting of shareholders, which may be effective for one year at the most from the date thereof;
- (ii) a resolution of the Board of Directors if the acquisition is in accordance with its articles of incorporation; or
- (iii) a resolution of the Board of Directors if the acquisition is to purchase its shares from a subsidiary.

Honda may only dispose of shares so acquired in accordance with the procedures applicable to a new share issuance under the Company Law.

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Upon due authorization, Honda may acquire its own shares:

in the case of (i) and (ii) above, from stock markets or by way of tender offer;

in the case of (i) above, from a specific person, but only if its shareholders approve such acquisition by special resolution; and

in the case of (iii) above, from such subsidiary.

In the event Honda is to acquire its own shares from a specific person other than its subsidiary at a price which is higher than the higher of (x) the final market price on the market trading such shares as of the date immediately preceding the date of the required resolution or (y) in the event that such shares are subject to a tender offer, etc., the price set in the contract regarding such tender offer, any shareholder may request that Honda includes such shareholder's shares in the proposed purchase.

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Acquisitions described in (i) through (iii) above must satisfy certain other requirements, including the restriction of the source of consideration in which the total amount of the purchase price of such own shares may not exceed the distributable amount of the corporation.

## **Reports to Shareholders**

Honda currently furnishes shareholders with notices of shareholders' meetings, business reports, including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. Such notices as described above may be furnished by electronic means to those shareholders who have approved such way of furnishing notices. Pursuant to its amended articles of incorporation, upon convening a general meeting of shareholders, Honda may deem that the information required to be described or indicated in the reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements shall have been provided to the shareholders when such information is disclosed, pursuant to laws or regulations, through a method that uses the Internet. Further, pursuant to its articles of incorporation, Honda's public notices to shareholders shall be given in Japanese by way of electronic public notice; provided, however, that if any public notice is unable to be given by electronic method due to any accident or for any other unavoidable reason, such public notice shall be given by publication in the Nihon Keizai Shimbun, a Japanese newspaper of general circulation.

## **Report of Substantial Shareholdings**

The Financial Instruments and Exchange Law of Japan and regulations under such law require any person who has become a holder (together with its related persons) of more than 5% of the total issued shares of a corporation listed on any Japanese financial instruments exchange or whose shares are traded on the over-the-counter market (including ADSs representing such shares) to file with the Director of a competent Local Finance Bureau, within five business days, in general, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in any shareholding or any change in material matters set out in reports previously filed. Copies of any report must also be furnished to the corporation and to all Japanese financial instruments exchanges on which the corporation's shares are listed or in the case of shares traded on the over-the-counter market, the Japan Securities Dealers Association. For this purpose, shares issuable or transferable to such person upon exercise of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights are taken into account in determining both the number of shares held by that holder and the corporation's total issued share capital.

## **Daily Price Limits under Japanese Financial Instruments Exchange Rules**

Share prices on Japanese financial instruments exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set in absolute yen according to the previous day's closing price or special quote. 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 its shares at such price on a particular trading day, or at all.

## *C. Material Contracts*

All contracts concluded by Honda during the two years preceding this filing were entered into in the ordinary course of business.

*D. Exchange Controls*

There are no laws, decrees, regulations or other legislation which materially affect our ability to import or export capital for our use or our ability to pay dividends to nonresident holders of our shares.

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*E. Taxation*

**Japanese Taxes**

The following is a summary of the principal Japanese tax consequences as of the date of filing of this Form 20-F to owners of Honda's shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which income from Honda's shares is attributable. The tax treatment is subject to possible changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor. Potential investors should consult their own tax advisers as to:

the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law;

the laws of the jurisdiction of which they are resident; and

any tax treaty between Japan and their country of residence.

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to a non-resident of Japan or a non-Japanese corporation is 20% (20.42% for dividends to be paid from January 1, 2013 to December 31, 2037). With respect to dividends paid on listed shares issued by Japanese corporations (such as Honda's shares) to a non-resident of Japan or a non-Japanese corporation, the aforementioned 20% or 20.42% withholding tax rate is reduced to (i) 7% for dividends to be paid until December 31, 2012, (ii) 7.147% for dividends to be paid from January 1, 2013 to December 31, 2013, (iii) 15.315% for dividends to be paid from January 1, 2014 to December 31, 2037, and (iv) 15% for dividends to be paid thereafter, except for dividends paid to any individual shareholder who holds 3% or more of the issued shares of that corporation. Japan has entered into income tax treaties, conventions or agreements, whereby the maximum withholding tax rate is generally set at 15% or 10% for portfolio investors (15% under the income tax treaties with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, Spain, and Sweden, and 10% under the income tax treaties with, among others, Australia, France, the Netherlands, Switzerland, the United Kingdom, and the United States).

Pursuant to the Convention Between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the U.S.-Japan Tax Treaty), a portfolio investor that is a U.S. holder is generally subject to Japanese withholding tax on dividends on shares at a rate of 10%. Under Japanese tax law, the maximum rate applicable under the tax treaties, conventions or agreements shall be applicable except when such maximum rate is more than the Japanese statutory rate.

Gains derived from the sale outside Japan of common stock or Depositary Receipts by a non-resident of Japan or a non-Japanese corporation, or from the sale of common stock within Japan by a non-resident of Japan or by a non-Japanese corporation not having a permanent establishment in Japan, are in general not subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired common stock or Depositary Receipt as a legatee, heir or donee, even if the individual is not a

Japanese resident.

**United States Taxes**

This section describes the material U.S. federal income tax consequences of the ownership of shares or ADSs by U.S. holders, as defined below. It applies only to persons who hold shares or ADSs as capital assets for tax purposes.

This section is based on the Internal Revenue Code of 1986, as amended (the Code ), its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on

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the U.S.-Japan Tax Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of the U.S.-Japan Tax Treaty and the Code, U.S. holders of ADRs evidencing ADSs will be treated as the owners of the Shares represented by those ADRs. Exchanges of shares for ADRs and ADRs for shares generally will not be subject to U.S. federal income tax. For purposes of this discussion, a U.S. holder is a beneficial owner of shares or ADSs that is for U.S. federal income tax purposes, (i) a citizen or resident individual of the United States, (ii) a domestic corporation, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust; and that, for purposes of the U.S.-Japan Tax Treaty, (i) holds the shares and ADSs that do not form part of the business property of a permanent establishment through which the beneficial owner carries on or has carried on business and (ii) is not otherwise ineligible for benefits under the U.S.-Japan Tax Treaty, as the case may be, with respect to income and gain from the shares or ADSs.

This section does not apply to a person who is a member of a special class of holders subject to special rules, including a dealer in securities, a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings, a tax-exempt organization, a life insurance company, a person liable for alternative minimum tax, a person that actually or constructively owns 10% or more of the voting stock of Honda, a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction, a person that purchases or sells shares or ADSs as part of a wash sales for tax purposes, or a person whose functional currency is not the U.S. dollar.

This summary is not a comprehensive description of all the tax considerations that may be relevant with respect to a U.S. holder's shares or ADSs. Each beneficial owner of shares or ADSs should consult its own tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of shares and ADSs in its particular circumstances.

## **Taxation of Dividends**

Under the U.S. federal income tax laws and subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any dividend paid by Honda out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. A U.S. holder must include any Japanese tax withheld from the dividend payment in this gross amount even though it does not in fact receive it.

Dividends paid to a noncorporate U.S. holder in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to such holder at a maximum tax rate of 15% provided that the noncorporate U.S. holder holds the shares or ADSs with respect to which the dividends are paid for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends that Honda pays with respect to the shares or ADSs generally will be qualified dividend income. A U.S. holder must include the dividend in its taxable income when the holder, in the case of shares, or the Depositary, in the case of ADSs, receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that a U.S. holder must include in its income will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date of the dividend distribution, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the U.S. holder includes the dividend payment in income to the date it converts the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the U.S. for





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foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of U.S. holder's basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the U.S.-Japan Tax Treaty and paid over to Japan will be creditable against a U.S. holder's United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to a U.S. holder under Japanese law or under the U.S.-Japan Tax Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. holder's United States federal income tax liability.

Dividends will be income from sources outside the United States. Dividends will, depending on your circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to a U.S. holder.

## **Taxation of Capital Gains**

Subject to the PFIC rules discussed below, if a U.S. holder sells or otherwise disposes of its shares or ADSs, it will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that it realizes and its tax basis, determined in U.S. dollars, in its shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

## **Passive Foreign Investment Company (PFIC) Rules**

Honda believes its shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes. This conclusion is a factual determination that is made annually and thus may be subject to change.

In general, Honda will be a PFIC with respect to a U.S. holder if for any taxable year in which such holder held shares or ADSs of Honda:

at least 75% of Honda's gross income for the taxable year is passive income; or

at least 50% of the value, determined on the basis of a quarterly average, of Honda's assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If Honda is treated as a PFIC, and a U.S. holder does not make a mark-to-market election, as described below, that U.S. holder will be subject to special rules with respect to:

any gain it realizes on the sale or other disposition of its shares or ADSs; and

any excess distribution that Honda makes to the U.S holder (generally, any distributions to it during a single taxable year that are greater than 125% of the average annual distributions received by it in respect of the shares or ADSs during the three preceding taxable years or, if shorter, its holding period for the shares or ADSs).

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Under these rules:

the gain or excess distribution will be allocated ratably over the U.S. holder's holding period for the shares or ADSs,

the amount allocated to the taxable year in which it realized the gain or excess distribution will be taxed as ordinary income,

the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and

the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If a U.S. holder owns shares or ADSs in a PFIC that are treated as marketable stock, such holder may make a mark-to-market election. If a U.S. holder makes this election, it will not be subject to the PFIC rules described above. Instead, in general, a U.S. holder will include as ordinary income each year the excess, if any, of the fair market value of its shares or ADSs at the end of the taxable year over its adjusted basis in its shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A U.S. holder will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. holder's basis in the shares or ADSs will be adjusted to reflect any such income or loss amount.

In addition, notwithstanding any election that a U.S. holder makes with regard to the shares or ADSs, dividends that a U.S. holder receives from Honda will not constitute qualified dividend income to such holder if Honda is a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, shares or ADSs held by a U.S. holder will be treated as stock in a PFIC if Honda was a PFIC at any time during the U.S. holder's holding period in its shares or ADSs, even if Honda is not currently a PFIC. For purposes of this rule, if a U.S. holder makes a mark-to-market election with respect to its shares or ADSs, the U.S. holder will be treated as having a new holding period in its shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that a U.S. holder receives that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, the U.S. holder must include the gross amount of any such dividend paid by Honda out of Honda's accumulated earnings and profits (as determined for United States federal income tax purposes) in the U.S. holder's gross income, and it will be subject to tax at rates applicable to ordinary income.

If a U.S. holder owns shares or ADSs during any year that Honda is a PFIC with respect to such U.S. holder, it must file Internal Revenue Service Form 8621. U.S. holders should consult their own tax advisors regarding the PFIC rules and potential filing and other requirements. In addition, pursuant to recently enacted legislation, if you are a U.S. person that is a shareholder in a PFIC, you will generally be required to file an annual report with the Internal Revenue Service. The content of this required statement and potential exemptions to this requirement are under development by the Internal Revenue Service.

*F. Dividends and Paying Agents*

Not applicable.

*G. Statement by Experts*

Not applicable.

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### *H. Documents on Display*

Honda is subject to the information requirements of the Securities Exchange Act of 1934 and, in accordance therewith, it will file annual reports on Form 20-F within six months of its fiscal year-end and furnish other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected without charge at the public reference room at the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. Also, as a foreign private issuer, Honda is exempt from the rules under the Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements to shareholders.

### *I. Subsidiary Information*

Not applicable.

### ***Item 11. Quantitative and Qualitative Disclosure about Market Risk***

Honda is exposed to market risks, which are changes in foreign currency exchange 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 tables below provide information about our derivatives related to foreign currency exchange rate risk as of March 31, 2011 and 2012. For forward exchange contracts and currency options, the table presents 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**

	2011			2012		
	Yen (millions)		Average contractual rate	Yen (millions)		Average contractual rate
	Contract amount	Fair value		Contract amount	Fair value	
<b>Forward Exchange Contracts</b>						
To sell US\$	¥ 285,212	(1,229)	82.77	¥ 301,538	(10,554)	79.47
To sell EUR	34,183	(1,701)	111.63	18,895	(1,023)	103.83
To sell CAS	19	(1)	83.44	63	(1)	81.09
To sell GBP	13,857	(253)	131.40	4,047	(19)	130.69
To sell other foreign currencies	58,330	(3,660)	various	87,342	(6,040)	various
To buy US\$	8,175	41	82.73	5,674	34	81.20
To buy other foreign currencies	3,046	65	various	4,346	109	various
Cross-currencies	223,587	(1,212)	various	201,744	588	various
<b>Total</b>	<b>¥ 626,409</b>	<b>(7,950)</b>		<b>¥ 623,649</b>	<b>(16,906)</b>	

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Currency Option Contracts	Yen (millions)		Average contractual rate	Yen (millions)		Average contractual rate
	Contract amount	Fair value		Contract amount	Fair value	
Option purchased to sell US\$	¥ 14,746	144	various	¥ 27,216		various
Option written to sell US\$	29,491	(108)	various	51,874	(2,148)	various
<b>Total</b>	<b>¥ 44,237</b>	<b>36</b>		<b>¥ 79,090</b>	<b>(2,148)</b>	

**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.

The following tables provide information about Honda's financial instruments that were sensitive to changes in interest rates at March 31, 2011 and 2012. 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+a and an index.

**Interest Rate Risk****Finance Subsidiaries-Receivables**

	2011 Yen (millions)		2012 Yen (millions)								Average interest rate	
	Total	Fair value	Total	Within 1 year	1-2 year	Expected maturity date			4-5 year	There-after		Fair value
Direct financing leases												
JP¥	¥ 31,329	* 505,615	¥ 73,920	14,143	30,175	16,470	8,542	4,579	11		* 521,726	3.98%
Other	330,807	* 607,296	306,419	82,525	78,152	71,570	57,738	15,364	1,070		* 557,330	2.32%
<b>Total Direct financing leases</b>	<b>¥ 362,136</b>	<b>* 1,112,911</b>	<b>¥ 380,339</b>	<b>96,668</b>	<b>108,327</b>	<b>88,040</b>	<b>66,280</b>	<b>19,943</b>	<b>1,081</b>		<b>* 1,079,056</b>	
Other finance subsidiaries-receivables												
JP¥	¥ 500,213	505,615	¥ 525,494	171,326	117,623	95,220	67,148	52,954	21,223		521,726	3.98%
US\$	2,554,404	2,588,307	2,541,603	918,770	612,930	488,833	334,605	149,616	36,849		2,574,794	4.03%
Other	615,039	607,296	562,365	259,847	139,231	90,406	49,319	17,781	5,781		557,330	6.73%
<b>Total Other finance subsidiaries-receivables</b>	<b>¥ 3,669,656</b>	<b>3,701,218</b>	<b>¥ 3,629,462</b>	<b>1,349,943</b>	<b>869,784</b>	<b>674,459</b>	<b>451,072</b>	<b>220,351</b>	<b>63,853</b>		<b>3,653,850</b>	



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Total\*\*                    ¥ 4,031,792                    ¥ 4,009,801

\* : Under U.S. generally accepted accounting principles, disclosure of fair values of direct financing leases is not required.

\*\* : The finance subsidiaries-receivables include finance subsidiaries-receivables contained in trade accounts and notes receivable and other assets in the consolidated balance sheets. Additional detailed information is described in note (3) to the accompanying consolidated financial statements.

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**Long-Term Debt (including current portion)**

	2011 Yen (millions)			2012 Yen (millions)							Fair value	Average interest rate
	Total	Fair value	Total	Within 1 year	1-2 year	Expected maturity date			Thereafter			
						2-3 year	3-4 year	4-5 year				
Japanese yen bonds	¥ 320,000	322,270	¥ 330,000	120,000	40,000	30,000	60,000	80,000		331,770	0.80%	
Japanese yen medium-term notes (Fixed rate)	102,226	102,896	67,740	25,093	6,447	5,951	27,274		2,975	68,266	1.21%	
Japanese yen medium-term notes (Floating rate)	80,619	80,770	63,574	58,119	3,471		1,984			63,655	0.49%	
U.S. dollar medium-term notes (Fixed rate)	451,891	477,827	692,185	40,908	139,910	175,910	81,819	102,273	151,365	732,402	3.48%	
U.S. dollar medium-term notes (Floating rate)	297,285	299,014	155,535	88,937	13,172	8,181	42,381	2,864		156,450	0.97%	
Asset backed notes	453,802	458,794	511,384	245,093	176,163	79,442	10,686			515,790	1.18%	
Loans and others primarily fixed rate	1,299,872	1,322,989	1,325,978	333,245	335,389	272,585	88,763	294,457	1,539	1,343,180	3.01%	
<b>Total</b>	<b>¥ 3,005,695</b>	<b>3,064,560</b>	<b>¥ 3,146,396</b>	<b>911,395</b>	<b>714,552</b>	<b>572,069</b>	<b>312,907</b>	<b>479,594</b>	<b>155,879</b>	<b>3,211,513</b>		

**Interest Rate Swaps**

Functional principal currency	Receive/Pay	2011 Yen (millions)			2012 Yen (millions)							Fair value	Average receive rate	Average pay rate
		Contract amount	Fair value	Contract amount	Within 1 year	1-2 year	Expected maturity date			Thereafter				
						2-3 year	3-4 year	4-5 year						
	Float/Fix	¥ 420	(14)	¥ 300	301,084	651,447	180	472,352	87,697		(7)	1.33%	3.13%	
	Float/Fix	2,357,658	(20,292)	2,465,885	41,095	181,638	176,709	82,190	102,738	152,052	27,384	0.51%	1.83%	
	Fix/Float	519,895	16,611	736,422	12,329						(3)	0.74%	0.74%	
	Float/Float	12,473	16	12,329	60,250	107,028	109,397	80,305	77,713	14,204	(3,679)	1.28%	2.33%	
	Float/Fix	458,092	(4,218)	448,897	49,378	74,068					2,929	5.46%	2.83%	
	Fix/Float	179,904	5,373	123,446	15,104	16,352					(59)	1.35%	1.23%	
	Float/Fix	32,134	(136)	31,456	4,035	869					(12)	1.97%	2.03%	
ER	Float/Fix	6,029	(17)	4,904										
		¥ 3,566,605	(2,677)	¥ 3,823,639	483,275	1,031,522	1,239,591	634,847	268,148	166,256	11,735			

**Currency & Interest Rate Swaps**

Receiving side currency	Paying side currency	Receive/Pay	2011 Yen (millions)			2012 Yen (millions)							Fair value	Average receive rate	Average pay rate
			Contract amount	Fair value	Contract amount	Within 1 year	1-2 year	Expected maturity date			Thereafter				
						2-3 year	3-4 year	4-5 year							

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¥	US\$	Fix/Float	¥ 82,078	21,523	¥ 57,585	17,361	5,028	5,473	27,413	2,310	10,773	1.21%	1.04%	
		Float/Float	105,671	25,179	46,563	41,858	2,844		1,861			17,045	0.49%	0.77%
Other	Other	Fix/Float	313,576	6,444	309,357	87,076	98,314	123,967				(7,023)	5.03%	1.95%
		Float/Float	47,774	(3,064)	19,033				19,033			961	1.55%	3.45%
		Float/Fix			17,555			1,602	15,953			44	1.21%	2.98%
Total			¥ 549,099	50,082	¥ 450,093	146,295	107,788	164,426	29,274		2,310		21,800	

**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, 2011 and 2012, the estimated fair values of marketable equity securities were ¥92.4 billion and ¥100.8 billion, respectively.

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*Item 12. Description of Securities Other than Equity Securities*

*A. Debt Securities*

Not applicable.

*B. Warrants and Rights*

Not applicable.

*C. Other Securities*

Not applicable.

*D. American Depositary Shares*

1.2.3. Fees and charges.

JP Morgan Chase Bank, N.A., as ADR depository, collects fees for delivery and surrender of ADSs directly from investors, or from intermediaries acting for them, depositing ordinary shares or surrendering ADSs for the purpose of withdrawal. The ADR depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees.

The charges of the ADR depository payable by investors are as follows:

<b>Category</b>	<b>Depository Actions</b>	<b>Associated Fee</b>
(as defined by SEC)		
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of Shares, including deposits and issuances in respect of:	USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered

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Share distributions, stock split, rights, merger

	Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the Deposited Securities	
(b) Receiving or distributing dividends	Not applicable	
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	USD 5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	USD 2.50 per ADS certificate
(f) General depositary services, particularly those charged on an annual basis	Not applicable	

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Category  (as defined by SEC)	Depository Actions	Associated Fee
(g) Expenses of the depository	Expenses incurred on behalf of Holders in connection with  Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment  The depository's or its custodian's compliance with applicable law, rule or regulation  Stock transfer or other taxes and other governmental charges  Cable, telex, facsimile transmission/delivery  Expenses of the depository in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency)  Any other charge payable by the depository or its agents	Expenses payable at the sole discretion of the depository by billing Holders or by deducting charges from one or more dividends or other cash distributions

4. Direct / Indirect Payment Disclosure

Honda does not receive any reimbursement from the depository bank. JPMorgan agreed to waive an out-of-pocket expense of \$50,000 associated with the administration of the ADR program. The out-of-pocket expenses relate to depository service administration, including but not limited to, dividend disbursement and proxy process.

***Item 13. Defaults, Dividend Arrearages and Delinquencies***

None.

***Item 14. Material Modifications to the Rights of Security Holders and Use Proceeds***

None.

*Item 15. Controls and Procedures*

**Disclosure Controls and Procedures**

Under the supervision and participation of our management, including our Chief Executive Officer and Chief Operating Officer for Business Management Operations (who is our Chief Financial Officer), we performed an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934) as of March 31, 2012. Based on that evaluation, our Chief Executive Officer and Chief Operating Officer for Business Management Operations concluded that our disclosure controls and procedures were effective as of that date.

**Management's Report on Internal Control over Financial Reporting**

The management of Honda is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

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accordance with U.S. generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Our management assessed the effectiveness of internal control over financial reporting as of March 31, 2012 based on the criteria established in Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on that assessment, our management concluded that our internal control over financial reporting was effective as of March 31, 2012.

The Company's independent registered public accounting firm, KPMG AZSA LLC has audited the effectiveness of the Company's internal control over financial reporting, as stated in their report which is included herein.

### ***Changes in Internal Control over Financial Reporting***

No significant changes were made in our internal control over financial reporting during the fiscal year ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Item 16A. Audit Committee Financial Expert***

Honda's Board of Corporate Auditors has determined that Mr. Hideki Okada and Mr. Hirotake Abe are qualified as an audit committee financial expert as defined by the rules of the SEC. Mr. Okada and Mr. Abe were elected as one of Honda's Corporate Auditors at the general meeting of shareholders held on June 23, 2009 and June 23, 2011, respectively. See Item 6.A. for additional information regarding them. They meet the independence requirements imposed on Corporate Auditors under the Company Law of Japan. See Item 6.C. for an explanation of such independence requirements.

### ***Item 16B. Code of Ethics***

Honda has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of Honda's code of ethics is attached as an exhibit to this annual report on Form 20-F.





**Table of Contents*****Item 16C. Principal Accountant Fees and Services***

KPMG AZSA LLC has served as Honda's independent public accountant for each of the fiscal years in the three-year period ended March 31, 2012, for which audited financial statements appear in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by KPMG AZSA LLC and the various member firms of KPMG International, a Swiss Cooperative, to Honda in fiscal year 2011 and 2012:

	Yen (millions)	
	2011	2012
Audit Fees	¥ 2,421	¥ 2,301
Audit-Related Fees	79	45
All Other Fees		1
Total	¥ 2,500	¥ 2,347

Audit fees means fees for audit services, which are professional services provided by independent auditors for the audit of our annual financial statements or for services that are normally provided by independent auditors with respect to any submissions required under applicable laws and regulations.

Audit-related fees means fees for audit-related services, which are assurance services provided by independent auditors that are reasonably related to the carrying out of auditing or reviewing of our financial reports and other related services. This category includes fees for agreed-upon or expanded audit procedures related to accounting and/or other records.

***Pre-approval policies and procedures of the Board of Corporate Auditors***

Under applicable SEC rules, our Board of Corporate Auditors must pre-approve audit services, audit-related services, tax services and other services to be provided by principal accountant to ensure that the independence of principal accountant under such rules is not impaired as a result of the provision of any of these services.

While, as a general rule, specific pre-approval must be obtained for these services to be provided, our Board of Corporate Auditors has adopted pre-approval policies and procedures which list particular audit and non-audit services that may be provided without specific pre-approval. Our Board of Corporate Auditors reviews this list of services on an annual basis, and is informed of each such service that is actually provided.

All services to be provided to us by principal accountant and its affiliates those are not specifically set forth in this list must be specifically pre-approved by our Board of Corporate Auditors.

None of the services described above in this Item 16C. were waived from the pre-approval requirements pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

***Item 16D. Exemptions from the Listing Standards for Audit Committees***

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which apply to us through Section 303A.06 of the New York Stock Exchange's Listed Company Manual, we rely on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with Boards of Corporate Auditors meeting certain requirements. For a New York Stock Exchange-listed Japanese company with a Board of Corporate Auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

The Board of Corporate Auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with Corporate Auditors.

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Japanese law must and does require the Board of Corporate Auditors to be separate from the Board of Directors.

None of the members of the Board of Corporate Auditors may be elected by management, and none of the listed company's executive officers may be a member of the Board of Corporate Auditors.

Japanese law must and does set forth standards for the independence of the members of the Board of Corporate Auditors from the listed company or its management.

The Board of Corporate Auditors, in accordance with Japanese law or the listed company's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between our management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.

To the extent permitted by Japanese law:

the Board of Corporate Auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;

the Board of Corporate Auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and

the listed company must provide for appropriate funding, as determined by its Board of Corporate Auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, (ii) compensation to any advisers employed by the Board of Corporate Auditors, and (iii) ordinary administrative expenses of the Board of Corporate Auditors that are necessary or appropriate in carrying out its duties.

In our assessment, our Board of Corporate Auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 as described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided at acting independently of management and performing the functions of an audit committee as contemplated therein).

**Table of Contents****Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets forth certain information with respect to purchases by Honda of its own shares during the year ended March 31, 2012. There were no purchases of Honda's shares by its affiliated purchasers during that year.

Period	(a) Total Number of Shares Purchased <sup>(*)</sup>	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Yen Amount of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2011	231	¥ 2,960		
May 1 to May 31, 2011	212	¥ 3,084		
June 1 to June 30, 2011	172	¥ 2,931		
July 1 to July 31, 2011	262	¥ 3,190		
August 1 to August 31, 2011	200	¥ 3,077		
September 1 to September 30, 2011	96	¥ 2,386		
October 1 to October 31, 2011	218	¥ 2,263		
November 1 to November 30, 2011	88	¥ 2,345		
December 1 to December 31, 2011	330	¥ 2,375		
January 1 to January 31, 2012	128	¥ 2,527		
February 1 to February 29, 2012	35	¥ 2,706		
March 1 to March 31, 2012	626	¥ 3,100		
<b>Total</b>	<b>2,598</b>	<b>¥ 2,835</b>		

\* For each month, the number of shares shown in column (a) in excess of the number of shares shown in column (c) represents the aggregate number of shares representing less than one unit that Honda purchased from the holders thereof upon their request. For an explanation of the right of such holders, see "Japanese Unit Share System" Right of a Holder of Shares Representing Less Than One Voting Unit to Require Honda to Purchase or Sell Its Shares under Item 10.B of this Annual Report.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. 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.

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

**Corporate Governance Practices Followed by**

**NYSE-listed U.S. Companies**

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

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.

**Corporate Governance Practices Followed by Honda**

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.

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.

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**Corporate Governance Practices Followed by**

**NYSE-listed U.S. Companies**

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.

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

**Corporate Governance Practices Followed by Honda**

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 Boards 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.

***Item 16H. Mine Safety Disclosure***

Not applicable.

***Item 17. Financial Statements***

Not applicable.

***Item 18. Financial Statements***



See Consolidated Financial Statements attached hereto.

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***Item 19. Exhibits***

1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation)
1.3	Regulations of Board of Directors of the registrant (English translation)
1.4	Regulations of the Board of Corporate Auditors of the registrant (English translation)
2.1	Specimen common stock certificates of the registrant (English translation) (1)
2.2	Deposit Agreement dated as of December 19, 1962, as amended and restated as of October 1, 1982 (including changes from Amendment to Deposit Agreement dated as of April 1, 1989) among the registrant, Morgan Guaranty Trust Company of New York (now JP Morgan Chase Bank), as Depositary, and all owners and holders from time to time of American Depositary Receipts and European Depositary Receipts, including the form of American Depositary Receipt (2)
2.3	Form of Amendment No. 2 to Deposit Agreement dated as of April, 1995, among the parties referred to in Exhibit 2.2 above (2)
2.4	Form of Amendment No. 3 to Deposit Agreement dated as of January, 2002, among the parties referred to in Exhibit 2.2 above (3)
2.5	Form of Amendment No. 4 to Deposit Agreement dated as of June, 2006, among the parties referred to in Exhibit 2.2 above (4)
2.6	Form of Amendment No. 5 to Deposit Agreement dated as of June, 2007, among the parties referred to in Exhibit 2.2 above (5)
8.1	List of Significant Subsidiaries (See Organizational Structure in Item 4.C of this Form 20-F)
11.1	Code of Ethics (6)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference to the registrant's annual report on Form 20-F filed on September 27, 2001.
- (2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 33-91842) filed on May 1, 1995.
- (3) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14228) filed on December 20, 2001.
- (4) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-114874) filed on June 28, 2006.
- (5) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-143589) filed on June 8, 2007.
- (6) Incorporated by reference to the registrant's annual report on Form 20-F filed on July 9, 2004.

The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission

upon request.

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**HONDA MOTOR CO., LTD.**  
**(Honda Giken Kogyo Kabushiki Kaisha)**  
**(A Japanese Company)**  
**AND SUBSIDIARIES**

**Consolidated Financial Statements**

**and**

**Reports of Independent Registered**

**Public Accounting Firm**

**March 31, 2012**

**To be Included in**

**The Annual Report**

**Form 20-F**

**Filed with**

**The Securities and Exchange Commission**

**Washington, D.C., U.S.A.**

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**HONDA MOTOR CO., LTD. AND SUBSIDIARIES**

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Financial statements of affiliates are omitted because such affiliates are not individually significant.

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Honda Motor Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2011 and 2012, and the related consolidated statements of income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2011 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles.

As further described in Note 1(c) to the consolidated financial statements, the Company adopted FASB Accounting Standards Update (ASU) 2009-16 Accounting for Transfers of Financial Assets, and ASU 2009-17 Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, effective April 1, 2010.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Honda Motor Co., Ltd.'s internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 21, 2012 expressed an unqualified opinion on the effectiveness of Honda Motor Co., Ltd.'s internal control over financial reporting.

/S/ KPMG AZSA LLC

Tokyo, Japan

June 21, 2012

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Honda Motor Co., Ltd.:

We have audited Honda Motor Co., Ltd.'s internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Honda Motor Co., Ltd.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Honda Motor Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2011 and 2012, and the related consolidated statements of income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2012, and our report dated June 21, 2012 expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG AZSA LLC

Tokyo, Japan

June 21, 2012

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**Table of Contents****HONDA MOTOR CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2011 and 2012**

	Yen (millions)	
	2011	2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	¥ 1,279,024	¥ 1,247,113
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥ 7,904 million in 2011 and ¥ 7,293 million in 2012 (notes 3, 9 and 20)	787,691	812,155
Finance subsidiaries-receivables, net (notes 3, 4, 9 and 20)	1,131,068	1,081,721
Inventories (notes 5 and 9)	899,813	1,035,779
Deferred income taxes (note 11)	202,291	188,755
Other current assets (notes 7, 9 and 17)	390,160	373,563
<b>Total current assets</b>	<b>4,690,047</b>	<b>4,739,086</b>
Finance subsidiaries-receivables, net (notes 3, 4, 9 and 20)	2,348,913	2,364,393
Investments and advances:		
Investments in and advances to affiliates (note 6)	440,026	434,744
Other, including marketable equity securities (notes 4 and 7)	199,906	188,863
<b>Total investments and advances</b>	<b>639,932</b>	<b>623,607</b>
Property on operating leases (note 8):		
Vehicles	1,645,517	1,773,375
Less accumulated depreciation	287,885	300,618
<b>Net property on operating leases</b>	<b>1,357,632</b>	<b>1,472,757</b>
Property, plant and equipment, at cost (note 9):		
Land	483,654	488,265
Buildings	1,473,067	1,492,823
Machinery and equipment	3,166,353	3,300,727
Construction in progress	202,186	191,107
	5,325,260	5,472,922
Less accumulated depreciation and amortization	3,385,904	3,499,464
<b>Net property, plant and equipment</b>	<b>1,939,356</b>	<b>1,973,458</b>
Other assets, net of allowance for doubtful accounts of ¥ 23,275 million in 2011 and ¥ 23,036 million in 2012 (notes 3, 4, 9, 11, 13, 17 and 20)	594,994	607,458
<b>Total assets</b>	<b>¥ 11,570,874</b>	<b>¥ 11,780,759</b>

**Liabilities and Equity**

Current liabilities:

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Short-term debt (notes 4 and 9)	¥ 1,094,740	¥ 964,848
Current portion of long-term debt (notes 4 and 9)	962,455	911,395
Trade payables:		
Notes	25,216	26,499
Accounts	691,520	942,444
Accrued expenses (note 13)	525,540	489,110
Income taxes payable (note 11)	31,960	24,099
Other current liabilities (notes 9, 11 and 17)	236,761	221,364
<b>Total current liabilities</b>	<b>3,568,192</b>	<b>3,579,759</b>
Long-term debt, excluding current portion (notes 4 and 9)	2,043,240	2,235,001
Other liabilities (notes 4, 10, 11 and 13)	1,376,530	1,437,709
<b>Total liabilities</b>	<b>6,987,962</b>	<b>7,252,469</b>
<b>Equity:</b>		
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	172,529	172,529
Legal reserves (note 12)	46,330	47,184
Retained earnings (note 12)	5,666,539	5,769,029
Accumulated other comprehensive income (loss), net (notes 7, 11, 13, 15 and 17)	(1,495,380)	(1,646,078)
Treasury stock, at cost 9,126,716 shares in 2011 and 9,128,871 shares in 2012	(26,110)	(26,117)
<b>Total Honda Motor Co., Ltd. shareholders' equity</b>	<b>4,449,975</b>	<b>4,402,614</b>
Noncontrolling interests	132,937	125,676
<b>Total equity</b>	<b>4,582,912</b>	<b>4,528,290</b>
Commitments and contingent liabilities (notes 18 and 19)		
<b>Total liabilities and equity</b>	<b>¥ 11,570,874</b>	<b>¥ 11,780,759</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****HONDA MOTOR CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Income****Years ended March 31, 2010, 2011 and 2012**

	2010	Yen (millions) 2011	2012
Net sales and other operating revenue (notes 2 and 6)	¥ 8,579,174	¥ 8,936,867	¥ 7,948,095
Operating costs and expenses:			
Cost of sales (notes 1(u), 1(v) and 2)	6,414,721	6,496,841	5,919,633
Selling, general and administrative (note 1(u) and 1(v))	1,337,324	1,382,660	1,277,280
Research and development	463,354	487,591	519,818
	8,215,399	8,367,092	7,716,731
Operating income	363,775	569,775	231,364
Other income (expenses):			
Interest income	18,232	23,577	33,461
Interest expense	(12,552)	(8,474)	(10,378)
Other, net (notes 1(p), 6, 7 and 17)	(33,257)	45,670	2,956
	(27,577)	60,773	26,039
Income before income taxes and equity in income of affiliates	336,198	630,548	257,403
Income tax expense (note 11):			
Current	90,263	76,647	86,074
Deferred	56,606	130,180	49,661
	146,869	206,827	135,735
Income before equity in income of affiliates	189,329	423,721	