HONDA MOTOR CO LTD
Form 20-F
June 23, 2016
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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, 2016

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)

JAPAN

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Narushi Yazaki, 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.

Title of each class	Name of each exchange on which registered
Common Stock*	New York Stock Exchange

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.

Title of each class	Outstanding as of March 31, 2016
Common Stock	**1,802,283,519****

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act, Yes x 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 x

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 x 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 x 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 x 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:

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

* 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 76,126,891 shares represented by American Depositary Shares.

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PART I

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 Advisers

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 three fiscal years ended March 31, 2016 have been derived from our consolidated financial statements that were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

You should read the IFRS 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, Yen (millions, except Per Share Data)		
	2014	2015	2016
Consolidated Statement of Income Data:			
Sales revenue	¥ 12,506,091	¥ 13,328,099	¥ 14,601,151
Operating profit	823,864	670,603	503,376
Share of profit of investments accounted for using the equity method	130,916	96,097	126,001
Profit before income taxes	933,903	806,237	635,450
Profit for the year	665,911	561,098	406,358
Profit for the year attributable to owners of the parent	624,703	509,435	344,531
Consolidated Statement of Financial Position Data:			

Total assets	16,048,438	18,425,837	18,229,294
Financing liabilities, including current and non-current	5,846,948	6,759,839	6,526,248
Equity attributable to owners of the parent	6,335,534	7,108,627	6,761,433
Total equity	6,558,928	7,382,821	7,031,788
Common stock	86,067	86,067	86,067
Per Share Data:			
Weighted average number of common shares outstanding			
Basic and diluted (thousands of shares)	1,802,294	1,802,289	1,802,285
Earnings per share attributable to owners of the parent[*1]			
Basic and diluted	¥ 346.62	¥ 282.66	¥ 191.16
Dividends declared during the period per common share[*2]	79.00	88.00	88.00
	(US$0.77)	(US$0.73)	(US$0.78)

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*1 Earnings per share has been calculated by dividing profit for the year attributable to owners of the parent available to common shareholders by the weighted average number of common shares outstanding during the period.

*2 A year-end dividend of ¥22 ($0.20) per common share aggregating ¥39.6 billion ($352 million) relating to fiscal 2016 was determined by our Board of Directors in May 2016 and approved by our shareholders in June 2016. This dividend will be paid in June 2016. U.S. dollar amounts for dividends per share are translated from yen at the year-end exchange rate of each period.

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, 2016, the noon buying rate was ¥110.75=$1.00. The average exchange rate for the period shown is the average of the month-end rates during the period.

	Noon Buying Rate			
Years ended or ending March 31,	**Average**	**Period end**	**High**	**Low**
		(Yen per $1.00)		
2012	78.86	82.41	85.26	75.72
2013	83.26	94.16	96.16	77.41
2014	100.46	102.98	105.25	92.96
2015	110.78	119.96	121.50	101.26
2016	120.13	112.42	125.58	111.30
2017 (through May 31, 2016)	108.83	110.75	112.06	106.34

Month,	**High**	**Low**
	(Yen per $1.00)	
December 2015	123.52	120.27
January 2016	121.05	116.38
February 2016	121.06	111.36
March 2016	113.94	111.30
April 2016	112.06	106.90
May 2016	110.75	106.34

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 shares 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.

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Risks Relating to Honda s Industry

Honda may be adversely affected by market conditions

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

Prices for products may fluctuate

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

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

Risks Relating to Honda s Business in General

Currency and Interest Rate Risks

Honda s operations are subject to currency fluctuations

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

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

Legal and Regulatory Risks

Honda is subject to various governmental regulations

Honda conducts business operations in countries worldwide. As such, changes in regulations in these countries related to emissions, fuel economy, noise, vehicle safety, factory pollution levels, climate change or other factors could adversely affect Honda s business, financial condition, or results.

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

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

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Honda may be subject to legal proceedings

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

Risks Relating to Honda s Operations

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

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

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

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

Honda relies on business alliances and joint ventures with other companies

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

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

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

financial condition, or results could be adversely affected.

Honda may be adversely affected by natural disasters

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

Honda s operations rely on information systems and networks

Honda uses a range of information systems and networks relating to information services and operational support in its business activities and its products, including in areas managed by subcontractors. To protect the

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confidentiality of information handled by these systems and networks, Honda implements a range of security measures both in hardware and software, such as building management systems including those of subcontractors, information-handling procedures and training of staff. However, there is a risk of leakage of confidential information, suspension of important operations and services, improper administrative processing, or destruction or alteration of important data or other adverse developments. These may be the result of external cyber-attacks, equipment malfunction, or management deficiencies and human error, as well as natural disasters, infrastructure failures, or other unforeseen events within Honda or at its subcontractors. In such cases, Honda s business activities and performance could be adversely affected in terms of damage to its brand image or social reputation, liability to customers or parties affected, and a loss of Honda s competitiveness.

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

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

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

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

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

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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. 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.

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.

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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;

- 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 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 as a successor to the unincorporated enterprise established in 1946 by the late Soichiro Honda to manufacture motors for motorized bicycles.

Since its establishment, Honda has remained on the leading edge by creating new value and providing products of the highest quality at a reasonable price for worldwide customer satisfaction. Honda develops, manufactures and markets motorcycles, automobiles and power products globally.

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, 2014, 2015 and 2016, Honda s capital expenditures were ¥2,168.3 billion, ¥2,579.2 billion and ¥2,860.6 billion, respectively, on an accrual basis. Also, capital

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expenditures excluding those with respect to equipment on operating leases were ¥957.6 billion, ¥898.0 billion and ¥893.1 billion, respectively, on an accrual basis. For further details of Honda s capital expenditures during fiscal 2016, see Item 4.D Property, Plants and Equipment of this Annual Report.

B. Business Overview

General

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

The following tables show the breakdown of Honda s revenue from external customers by category of business and by geographical markets based on the location of the customer for the fiscal years ended March 31, 2014, 2015 and 2016:

	Fiscal years ended March 31,		
	2014	2015	2016
	Yen (billions)		
Motorcycle Business	¥ 1,689.2	¥ 1,846.6	¥ 1,805.4
Automobile Business	9,178.7	9,603.3	10,625.4
Financial Services Business	1,326.0	1,555.5	1,835.6
Power Product and Other Businesses	312.0	322.5	334.7
Total	¥ 12,506.0	¥ 13,328.0	¥ 14,601.1

	Fiscal years ended March 31,		
	2014	2015	2016
	Yen (billions)		
Japan	¥ 1,920.1	¥ 1,800.4	¥ 1,754.1
North America	6,160.3	6,837.6	8,114.1
Europe	674.2	655.3	693.5
Asia	2,584.0	2,899.0	3,124.0
Other Regions	1,167.3	1,135.6	915.2
Total	¥ 12,506.0	¥ 13,328.0	¥ 14,601.1

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 first started overseas production in Belgium in 1963.

Honda produces a wide range of motorcycles, with engine displacement ranging from the 50cc class to the 1800cc class. Honda s motorcycles use internal combustion engines developed by Honda that are air- or water-cooled, four-cycle, and are in single, two, four or six-cylinder configurations. Honda s motorcycle line consists of sports (including trial and moto-cross racing), business and commuter models. Honda also produces a range of off-road vehicles, including all-terrain vehicles (ATVs) and side-by-side (SxS).

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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 for the fiscal years ended March 31, 2014, 2015 and 2016:

	Fiscal years ended March 31,								
	2014			2015			2016		
	Honda Group Unit Sales* Units (thousands)	Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)	Honda Group Unit Sales* Units (thousands)	Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)	Honda Group Unit Sales* Units (thousands)	Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)
Japan	226	226	¥ 79.5	199	199	¥ 72.4	180	180	¥ 66.8
North America	278	278	141.3	286	286	154.7	308	308	186.0
Europe	166	166	102.8	191	191	116.9	204	204	125.0
Asia	14,534	7,858	894.0	15,345	8,478	1,050.4	15,133	8,650	1,107.6
Other Regions	1,804	1,804	471.4	1,571	1,571	451.9	1,230	1,230	319.7
Total	17,008	10,332	¥ 1,689.2	17,592	10,725	¥ 1,846.6	17,055	10,572	¥ 1,805.4
Motorcycle revenue as a percentage of total sales revenue			14%			14%			12%

* Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

See Item 4. D. Property, Plants and Equipment for information regarding principal manufacturing facilities.

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 Automobile business operations in 1963 with the *T360* mini truck and the *S500* small sports car models. Honda subsequently launched a series of mass-production models including the *Civic* in 1972 and 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* model) and later conducted local development and expanded production activities to include light truck models. In 1986, the Acura Brand was established and an exclusive sales network was launched in the United States.

Honda s vehicles use gasoline engines of three, four or six-cylinder configurations, diesel engines, gasoline-electric hybrid systems and gasoline-electric plug-in hybrid systems. Honda also offers other alternative fuel-powered vehicles such as ethanol, battery electric and fuel cell vehicles.

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Honda s principal automobile products include the following vehicle models:

Passenger cars:

Accord, Accord Hybrid, Amaze, Brio, Brio Amaze, Brio Satya, City, Civic, Civic Tourer, Civic Type R, Crider, CR-Z, Fit/Jazz, Fit/Jazz Hybrid, Freed, Freed Hybrid, Freed Spike, Freed Spike Hybrid, Grace, Grace Hybrid, Greiz, Honda Mobilio, Insight, Jade, Jade Hybrid, Legend Hybrid, Mobilio, Shuttle, Shuttle Hybrid, Spirior, Acura ILX, Acura RLX, Acura TLX

Light trucks:

BR-V, Crosstour, CR-V, Elysion, Odyssey, Odyssey Hybrid, Pilot, Step WGN, Vezel/HR-V, Vezel Hybrid, XR-V, Acura MDX, Acura RDX

Mini vehicles:

Acty, N-BOX, N-BOX +, N-BOX Slash, N-ONE, N-WGN, S660, Vamos

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 for the fiscal years ended March 31, 2014, 2015 and 2016:

	Fiscal years ended March 31,								
	2014			2015			2016		
	Honda Group Unit Sales* Units (thousands)	Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)	Honda Group Unit Sales* Units (thousands)	Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)	Honda Group Unit Sales* Units (thousands)	Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)
Japan	818	788	¥ 1,677.5	761	696	¥ 1,526.0	668	614	¥ 1,439.9
North America	1,754	1,754	4,723.3	1,750	1,750	5,199.0	1,929	1,929	6,186.7
Europe	171	171	493.0	161	161	456.5	172	172	491.2
Asia	1,311	531	1,641.5	1,426	637	1,795.7	1,723	670	1,962.5
Other Regions	286	286	643.2	269	269	625.9	251	251	544.9
Total	4,340	3,530	¥ 9,178.7	4,367	3,513	¥ 9,603.3	4,743	3,636	¥ 10,625.4
Automobile revenue as a percentage of total sales revenue			73%			72%			73%

* Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to the external customers in our Automobile business. Accordingly, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our Automobile business.

See Item 4. D. Property, Plants and Equipment for information regarding principal manufacturing facilities.

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 .

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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 for the fiscal years ended March 31, 2014, 2015 and 2016:

	Fiscal years ended March 31,		
	2014	2015	2016
	Yen (billions)		
Japan	¥ 77.1	¥ 119.7	¥ 162.0
North America	1,198.3	1,376.2	1,619.2
Europe	14.1	14.2	14.4
Asia	8.0	12.1	12.6
Other Regions	28.2	33.1	27.2
Total	¥ 1,326.0	¥ 1,555.5	¥ 1,835.6
Financial Services revenue as a percentage of total sales revenue	11%	12%	13%

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 *H*, its first general purpose engine. Since then, Honda has manufactured a variety of power products including general-purpose engines, generators, water pumps, lawn mowers, riding mowers, grass cutters, brush cutters, tillers, snow blowers, outboard marine engines, power carriers, sprayers, pressure washers, and cogeneration* units.

In Other Businesses, in December 2015, Honda began deliveries of the *HondaJet* aircraft.

* 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 for the fiscal years ended March 31, 2014, 2015 and 2016:

	Fiscal years ended March 31,					
	2014		2015		2016	
	Honda Group Unit Sales / Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)	Honda Group Unit Sales / Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)	Honda Group Unit Sales / Consolidated Unit Sales* Units (thousands)	Revenue Yen (billions)
Japan	314	¥ 85.8	338	¥ 82.1	363	¥ 85.2
North America	2,719	97.3	2,705	107.6	2,811	122.0
Europe	1,031	64.1	1,091	67.5	1,008	62.8
Asia	1,485	40.3	1,382	40.6	1,349	41.2
Other Regions	469	24.4	467	24.5	434	23.1
Total	6,018	¥ 312.0	5,983	¥ 322.5	5,965	¥ 334.7
Power Product and Other businesses revenue as a percentage of total sales revenue		2%		2%		2%

* Honda Group Unit Sales is the total unit sales of completed power products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed power products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed power products of Honda and its consolidated subsidiaries. In Power product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales since no affiliate and joint venture accounted for using the equity method was involved in the sale of Honda power products.

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 and Service Japan

Sales of Honda motorcycles, automobiles, and power products in Japan are made through different distribution networks comprised primarily of independent retail dealers.

Motorcycles are distributed through outlets, including PRO S shops and Honda Dream authorized dealerships. Automobiles and power products are distributed in Japan through retail dealers. A number of small power product engines are also sold to other manufacturers for use in their products.

Sales of spare parts and after sales services are mainly provided through retail dealers.

Sales and Service Overseas

In fiscal 2016, approximately 98% 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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Honda mainly markets its motorcycles, automobiles and power products through a sales network of independent local dealers. Most dealers sell one type of product, but some motorcycle and automobile dealers also sell power products. The largest regional markets for Honda motorcycles, automobiles (including the Acura brand) and power products by Honda group unit sales are Asia, North America and North America, respectively.

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 42% 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, 2016.

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

Honda is subject to various government regulations, including environmental and safety regulations for automobiles, motorcycles and power products. Such regulations relate to items such as emissions, fuel economy, recycling and safety and have had, and are expected to continue to have, material effects on Honda s business. Honda has incurred significant compliance and other costs in connection with such regulations and will incur future compliance and other costs for new and upcoming regulations. Relevant environmental and safety regulations are described below.

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 nitrogen oxides (NOx) and PM standards.

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In 2010, the Central Environmental Council in the Ministry of Environment reviewed the current JC08 mode for emission testing and began to consider the introduction of the Worldwide harmonized Light vehicle Test Procedure (WLTP). In 2015, the Central Environmental Council of Ministry of Environment decided to introduce WLTP.

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 regulations in the world.

In March 2009, the CARB finalized the Zero Emission Vehicle (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 were required to sell a significant number of Enhanced Advanced Technology Partial Zero Emission Vehicles (Enhanced AT-PZEV) in the market after the 2012 model year.

In August 2012, the CARB issued the Advanced Clean Car package of regulations, which included amendments to the California Low Emission Vehicle Program III (LEV III) and ZEV regulations. The LEV III regulation, which applies to 2015 and subsequent model years, tightened limits on emissions and evaporative emissions. The ZEV regulation was revised so that requirements could be satisfied by TZEV (formerly, Enhanced AT-PZEV) and ZEV alone for 2018 and subsequent model years. Also, for 2018 and subsequent model years, the credit value eligible for each ZEV category was decreased drastically, which consequently increases the required sales volume dramatically. The BEVx category, which includes battery electric vehicles with auxiliary power units, was also added as a ZEV category. Currently, many states have adopted California LEV III and ZEV regulations.

In March 2014, the Environmental Protection Agency (EPA) finalized Tier 3 regulation, the federal emission and fuel standards. Tier 3 requires gasoline fuels at a pump to have an average sulfur content of 10 parts-per-million, which is already implemented in Europe and Japan. It also sets exhaust and evaporative emission standards equivalent to California LEV III. In other words, it enables auto manufacturers to sell some of the same vehicles they sell in California in states that have not adopted LEV III.

In October 2015, the CARB issued the Final Statement Of Reasons for rulemaking (FSOR), to amend the current LEV III regulation in order to align its standards further with the finalized federal Tier 3 regulation.

Europe

In 2005, the European Union created new emission standards (Euro 5 and Euro 6) and comprehensive requirements for gasoline vehicles and diesel vehicles. Euro 5 was implemented in September 2009. Emission limits for gasoline vehicles and diesel vehicles were further lowered compared to the Euro 4 level for hydro-carbons (HC), NOx and PM. PM mass emission standards apply only to vehicles with direct injection

engines.

Additionally, Euro 5 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 in and after September 2011.

The Euro 6 regulation was implemented in September 2014. Emission limits for diesel vehicles will be lowered even more than the Euro 5 levels for NOx and THC plus NOx. Additionally, Euro 6 required limits on

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particle numbers from gasoline vehicles with direct injection engines. The required ethanol density of test fuel will also be increased, starting from September 2016.

The European Commission proposed the transition from New European Driving Cycle (NEDC) to World Light duty Test Cycle (WLTC) beginning from September 2017.

The European Commission implemented regulations regarding the Real Driving Emissions (RDE) using Portable Emissions Measurement System (PEMS). The monitoring phase started from April 2016 and RDE testing with emission limits starts from September 2017.

Russia

The Euro 4 regulation has been in effect from January 2010. Additionally, the Euro 5 regulation was implemented in January 2014.

Russia, together with Kazakhstan and Belarus, formed a Customs Union. Euro 5 was introduced from January 2015 to the Customs Union. Implementation for the Kyrgyz Republic started from February 2016 and for Armenia will start from January 2020.

China

China adopted Step 3 and Step 4 emission regulations for light-duty vehicles in 2005. These regulations are similar to European regulations (such as Euro 3 and Euro 4). Step 3 was implemented in 2007 and Step 4 was implemented in July 2010. In addition, China has promulgated rules to implement Step 5 emission regulations in 2017, based on Euro 5.

In the city of Beijing, Step 4 was implemented in March 2008 and Step 5 was implemented in February 2013. In addition, the city of Beijing is considering the introduction of Step 6 emission regulations in December 2017.

From the standpoint of reducing dependence on foreign sources of crude oil and reducing air pollution, which have become serious problems, the Chinese government has implemented various infrastructure projects and subsidy policies and has been preparing the relevant National Standards and their Certification System in order to encourage broad use of new energy vehicles such as electric vehicle (EV), plug-in hybrid electric vehicle (PHEV), and fuel-cell electric vehicle (FCEV).

Other Regions

Several other Asian countries have adopted regulations which are similar to the European regulations (such as Euro 2 and Euro 3). Some of these countries are considering the introduction of Euro 4, Euro 5 and Euro 6.

Australia implemented Euro 5-equivalent regulations in November 2013. In addition, Australia plans to introduce Euro 6-equivalent regulations from July 2017.

Ukraine is scheduled to implement Euro 6 from January 2018.

Turkey implemented Euro 6 from January 2016.

Bolivia is scheduled to implement Euro 4 regulation in August 2016.

Peru is scheduled to implement Tier 2 and Euro 4 in January 2017.

Uruguay is considering the introduction of Euro 4 and Tier 2 in January 2018.

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2. Fuel Economy / CO_2

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 established a committee and commenced a study to formulate new fuel economy standards for passenger motor vehicles for 2020. The new standards were announced in March 2013. The next term fuel economy standards improve the 2015 standards by 19.6% and adopt the Corporate Average Fuel Economy (CAFE) calculation method.

Fuel specifications for E10 fuel, which is gasoline blended with 10% ethanol, were revised and included in the April 2012 announcement setting forth the details of safety standards under the Road Transport Vehicle Law. Ethanol blended fuel is a biomass fuel . Biomass fuel is regarded as an effective countermeasure for CO_2 reduction. CO_2 emissions after burning ethanol fuel produced with biomass resources (such as plants or wood) are not counted as CO_2 emissions under the Kyoto Protocol.

In 2015, MLIT and METI examined the new fuel economy standards for small commercial vehicles.

WLTC mode is going to be introduced into fuel economy standards from autumn, 2018.

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 the 2012 model year in accordance with President Obama s announcement. The standard for the 2016 model year is 250 g-CO_2/mile, or a 35.5 mpg 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.

In March 2008, the EPA denied California s GHG regulation waiver request. On January 26, 2009, President Obama announced that he had directed the EPA to review California s waiver request. The EPA approved the waiver on July 8, 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.

On May 21, 2010, President Obama ordered the NHTSA and the EPA to extend the National Program for cars and light-duty trucks to the 2017 model year and beyond with the support of the CARB. On October 1, 2010, the NHTSA, the EPA, and the CARB gave the notice of their intent to conduct joint rulemaking to establish 2017 and later model year fuel economy and greenhouse gas standards. The NHTSA and EPA issued a regulation in August 2012 regarding GHG / CAFE regulations from the 2017 through 2025 model years. The standard for the 2025 model year is 163 g-CO_2/mile or a 54.5 mpg industry average. The CARB also issued a regulation that is

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almost equivalent to the EPA s GHG regulations in August 2012. In December 2012, the CARB amended its GHG regulation so that a manufacturer is also deemed to comply with CARB GHG regulations if it complies with EPA-GHG from the 2017 through 2025 model years.

Europe

In 2008, the European parliament adopted CO_2 regulations in response to concerns related to possible global climate changes. The adopted CO_2 regulations were published by the Official Journal in June 2009.

Pursuant to the CO_2 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_2 regulations provided manufacturers with the necessary incentive to reduce the CO_2 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.

In 2014, a new regulation was issued, requiring more stringent regulation that targets 95 g/km of CO_2 for 2020.

The European Commission is planning to replace the current European type-approval procedure for fuel consumption and CO_2 emissions of cars based on NEDC with new WLTC and WLTP in 2017.

China

China adopted a fuel consumption regulation for passenger vehicles in 2004. Step 1 of this regulation was implemented in 2005, Step 2 was implemented in 2008 and Step 3 was implemented in 2012. In addition, China

will implement Step 4 in 2016.

Other Regions

India has promulgated rules to introduce fuel economy / CO_2 regulations in 2017 and 2022 in a phased manner.

Australia is considering introducing fuel economy / CO_2 regulations.

Taiwan introduced corporate average fuel consumption regulations.

Mexico introduced a proposal for fuel economy / CO_2 regulations for the 2017 through 2021 model years.

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.

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From June 1, 2008, any manufacturer or importer of chemical substances is required to submit a registration to the European Chemicals 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 Substances of Very High Concern (SVHC) is amended periodically to include new substances. 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.

Other Regions

Taiwan and Korea implemented automobile recycling laws on January 1, 2008, following the regulations established by the European Union and Japan. Turkey also implemented automobile recycling laws on December 12, 2010, following the regulations established by the European Union. In addition, China, Vietnam, India and Russia each have a plan to implement automobile recycling laws in the near future.

4. Safety

United Nations

From 2014, under WP29 (World Forum for Harmonization of Vehicle Regulations), the ITS / AD Informal Working Group has been discussing the issue of Intelligent Transport System and Automated Driving. Current main discussion issues are definition of each technical level (partially fully automated driving) of automated driving , cyber security , privacy protection principles and amendment of current road traffic law

Japan

In November 2007, the MLIT issued safety standards, which have been 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. Furthermore, in 2011, they 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 2017.

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

In March 2010, in a 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, an accident in the Unites States caused by sudden unintended acceleration prompted the MLIT to consider introducing a brake-override system .

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In May 2011, the MLIT introduced a pedestrian leg protection standard, adopting, for the first time in the world, a flexible leg impactor that features an improved biomechanism. The impactor has been designed to better match with the human body structure and its characteristics.

In August 2013, the MLIT adopted UN R121, which regulates the location and identification of controls, tell-tales and indicators.

In November 2013, the MLIT adopted UN R125, which regulates front visibility of the motor vehicle driver.

In January 2015, the MLIT adopted UN R21, which regulates interior fittings.

In January 2015, the MLIT adopted UN R127, which regulates pedestrian safety performance.

In June 2015, the MLIT adopted UN R135, which regulates protection of passengers from a lateral pole crash.

In June 2015, the MLIT adopted UN R34, which regulates vehicle fire prevention.

In October 2015, the MLIT adopted UN R117, which regulates exterior noise of tires, the frictional force on wet road surfaces and rolling resistance.

To achieve the highest level of traffic safety in Japan, MLIT developed a strategy to introduce fully automated driving in the latter half of the 2020 s. To develop harmonized regulations for automated driving, MLIT is joining ITS / AD Informal Working Group under WP29 of United Nations. MLIT is co-chairman of Informal Working Group together with the United Kingdom.

The United States

In June 2008, the NHTSA issued a final rule to revise some performance requirements and phase-in compliance schedules for upgraded side impact occupant protection standards. For both the moving deformable barrier test and the oblique side pole impact test, manufacturers have had to 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.

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 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 have had to 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 in or 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 have had to comply with the new requirements for 25% of all vehicles produced by 2013, 50% by 2014 and 75% by 2015. Further, 100% must comply (with carryover credit) by 2016, and all vehicles by 2017.

In April 2012, the NHTSA issued a proposed regulation that mandates installation of a brake-throttle override system. This rule was proposed to take proper measures against the following problem: a vehicle cannot be effectively decelerated/stopped in the event that the accelerator pedal cannot return to its stationary position even after the foot is taken off the accelerator pedal, because of the floor mat being caught in the accelerator pedal or any failure in the accelerator pedal. Manufacturers must comply with the new requirements within two years from September 1 of the date of publication of the final rule, which is still under consideration.

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In December 2012, the NHTSA issued a proposed regulation that mandates installation of an event data recorder (EDR) in vehicles. The purpose of this regulation is to allow for effective collision research as well as to share important data for the performance analysis of safety devices (e.g. advanced restraint devices) through the mandatory installation of EDRs. After September 2014, the NHTSA had planned to require manufacturers to install EDRs which comply with specified performance requirements, but the issue is still under discussion.

In January 2013, the NHTSA issued a proposed regulation that mandates installation of an approaching vehicle audible system. This regulation was established to reduce the number of collision accidents by enabling pedestrians and bicycle riders be aware of approaching hybrid vehicles on electric drive or electric vehicles by sound. Manufacturers were encouraged to comply with the new requirements for 30% of all vehicles produced by 2015. Further, the target is 60% by 2016, 90% by 2017, and all vehicles by 2018, respectively.

In April, 2013, the NHTSA issued the first phase of these guidelines. The Phase 1 Guidelines cover original equipment (OE) in-vehicle (i.e., integrated) electronic devices that are operated by the driver through visual-manual means (i.e., the driver looks at a device, manipulates a device-related control with his or her hand, and/or watches for visual feedback from the device). The Phase 2 Guidelines will apply to portable and aftermarket devices that are operated through visual-manual means and will be based on the same general principles as the Phase 1 Guidelines.

In March 2014, the NHTSA issued a final rule for FMVSS No. 111, which requires that rear visibility technology be installed in all new vehicles weighing under 10,000 pounds. The purpose is to reduce death and injury resulting from incidents when the driver is backing up. Manufacturers must comply with the new requirements for 10% of all vehicles produced from May 2016 to April 2017, 40% from May 2017 to April 2018, and all vehicles in or after May 2018.

In August 2014, the NHTSA issued a notice to start legislative work concerning the inter-vehicle communication function (V2V) of passenger cars and light trucks. FMVSS150 is supposed to be newly established as V2V laws and regulations for the communication function. The mandatory equipment requirements of the communication function and the performance requirements are expected to be included in FMVSS150.

Europe

Legislation regarding a new system called eCall is under consideration in the EU and is already implemented in the Customs Union, which is organized by Russia, Kazakhstan and Belarus. eCall is a system that can automatically transmit vehicle status (e.g., Supplemental Restraint System (SRS) deployment, location, direction and other information) to conventional infrastructures simultaneously with voice messages when accidents occur. Some relevant draft standards have been published in the EU. The effective date of the EU eCall for new vehicle types is scheduled for March 31, 2018. Final standards have already been published in the Customs Union. The effective date of eCall for the Customs Union (ERA-GLONASS) was on or after January 1, 2015 for new vehicle types and is on or after January 1, 2017 for all vehicles.

In January 2016, the EU commission issued the draft regulation to significantly revise the legal framework for the EU type-approval. This draft regulation introduces a market surveillance system effective for managing the conformity of motor vehicles available on the market and adds a requirement of an expiration date for vehicle type approval. This draft is scheduled to be adopted at the end of 2016.

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China

Vehicle safety regulations in China were drafted with reference to the UNECE standards and cover almost the same matters as the UNECE standards. However, these regulations also include unique provisions which take into account the distinctive characteristics of the Chinese market environment and the rules differ from the latest UNECE standards. Future safety regulations are described as follows:

Newly published GB standards (Chinese national standards issued by the Standardization Administration of China) in 2015:

+ Amendment to Passenger car tire

+ Amendment to Rear registration plate lamp of Motor Vehicles and Trailers

+ Amendment to Motor Vehicle Towing Devices

Newly established GB standards (not yet published);

+ Amendment to Prescription for installation of the external lighting and light-signaling devices for motor vehicles and their trailers

+ Amendment to Rear-marking plates for vehicles and their trailers

+ Amendment to Safety specifications for power-driven vehicles operating on roads

+ Amendment to Road Vehicle-Vehicle Identification Number

+ Amendment to Strength requirement and test method of automobile seats, their anchorages and any head restraints

+ Photometric characteristics of front fog lamps for motor vehicles

+ Photometric characteristics of headlamps emitting symmetric passing beam and/or driving beam for motor vehicles

+ Photometric characteristics of devices for the illumination of rear registration plates of motor vehicles and their trailers

+ Symbols for controls, indicators and tell-tales on motor vehicles

+ Light-duty vehicles-towing attachments

GB standards under development;

+ Test methods and requirements for the misuse of automotive airbag systems

+ Performance requirements and test methods of tire pressure monitoring systems for passenger cars

Other Regions

The Gulf Cooperation Council (GCC) aims to adopt electrical safety standards for electric vehicles and their infrastructure through the agency Emirates Authority for Standardization and Metrology (ESMA). They are still under review.

India already has mandatory type approval standards for hybrid electrical vehicles and battery vehicles, and some of them are under proposal for amendment. Standard of type approval procedure for these vehicles for Pilot / Demo Projects (which have subsidies/ incentives) has also been implemented.

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,

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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 current European regulations, namely the Euro 3 regulations.

Japan is planning to implement Phase 3 emission requirements, which are similar to current standards because standards for hydro-carbon level are stricter than the next European regulations, namely the Euro 4 regulations. The Phase 3 emission requirement will be issued by October 2016, and introduce simultaneous application of the fuel evaporative gas regulation as well as mandatory installation of the On-Board Diagnostics (OBD) system.

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 EPA regulations include fuel permeation requirements rather than traditional evaporative emission standards. California issued new evaporative emission standards for off-road highway vehicle (ORHV) involving diurnal test and tip test. It will apply from the 2018 model year.

The EPA emission standard has strengthened the class III HC + NOx limit value to 0.8 g/km as of 2010 model year vehicles. As for greenhouse gases, reporting has been mandated for each emission gas (CO_2 from 2011 model year, CH_4 from 2012 model year and N_2O from 2013 model year, respectively).

Europe

The EU has issued regulations to reform the Whole Vehicle Type Approval (WVTA) scheme in order to further enforce exhaust emissions following the Euro 4 and Euro 5 steps. Euro 4 requirements apply to new type approved vehicles from January 2016 and will apply to all vehicles registered from January 2017. Euro 5 requirements will apply to new type approved vehicles from January 2020 and will apply to all vehicles registered from January 2021. The new requirements introduce not only mode emission gas restrictions but also evaporative emission, durability and OBD requirements. As for L1e category vehicles (mopeds), the Euro 4 requirements will apply to new type approved vehicles

from 2017 and will apply to all vehicles registered from 2018 based on the WVTA amendment.

Other Regions

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

Japan, China, Korea, Thailand, Malaysia and Singapore are considering new exhaust emission standards based on the next European WVTA.

In Brazil, the Worldwide-harmonized Motorcycle Test Cycle (WMTC) was introduced. The WMTC became effective from the beginning of 2014. Brazil introduced the WMTC durability requirement as of January 2014 and introduced stricter emission limit and evaporative gas restrictions as of January 2016.

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India has issued a new emission regulation called Bharat Stage IV (BS IV). It applied to new motorcycles from April 2016, and will apply to all motorcycles registered from April 2017. India is also considering a BS VI regulation, which will apply from 2020. In doing so, they will skip the introduction of a BS V regulation.

2. Recycling / REACH

Europe

The same REACH compliance required for motor vehicles is required for motorcycles.

Other Regions

Vietnam and India each have a plan to implement motorcycle recycling laws in the near future.

3. Safety

Japan

In November 2007, the MLIT issued safety standards which have been 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 accidents. Further, in 2011, it adopted ECE R100, which was amended to incorporate the Japanese electrical safety standard.

The Japan Automobile Standards Internationalization Center (JASIC), which is organized by the MLIT and 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 to reach an agreement among the contracting parties by 2017.

In February 2013, the MLIT established a homologation system for ultra-compact mobility vehicles. These are vehicles which are easier to maneuver in small spaces compared to automobiles, have superior environmental performance and can be utilized as a means of simple mobility for 1 or 2 passengers in regional areas. The system permits ultra-compact mobility vehicles to be run on public roads by adding features specific to such vehicles and relaxing certain existing standards without degrading the safety or environmental performances of the vehicles.

Japan implemented the EMC requirement (UNECE R10) as of August 1, 2011. The amended version (R10.04) will become applicable to new type vehicles from August 1, 2016 and to all vehicles from October 28, 2016.

Japan adopted the requirements for lighting devices (UN ECE R50) and symmetry front beams (UNECE R113) in 2015 and issued new standards for control/tell-tales (UNECE R60) which will apply to all motorcycles from July 1, 2017. They also issued new standards for advanced brake system (ABS: Anti-lock Brake System/ CBS: Combined Brake System) which will apply to new type motorcycles from October 1, 2018, and to all motorcycles from October 1, 2021.

The United States

The NHTSA amended the federal standard for lighting devices (FMVSS 108) to change visibility and other requirements, which became effective as of December 2012.

The NHTSA issued an amendment regulation to FMVSS108 Lamps, reflective devices and associated equipment to harmonize the license plate holder angle requirement (this allows license plates to be mounted on a plane up to 30 degrees upward; previously, the maximum allowable upward mounting angle was 15 degrees) with the European Regulation on December 17, 2015.

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Europe

The EU has issued regulations to change the WVTA scheme in order to further enforce safety. The new safety regulations require advanced brake systems and functional safety and electrical safety requirements. The new EU WVTA (EU Regulation No. 168/2013) was published on March 2, 2013. This new system became applicable to new type motorcycles from January 2016 and will apply to new type mopeds from January 2017.

The EU Commission finalized Delegated Regulations concerning environmental and propulsion unit performance (EU Regulation No. 134/2014), vehicle functional safety (EU Regulation No. 3/2014), vehicle construction and general requirements (EU Regulation No. 44/2014). The Implementing Regulation (EU Regulation No. 901/2014) was published on July 18, 2014 and the regulations established the new EU WVTA system.

The new WVTA system requires motorcycle manufacturers to make vehicle repair and maintenance information available through their websites.

Other Regions

In India, the Auto Headlight On (AHO) function, which automatically turns on the head lamps when the engine is running, shall be installed on all two-wheelers manufactured on and after April 1, 2017 and also for new vehicle models manufactured on and after April 1, 2018. All vehicles manufactured on and after April 1, 2019 shall be fitted with an advanced brake system. Two-wheeled vehicles with engine capacity not more than 125cc; continuous rated or net power not more than 11kw; and power/weight ratio not more than 0.1 kw/kg shall be fitted with ABS or CBS. All other categories of two-wheeled vehicles shall be fitted with ABS in India.

The Brazilian safety authority (DENATRAN) issued a new regulation regarding anti-theft devices, which requires the installation 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 court determined that the regulation was unconstitutional. An official declaration was later issued to suspend the validity of this regulation on October 20, 2015. The Brazil transport authority (CONTRAN) issued a new standard concerning motorcycle braking based on the UN ECE Brake regulation (R78.03) as well as a new regulation mandating ABS/CBS installation. The Brazilian standardization authority (INMETRO) currently mandates parts certification for tires and batteries, but they will add drive/driven sprocket, drive chain and muffler to the scope of application from September 24, 2017 at customs clearance.

The Gulf Cooperation Council (GCC) started the operation of a motorcycle certification system in July 2014.

Many Asian countries, such as India, Thailand, Indonesia, Malaysia, Korea and Vietnam, are introducing various regulations, regarding lighting, braking, and anti-theft, based on UN R (ECE) regulations.

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 regulations 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 and used in non-handheld applications) and generally in 2010 for handheld products. The EPA also adopted a more stringent level of emission standards for outboard and personal watercraft engines starting with the 2010 model year. This new regulation includes standards to control evaporative emissions for all vessels using marine spark-ignition engines.

In November 2015, CARB presented a policy to develop a regulation to replace 25% of spark-ignition engine products circulating in the market with zero-emission products by 2030.

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Canada

The Canadian federal government introduced emissions regulations generally equivalent to the U.S. EPA regulations for outboard and personal watercraft engines from the 2012 model year. New regulations plan to include controls for evaporative emissions aligned with the EPA Phase 3 regulations.

China

An exhaust emission standard was introduced in China on March 1, 2011. Its requirements are based on the European exhaust emission regulations and are applicable to small spark-ignition engines for non-road mobile machinery with 19 kW or less. The phase 2 regulation with durability requirement started from January 1, 2014. The phase 3 regulation is under discussion.

Europe

The European Committee started to consider the stage 3 regulation. Its requirement will follow the U.S. EPA phase 3 and the effective date will be 2018 or 2019.

Japan

The Japan Land Engine Manufacturers Association (LEMA) implemented the Phase 3 voluntary exhaust emission regulation from January 1, 2014. The requirements are consistent with the U.S. EPA Phase 3 regulation.

India

The Ministry of Environment issued a revised regulation for emission/noise standards applicable to gasoline/kerosene/LPG/CNG engine generators. The exhaust emission limits are very stringent. In particular, the CO level limit is less than half the limit allowed by the U.S. EPA Phase 3. It became effective as of June 2015.

Australia

The Australian Federal Government announced that they will introduce exhaust emission/evaporative emission regulations based on the U.S. EPA standards for all power products including outboard engines. New regulations are scheduled to be implemented in 2017.

2. Recycling /RoHS / WEEE / REACH

Europe

The same REACH compliance required for motor vehicles is required for power products. In June 2011, the European Union Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) was wholly revised and most power products will be within its scope after 2019.

Other Regions

Turkey and several Asian countries have adopted regulations which are similar to the European regulations (such as RoHS and WEEE). Ukraine and China plan to adopt regulations similar to European regulations which will apply to most power products.

3. Safety

Japan

The Institute of Agricultural Machinery amended the safety standard of backward speed requirements 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 have had to comply with it from April 2015.

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The METI amended the technical requirements of the Electrical Appliances and Materials Safety Act and added requirements regarding the retention force of receptacle outlets and the flame resistance of circuit boards. These amended and additional requirements are scheduled to be implemented from July 2016.

The voluntary safety scheme for snow blowers newly included a requirement on dozers, which was implemented in April 2015.

The United States

Based on the Consumer Product Safety Improvement Act of 2008 , walk-behind lawn mowers have had to comply with certificate requirements from November 11, 2008. The Consumer Product Safety Commission (CPSC) has enhanced the recall system by this Act. NFPA (National Fire Protection Association) 70 (NEC (National Electrical Code) 2014) has been amended and the installation of Ground Fault Circuit Interrupter (GFCI) has become mandatory for certain generators. In 2014, an American National Standard Institute (ANSI) Standard for Snow Blowers was amended. In 2015, a new ANSI Standard for Generators was published. In 2016, an ANSI Standard for Tillers was amended.

Europe

Low Voltage Directive (LVD) and Electromagnetic Compatibility Directive (EMCD) have been amended and they became applicable from April 2016. Recreational Craft Directive (RCD) Stage 2 also became effective. The amendment to the Machinery Directive (the implementation timing is unknown) and the amendment to the Noise Directive (the implementation is expected to be started from 2021) are being planned. The Gas Appliance Regulation has been published and accordingly, the Gas Appliance Directive will expire in 2018.

China

The General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) has issued final regulations for spark-ignition engines which include a wide variety of requirements such as machinery safety, thermal protection, electrical safety, and others. It became effective in 2015.

Other Regions

In 2015, Argentina amended the certification system for generators. Also in 2015, Vietnam published a compulsory certification system for engine-driven sprayers. In Mexico, a compulsory certification system for brush cutters was proposed in 2015.

Preparing for the Future

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

Honda will focus all its energies on the tasks set out below as it pursues the vision toward 2020 of providing good products to customers with speed, affordability and low CO_2 emissions .

1. Product Quality

Honda will strive to improve its product quality by verification within each development, purchasing, production, sales and service department, along with integrated verification through coordination among those departments.

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2. Research and Development

Honda will continue to be innovative in advanced technology and products, aiming to create and introduce new value-added products to quickly respond to specific needs in various markets around the world, in addition to its efforts to develop the most effective safety and environmental technologies, which includes the spread of electric-powered motor technology. Honda will also continue its efforts to conduct research on experimental technologies for the future.

3. Production Efficiency

Honda will strengthen its production systems at its global production bases and supply high-quality products flexibly and efficiently, with the aim of meeting the needs of its customers in each region. In addition, Honda will work to reduce the environmental burden of its production bases while establishing production technologies to promote the global spread of electric-powered motor technology. Honda will work at improving its global supply chain by devising more effective business continuity plans in order to respond to various risks including but not limited to natural disasters.

4. Sales Efficiency

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

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 as well as technologies that enhance compatibility between large and small vehicles. Honda will also expand its lineup of products incorporating such technologies. In addition, Honda will promote research and development to commercialize automated driving. Honda will reinforce and continue to advance its contribution to traffic safety in Japan and motorized societies 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 as well as further promote the development of fuel cells. With the long-term goal of reducing total CO_2 emissions by 50% compared to year 2000 levels by 2050, Honda has set an interim target to reduce CO_2 emissions from its global products by 30% by 2020. Honda will strengthen its efforts to realize reductions in CO_2 emissions through its entire corporate activities including its supply chain. Furthermore, Honda will strengthen its efforts in advancing technologies in the area of total energy management, to reduce CO_2 emissions related to mobility and people s everyday lives.

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 it to exist.

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C. Organizational Structure

As of March 31, 2016, the Company had 89 Japanese subsidiaries and 279 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.

Company	Country of Incorporation	Function	Percentage Ownership and Voting Interest
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
Honda Finance Co., Ltd.	Japan	Finance	100.0
American Honda Motor Co., Inc.	U.S.A.	Sales	100.0
Honda Aero., Inc.	U.S.A.	Manufacturing	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 Aircraft Company, LLC	U.S.A.	Research & Development, Manufacturing and Sales	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 Bank GmbH	Germany	Finance	100.0
Honda Turkiye A.S	Turkey	Manufacturing and 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 Cars India Limited	India	Manufacturing and Sales	100.0
P.T. Honda Precision Parts Manufacturing	Indonesia	Manufacturing	100.0
P.T. Honda Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd	Malaysia	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	83.0
A.P. Honda Co., Ltd.	Thailand	Sales	61.0
Honda Vietnam Co., Ltd.	Vietnam	Manufacturing and Sales	70.0

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Company	Country of Incorporation	Function	Percentage Ownership and Voting Interest
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

D. Property, Plants and Equipment

The following table sets out information, as of March 31, 2016, with respect to Honda s principal manufacturing facilities, all of which are owned by Honda:

Location	Number of Employees	Principal Products Manufactured
Sayama, Saitama, Japan	4,816	Automobiles
Naka-ku, Hamamatsu, Shizuoka, Japan	2,171	Power products and transmissions
Suzuka, Mie, Japan	6,088	Automobiles
Ozu-machi, Kikuchi-gun, Kumamoto, Japan	2,399	Motorcycles, all-terrain vehicles, power products and engines
Greensboro, North Carolina, U.S.A	995	Aircrafts
Burlington, North Carolina, U.S.A.	80	Aircraft engines
Marysville, Ohio, U.S.A.	4,905	Automobiles
Anna, Ohio, U.S.A.	2,429	Engines
East Liberty, Ohio, U.S.A.	1,861	Automobiles
Lincoln, Alabama, U.S.A.	4,767	Automobiles and engines
Greensburg, Indiana, U.S.A.	2,151	Automobiles
Alliston, Canada	4,175	Automobiles and engines
El Salto, Mexico	1,555	Motorcycles and automobiles
Celaya, Mexico	4,749	Automobiles
Swindon, U.K.	2,597	Automobiles and engines
Gebze, Turkey	729	Motorcycles and automobiles
Guangzhou, China	888	Automobiles
Gurgaon, India	3,160	Motorcycles
Greater Noida, India	2,386	Automobiles
Alwar, India	2,491	Motorcycles and automobiles
Narasapura, India	1,553	Motorcycles
Ahemdabad, India	686	Motorcycles
Karawang, Indonesia	2,415	Automobiles and engines
Melaka, Malaysia	2,646	Automobiles
Ayutthaya, Thailand	2,976	Automobiles
Prachinburi, Thailand	838	Automobiles
Bangkok, Thailand	3,578	Motorcycles and power products
Phuc Yen, Vietnam	4,228	Motorcycles and automobiles
Duy Tien, Vietnam	266	Motorcycles
Buenos Aires, Argentina	1,197	Motorcycles and automobiles
Sumare, Brazil	3,374	Automobiles
Manaus, Brazil	6,872	Motorcycles and power products

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 R&D facilities.

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As of March 31, 2016, the Company s property, with a net book value of approximately ¥67.7 billion, was subject to specific mortgages securing indebtedness.

Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2016 were applied to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

Total capital expenditures for the year amounted to ¥2,615.0 billion, increased by ¥280.0 billion from the previous year. Also, total capital expenditures, excluding equipment on operating leases, for the year amounted to ¥647.4 billion, decreased by ¥6.3 billion from the previous year. Spending by business segment is shown below.

	Fiscal years ended March 31,		
	2015	2016	Increase (Decrease)
	Yen (millions)		
Motorcycle Business	¥ 68,171	¥ 59,229	¥ (8,942)
Automobile Business	573,312	571,796	(1,516)
Financial Services Business	1,681,610	1,968,257	286,647
Financial Services Business (Excluding Equipment on Operating Leases)	432	719	287
Power Product and Other Businesses	11,896	15,754	3,858
Total	¥ 2,334,989	¥ 2,615,036	¥ 280,047
Total (Excluding Equipment on Operating Leases)	¥ 653,811	¥ 647,498	¥ (6,313)

Intangible assets are not included in the table above.

In Motorcycle business, we made capital expenditures of ¥59,229 million in the fiscal year ended March 31, 2016. 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 ¥571,796 million in the fiscal year ended March 31, 2016. Funds were allocated to the introduction of new models, as well as the improvement, streamlining and modernization of production facilities, and improvement of sales and R&D facilities.

In Financial services business, capital expenditures excluding equipment on operating leases amounted to ¥719 million in the fiscal year ended March 31, 2016, while capital expenditures for equipment on operating leases were ¥1,967,538 million. Capital expenditures in Power products and other businesses in the fiscal year ended March 31, 2016, totaling ¥15,754 million, were deployed to upgrade, streamline, and modernize manufacturing facilities for power products, and to improve R&D facilities for power products.

Plans after fiscal year 2016

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

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The estimated amounts of capital expenditures for the fiscal year ending March 31, 2017 are shown below.

	Fiscal year ending March 31, 2017 Yen (millions)
Motorcycle Business	¥ 54,200
Automobile Business	492,800
Financial Services Business	500
Power Product and Other Businesses	12,500
Total	¥ 560,000

The estimated amount of capital expenditures for Financial services business in the above table does not include equipment 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 SEC regarding our periodic reports under the Securities Exchange Act of 1934.

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Item 5. Operating and Financial Review and Prospects

You should read the following discussion of our critical accounting policies and our financial positions and operating results together with our consolidated financial statements included in this Annual Report.

A. Operating Results

Overview

Business Environment

With respect to the economic environment, the United States economy continued to recover, mainly due to an improving jobs market, a gradual increase in housing starts, and growing personal consumption. Europe saw a gradual economic recovery, mainly due to improvement in employment conditions and personal consumption. In the Asian economies, India experienced a moderate recovery, China s economy slowed gradually, Indonesia experienced a slight slowing, and Thailand s economy slowed down. The Japanese economy continued on a gradual recovery track, mainly due to an improvement trend in employment conditions and an upturn in capital investment.

The trends, uncertainties, demands, commitments and events identified below may continue or recur, impacting the Company s future financial results.

Overview of Fiscal Year 2016 Operating Performance

Honda s consolidated sales revenue for the fiscal year ended March 31, 2016 increased from the fiscal year ended March 31, 2015, due mainly to increased sales revenue in Automobile business and Financial Services Business operations. Operating profit decreased from the previous fiscal year, due mainly to an increase in selling, general and administrative expenses including product warranty expenses as well as negative foreign currency effects, which was partially offset by an increase in profit attributable to increased sales revenue and model mix as well as continuing cost reduction.

Motorcycle Business

Honda s consolidated unit sales of motorcycles and all-terrain vehicles (ATVs) in fiscal year 2016 totaled 10,572 thousand units, a decrease of 1.4% from the previous fiscal year, due mainly to a decline in Brazil which more than offset increases primarily in Vietnam and the Philippines.

Automobile Business

Honda s consolidated unit sales of automobiles totaled 3,636 thousand units in fiscal year 2016, an increase of 3.5% from the previous fiscal year, due mainly to increases in sales in North America and Asia following the launch of new models and full-model-changes. On the other hand, sales primarily declined in Japan as a result of difficult market conditions.

Power Product and Other Businesses

Honda s consolidated unit sales of power products in fiscal year 2016 totaled 5,965 thousand units, a decrease of 0.3% from the previous fiscal year primarily due to a decrease in sales in Europe which more than offset an increase in North America and other countries.

Fiscal Year 2016 Compared with Fiscal Year 2015

Sales Revenue

Honda s consolidated sales revenue for the fiscal year ended March 31, 2016, increased by ¥1,273.0 billion, or 9.6%, to ¥14,601.1 billion from the fiscal year ended March 31, 2015, due mainly to increased sales revenue in the Automobile business and Financial services business operations. Honda estimates that by applying Japanese

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yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥853.9 billion, or 6.4%, compared to the increase as reported of ¥1,273.0 billion, which includes positive foreign currency translation effects.

Operating Costs and Expenses

Operating costs and expenses increased by ¥1,440.2 billion, or 11.4%, to ¥14,097.7 billion from the previous fiscal year. Cost of sales increased by ¥1,001.6 billion, or 9.7%, to ¥11,332.3 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased consolidated unit sales in the Automobile business. Selling, general and administrative expenses increased by ¥388.3 billion, or 22.6%, to ¥2,108.8 billion from the previous fiscal year, due mainly to increased product warranty expenses. Product warranty expenses include expenses related to airbag inflators. Research and development expenses increased by ¥50.3 billion, or 8.3%, to ¥656.5 billion from the previous fiscal year.

Operating Profit

Operating profit decreased by ¥167.2 billion, or 24.9%, to ¥503.3 billion from the previous fiscal year, due mainly to an increase in selling, general and administrative expenses including product warranty expenses and negative foreign currency effects, which was partially offset by an increase in profit attributable to increased sales revenue and model mix as well as continuing cost reduction. Honda estimates that by excluding negative foreign currency effects of approximately ¥60.1 billion, operating profit would have decreased by approximately ¥107.0 billion.

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

Profit before Income Taxes

Profit before income taxes decreased by ¥170.7 billion, or 21.2%, to ¥635.4 billion. The main factors behind this decrease, except factors relating to operating profit, are as follows:

Share of profit of investments accounted for using the equity method had a positive impact of ¥29.9 billion, due mainly to an increase in profit attributable to increased sales revenue at affiliates and joint ventures in Asia, which was partially offset by a recognition of impairment loss on certain investments accounted for using the equity method.

Finance income and finance costs had a negative impact of ¥33.4 billion, due mainly to a decrease in gains on foreign exchange. For further details, see note (22) Finance Income and Finance Costs to the accompanying consolidated financial statements.

Income Tax Expense

Income tax expense decreased by ¥16.0 billion, or 6.5%, to ¥229.0 billion from the previous fiscal year. The average effective tax rate increased 5.7 percentage points to 36.1% from the previous fiscal year. For further details, see (a) Income Tax Expense of note (23) Income Taxes to the accompanying consolidated financial statements.

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Profit for the Year

Profit for the year decreased by ¥154.7 billion, or 27.6%, to ¥406.3 billion from the previous fiscal year.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent decreased by ¥164.9 billion, or 32.4%, to ¥344.5 billion from the previous fiscal year.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests increased by ¥10.1 billion, or 19.7%, to ¥61.8 billion from the previous fiscal year, due mainly to an increase in profit for the year of the subsidiaries in Asia which have non-controlling interests.

Business Segments

Motorcycle Business

Honda s consolidated unit sales of motorcycles and all-terrain vehicles (ATVs) totaled 10,572 thousand units, decreased by 1.4% from the previous fiscal year, due mainly to a decrease in consolidated unit sales in Other Regions, which was partially offset by increase in Asia.

Sales revenue from external customers decreased by ¥41.2 billion, or 2.2%, to ¥1,805.4 billion from the previous fiscal year, due mainly to negative foreign currency translation effects. The impact of price changes was immaterial on sales revenue. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥13.1 billion, or 0.7%, compared to the decrease as reported of ¥41.2 billion, which includes negative foreign currency translation effects.

Operating costs and expenses decreased by ¥30.8 billion, or 1.9%, to ¥1,623.6 billion from the previous fiscal year. Cost of sales decreased by ¥30.3 billion, or 2.3%, to ¥1,312.4 billion, due mainly to a decrease in costs attributable to decreased consolidated unit sales and positive foreign currency effects. Selling, general and administrative expenses decreased by ¥9.3 billion, or 4.0%, to ¥224.5 billion, due mainly to positive foreign currency effects. Research and development expenses increased by ¥8.8 billion, or 11.4%, to ¥86.6 billion.

Operating profit decreased by ¥10.3 billion, or 5.4%, to ¥181.7 billion from the previous fiscal year, due mainly to negative foreign currency effects, which was partially offset by continuing cost reduction.

Japan

Total industry demand for motorcycles in Japan* decreased by around 6% from the previous fiscal year to approximately 390 thousand units in fiscal year 2016.

Honda s consolidated unit sales in Japan declined 9.5% from the previous fiscal year to 180 thousand units in fiscal year 2016, reflecting an overall decline in unit sales of scooter models, despite an increase in unit sales of the *Tact* 50cc scooter and certain other models.

* Source: JAMA (Japan Automobile Manufacturers Association)

North America

Total demand for motorcycles and all-terrain vehicles (ATVs) in the United States*, the principal market within North America, increased around 2% from the previous year to approximately 720 thousand units in calendar year 2015.

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Honda s consolidated unit sales in North America increased 7.7% from the previous fiscal year to 308 thousand units in fiscal year 2016. This was mainly due to a sales increase of side-by-side (SxS) models, centered on the new *Pioneer 1000*, and motorcycles, primarily in the United States.

* Source: MIC (Motorcycle Industry Council)
The total includes motorcycles and ATVs, but does not include side-by-side (SxS) models.

Europe

Total demand for motorcycles in Europe* increased around 9% from the previous year to approximately 810 thousand units in calendar year 2015.

Honda s consolidated unit sales in Europe increased 6.8% from the previous fiscal year to 204 thousand units in fiscal year 2016, mostly as a result of robust sales of commuter models and the launch of the new *CRF1000L Africa Twin* model.

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

Asia

Total demand for motorcycles in Asia* decreased around 6% from the previous year to approximately 39,140 thousand units in calendar year 2015.

Looking at market conditions by country, in calendar year 2015, demand in India increased about 1% from the previous year to approximately 16,120 thousand units. Demand in China decreased around 14% from the previous year to approximately 9,200 thousand units. Demand in Indonesia decreased around 18% from the previous year to approximately 6,480 thousand units. Vietnam saw demand increase around 5% from the previous year to approximately 2,840 thousand units. Demand in Thailand declined around 1% from the previous year to approximately 1,670 thousand units. Demand in Pakistan increased around 16% from the previous year to approximately 1,520 thousand units.

Honda s consolidated unit sales in Asia increased 2.0% from the previous fiscal year to 8,650 thousand units in fiscal year 2016. This was due in part to brisk sales of scooter models such as the *Vision* scooter in Vietnam, increased sales of the *TMX125 Alpha* model in the Philippines, as well as other factors.

Honda s consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is a joint venture accounted for using the equity method. P.T. Astra Honda Motor s unit sales for fiscal year 2016 decreased around 9% from the previous fiscal year to approximately 4,450 thousand units due mainly to lackluster overall market conditions, despite steady sales of the *Vario* series and other models.

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

Other Regions

Total demand for motorcycles in Brazil*, the principal market within Other Regions, declined about 17% from the previous year to approximately 1,190 thousand units in calendar year 2015, mainly due to an increase in unemployment and stricter lending standards for retail loans amid a continued worsening of economic conditions.

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda s consolidated unit sales decreased 21.7% from the previous fiscal year to 1,230 thousand units in fiscal year 2016, mainly reflecting an overall market slump in Brazil.

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

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Automobile Business

Honda s consolidated unit sales of automobiles totaled 3,636 thousand units, increased by 3.5% from the previous fiscal year, due mainly to an increase in consolidated unit sales in North America and Asia, which was partially offset by a decrease in Japan.

Sales revenue from external customers increased by ¥1,022.0 billion, or 10.6%, to ¥10,625.4 billion from the previous fiscal year, due mainly to increased consolidated unit sales. The impact of price changes was immaterial on sales revenue. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥682.7 billion, or 7.1%, compared to the increase as reported of ¥1,022.0 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥1,009.8 billion, or 10.3%, to ¥10,767.6 billion from the previous fiscal year.

Operating costs and expenses increased by ¥1,136.2 billion, or 12.0%, to ¥10,614.3 billion from the previous fiscal year. Cost of sales increased by ¥708.6 billion, or 9.3%, to ¥8,350.5 billion, due mainly to an increase in costs attributable to increased consolidated unit sales and negative foreign currency effects. Selling, general and administrative expenses increased by ¥385.9 billion, or 28.9%, to ¥1,723.7 billion, due mainly to increased product warranty expenses. Product warranty expenses include expenses related to airbag inflators. Research and development expenses increased by ¥41.5 billion, or 8.3%, to ¥539.9 billion.

Operating profit decreased by ¥126.3 billion, or 45.2%, to ¥153.3 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses including product warranty expenses and negative foreign currency effect, which was partially offset by an increase in profit attributable to increased sales revenue and model mix as well as continuing cost reduction.

Proportion of retail unit sales by vehicle category:

	Fiscal year ended March 31,	
	2015	2016
Passenger cars:	58%	52%
Accord, Accord Hybrid, Amaze, Brio, Brio Amaze, Brio Satya, City, Civic, Civic Tourer, Civic Type R, Crider, CR-Z, Fit/Jazz, Fit/Jazz Hybrid, Freed, Freed Hybrid, Freed Spike, Freed Spike Hybrid, Grace, Grace Hybrid, Greiz, Honda Mobilio, Insight, Jade, Jade Hybrid, Legend Hybrid, Mobilio, Shuttle, Shuttle Hybrid, Spirior, Acura ILX, Acura RLX, Acura TLX		
Light trucks:	33%	41%
BR-V, Crosstour, CR-V, Elysion, Odyssey, Odyssey Hybrid, Pilot, Step WGN, Vezel/HR-V, Vezel Hybrid, XR-V, Acura MDX, Acura RDX		
Mini vehicles:	9%	7%
Acty, N-BOX, N-BOX +, N-BOX Slash, N-ONE, N-WGN, S660, Vamos		

Although there are various factors that affect the profitability of each vehicle category, 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, which is unique to the Japanese market, is relatively lower, although sales price varies from model to model.

In general, the contribution margin of the light trucks category tends to be higher relative to the total weighted average contribution margin because the sales price is higher, while the contribution margin of the mini vehicles category tends to be relatively lower because the sales price is lower, although the level of contribution margin varies from model to model. For example, in Japan and the United States, which are the main sales

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markets for our automobiles, the contribution margin of our light trucks category was approximately 35% higher, our passenger cars category was approximately 15% lower and our mini vehicles category was approximately 60% lower than total weighted average contribution margin for the fiscal year ended March 31, 2016. It should be noted that we define contribution margin as an amount per unit of net sales minus material cost, which is thought to increase in almost direct proportion to net sales volume.

Japan

Total demand for automobiles in Japan[*1] decreased around 7% from the previous fiscal year to approximately 4,930 thousand units in fiscal year 2016. This was greatly influenced by the impact of a tax increase on mini vehicles.

Honda s consolidated unit sales in Japan decreased 11.8% from the previous fiscal year to 614 thousand units[*2] in fiscal year 2016. The main reason for the decline was a tax increase on mini vehicles. This was despite the positive effect from the introduction of new automobile models such as the *Shuttle*, and a full-model-change of the *Step WGN*, and other factors.

Honda s unit production of automobiles in fiscal year 2016 decreased 12.3% from the previous fiscal year to 761 thousand units. This was mainly due to the negative effect of a decline in unit sales in Japan, which more than offset an increase in export volume.

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

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

North America

Total industry demand for automobiles in the United States[*], the principal market within North America, rose around 6% from the previous year to approximately 17,470 thousand units in calendar year 2015. This was mainly attributable to a continued recovery in economic conditions, including the positive effects of an improvement in employment conditions, a gradual rise in housing starts, and a continued increase in personal consumption, as well as a surge in light truck sales as a result of lower gasoline prices.

Under these conditions, Honda s consolidated unit sales in North America increased 10.2% from the previous fiscal year to 1,929 thousand units in fiscal year 2016. This increase was mainly attributable to the effect of launching the new *HR-V* model, and brisk sales of the *CR-V* and *Civic* models.

Honda manufactured 1,919 thousand units in fiscal year 2016, an increase of 6.0% from the previous fiscal year. This increase mainly reflected an increase in unit production at Honda s plants in the United States and Canada, primarily to cope with brisk sales of *CR-V* and *Civic* models,

and increased production of *HR-V* models at the plant in Mexico.

* Source: Autodata

Europe

Total demand for automobiles in Europe* increased about 9% from the previous year to approximately 14,200 thousand units in calendar year 2015, mainly driven by the gradual recovery in economic conditions.

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Honda s consolidated unit sales in Europe increased 6.8% from the previous fiscal year to 172 thousand units in fiscal year 2016. This was mainly due to the positive effect of launching the new *HR-V* model.

Unit production at Honda s U.K. plant in fiscal year 2016 was roughly level with the previous fiscal year at 115 thousand units.

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

Asia

Total demand for automobiles in Asia increased around 3% from the previous year to approximately 7,090 thousand units*1 in calendar year 2015. This was mainly due to a recovery in demand in India despite a moderate slowdown in Indonesia. Total demand for automobiles in China increased about 5% from the previous calendar year to approximately 24,590 thousand units*2.

Honda s consolidated unit sales in Asia outside Japan increased 5.2% from the previous fiscal year to 670 thousand units in fiscal year 2016. This increase was mainly attributable to brisk sales of the *HR-V* in Malaysia and Indonesia, the launch of the new *Mobilio* model in the Philippines, and the effect of launching the new *BR-V* model in Indonesia.

Honda s consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China increased 33.5% from the previous fiscal year to 1,053 thousand units in fiscal year 2016. The increase was mainly attributable to strong sales of the *XR-V* and *Vezel* models.

Honda s unit production by consolidated subsidiaries in Asia increased 3.0% from the previous fiscal year to 718 thousand units*3 in fiscal year 2016.

Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd. increased 29.5% from the previous fiscal year to 1,049 thousand units in fiscal year 2016.

*1 The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.
*2 Source: CAAM (China Association of Automobile Manufacturers)
*3 The total includes the following nine countries: China, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

Other Regions

Total industry demand for automobiles in Brazil*, the principal market within Other Regions, decreased around 26% from the previous year to approximately 2,480 thousand units in calendar year 2015. The decrease resulted mainly from a deterioration in the unemployment rate and an increase in loan interest rates amid continued difficult economic conditions and a downturn due to the termination of the tax reduction program for manufactured products (IPI (Imposto Sobre Produtos Industrializados)).

In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda s consolidated unit sales decreased 6.7% from the previous fiscal year to 251 thousand units in fiscal year 2016. This result was due to a decrease in sales mainly in the Middle East, which was more than offset brisk sales of the *HR-V* model in Brazil and other factors.

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Unit production at Honda s plant in Brazil increased 7.5% from the previous fiscal year to 144 thousand units in fiscal year 2016.

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

Financial Services Business

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

Total amount of receivables from financial services and equipment on operating leases of finance subsidiaries on March 31, 2016 decreased by ¥332.7 billion, or 3.7%, to ¥8,686.1 billion from the March 31, 2015. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, total amount of receivables from financial services and equipment on operating leases of finance subsidiaries as of March 31, 2016 would have increased by approximately ¥236.0 billion, or 2.6%, compared to the decrease as reported of ¥332.7 billion, which includes negative foreign currency translation effects.

Sales revenue from external customers increased by ¥280.0 billion, or 18.0%, to ¥1,835.6 billion from the previous fiscal year, due mainly to an increase in operating lease revenues and revenues on disposition of lease vehicles. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥151.1 billion, or 9.7%, compared to the increase as reported of ¥280.0 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥281.7 billion, or 18.0%, to ¥1,849.7 billion from the previous fiscal year.

Operating costs and expenses increased by ¥285.0 billion, or 20.9%, to ¥1,650.3 billion from the previous fiscal year. Cost of sales increased by ¥275.2 billion, or 21.6%, to ¥1,547.1 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased operating lease revenues and revenues on disposition of lease vehicles. Selling, general and administrative expenses increased by ¥9.7 billion, or 10.4%, to ¥103.1 billion.

Operating profit decreased by ¥3.2 billion, or 1.6%, to ¥199.3 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses.

Power Product and Other Businesses

Honda s consolidated unit sales of power products totaled 5,965 thousand units, decreased by 0.3% from the previous fiscal year, due mainly to an decrease in consolidated unit sales in Europe, which was partially offset by an increase in North America.

Sales revenue from external customers increased by ¥12.1 billion, or 3.8%, to ¥334.7 billion from the previous fiscal year, due mainly to increased sales revenue in Other businesses. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥6.8 billion, or 2.1%, compared to the increase as reported of ¥12.1 billion, which includes positive foreign currency translation effects. Sales revenue including intersegment sales increased by ¥5.3 billion, or 1.5%, to ¥352.2 billion from the previous fiscal year.

Operating costs and expenses increased by ¥32.5 billion, or 9.3%, to ¥383.3 billion from the previous fiscal year. Cost of sales increased by ¥30.6 billion, or 11.5%, to ¥296.0 billion, due mainly to an increase in operating costs in Other businesses. Selling, general and administrative expenses increased by ¥1.9 billion, or 3.6%, to ¥57.4 billion. Research and development expenses totaled to ¥29.8 billion basically unchanged from the previous fiscal year.

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Operating loss was ¥31.1 billion, an increase of ¥27.2 billion from the previous fiscal year, due mainly to an increase in operating costs in Other businesses.

* Aircrafts and aircraft engines which began deliveries in December 2015 are included in the Power product and other businesses segment.

Japan

Honda s consolidated unit sales in power product business operations in Japan increased 7.4% from the previous fiscal year to 363 thousand units in fiscal year 2016. This was mainly due to an increase in sales of OEM* engines, which more than offset a decline in sales of snow blowers and other models.

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

North America

Honda s consolidated unit sales in North America increased 3.9% from the previous fiscal year to 2,811 thousand units in fiscal year 2016. This was mainly attributable to an increase in sales of generators, lawn mowers, and OEM engines.

Europe

Honda s consolidated unit sales in Europe decreased 7.6% from the previous fiscal year to 1,008 thousand units in fiscal year 2016. This was mostly due to a decline in sales of OEM engines.

Asia

Honda s consolidated unit sales in Asia decreased 2.4% from the previous fiscal year to 1,349 thousand units in fiscal year 2016. The main reason was a decrease in sales of OEM engines, despite an increase in sales of water pumps and other factors.

Other Regions

Honda s consolidated unit sales in Other Regions (including South America, the Middle East, Africa, Oceania and other areas) decreased 7.1% from the previous fiscal year to 434 thousand units in fiscal year 2016. This was mainly due to a decrease in sales of OEM engines.

Geographical Information

Japan

In Japan, sales revenue from domestic and export sales was ¥3,928.5 billion basically unchanged from the previous fiscal year, due mainly to an increase in sales revenue in the Financial services business, which was partially offset by a decrease in sales revenue in the Automobile business. Operating loss was ¥98.7 billion, a decrease in operating profit of ¥308.8 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses including product warranty expenses and a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by positive foreign currency effects.

North America

In North America, which mainly consists of the United States, sales revenue increased by ¥1,336.2 billion, or 18.6%, to ¥8,537.0 billion from the previous fiscal year, due mainly to an increase in sales revenue in the Automobile business and Financial services business. Operating profit increased by ¥29.3 billion, or 16.2%, to

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¥210.8 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue and model mix, which was partially offset by increased selling, general and administrative expenses including product warranty expenses and negative foreign currency effects.

Europe

In Europe, sales revenue increased by ¥52.1 billion, or 7.2%, to ¥776.0 billion from the previous fiscal year, due mainly to an increase in sales revenue in the Automobile business. Operating profit was ¥18.7 billion, an increase of ¥41.3 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue and model mix, which was partially offset by increased selling, general and administrative expenses and negative foreign currency effects.

Asia

In Asia, sales revenue increased by ¥206.8 billion, or 6.2%, to ¥3,535.3 billion from the previous fiscal year, due mainly to an increase in sales revenue in the Automobile business and Motorcycle business. Operating profit increased by ¥56.6 billion, or 20.3%, to ¥335.5 billion from the previous fiscal year, due mainly to continuing cost reduction, increased profit attributable to increased sales revenue and model mix and positive foreign currency effects, which was partially offset by increased selling, general and administrative expenses.

Other Regions

In Other Regions, sales revenue decreased by ¥141.6 billion, or 14.9%, to ¥808.6 billion from the previous fiscal year, due mainly to a decrease in sales revenue in the Motorcycle business. Operating loss was ¥8.3 billion, a decrease of ¥48.4 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses and negative foreign currency effects, which was partially offset by continuing cost reduction.

Fiscal Year 2015 Compared with Fiscal Year 2014

Sales Revenue

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

Operating Costs and Expenses

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

Operating Profit

Operating profit decreased by ¥153.2 billion, or 18.6%, to ¥670.6 billion from the previous fiscal year, due mainly to an increase in selling, general and administrative expenses including product warranty expenses, which

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was partially offset by continuing cost reduction as well as positive foreign currency translation effects. Honda estimates that by excluding positive foreign currency effects of approximately ¥80.5 billion, operating profit would have decreased by approximately ¥233.7 billion.

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

Profit before Income Taxes

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

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

Finance income and finance costs had a positive impact of ¥60.4 billion, due mainly to an increase in gains on foreign exchange. For further details, see note (22) Finance Income and Finance Costs to the accompanying consolidated financial statements.

Income Tax Expense

Income tax expense decreased by ¥22.8 billion, or 8.5%, to ¥245.1 billion from the previous fiscal year. The average effective tax rate increased 1.7 percentage points to 30.4% from the previous fiscal year. For further details, see (a) Income Tax Expense of note (23) Income Taxes to the accompanying consolidated financial statements.

Profit for the Year

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

Profit for the Year Attributable to Owners of the Parent

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

Profit for the Year Attributable to Non-controlling Interests

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

Business Segments

Motorcycle Business

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

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

Operating costs and expenses increased by ¥142.1 billion, or 9.4%, to ¥1,654.5 billion from the previous fiscal year. Cost of sales increased by ¥114.4 billion, or 9.3%, to ¥1,342.8 billion, due mainly to an increase in costs attributable to increased consolidated unit sales and negative foreign currency effects. Selling, general and administrative expenses increased by ¥20.3 billion, or 9.5%, to ¥233.8 billion, due mainly to an increase in selling expenses attributable to increased consolidated unit sales and negative foreign currency effects. Research and development expenses increased by ¥7.3 billion, or 10.5%, to ¥77.7 billion.

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

Japan

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

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

* Source: JAMA (Japan Automobile Manufacturers Association)

North America

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

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

* Source: MIC (Motorcycle Industry Council)
The total includes motorcycles and ATVs, but does not include side-by-side (SxS) models.

Europe

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

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

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

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Asia

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

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

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

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

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

Other Regions

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

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

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

Automobile Business

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

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

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

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

Proportion of retail unit sales by vehicle category:

	Fiscal year ended March 31,	
	2014	2015
Passenger cars: ***Accord, Accord Hybrid, Amaze, Brio, Brio Amaze, Brio Satya, City, Civic, Civic Tourer, CRIDER, CR-Z, Fit/Jazz, Fit/Jazz Hybrid, Fit Shuttle, Fit Shuttle Hybrid, FREED, FREED Hybrid, FREED SPIKE, FREED SPIKE Hybrid, GRACE Hybrid, Honda MOBILIO, Insight, JADE, JADE Hybrid, LEGEND Hybrid, Spirior, Stream, Acura ILX, Acura RLX, Acura TLX***	58%	58%
Light trucks: ***Crosstour, CR-V, Elysion, Odyssey, Pilot, Ridgeline, Step WGN, VEZEL/HR-V, VEZEL Hybrid, XR-V, Acura MDX, Acura RDX***	32%	33%
Mini vehicles: ***Acty, Life, N-Box, N-Box +, N-Box SLASH, N-ONE, N-WGN, Vamos***	10%	9%

Although there are various factors that affect the profitability of each vehicle category, 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, which is unique to the Japanese market, is relatively lower, although sales price varies from model to model.

In general, the contribution margin of the light trucks category tends to be higher relative to the total weighted average contribution margin because the sales price is higher, while the contribution margin of the mini vehicles category tends to be relatively lower because the sales price is lower, although the level of contribution margin varies from model to model. For example, in Japan and the United States, which are the main sales markets for our automobiles, the contribution margin of our light trucks category was approximately 40% higher, our passenger cars category was approximately 10% lower and our mini vehicles category was approximately 50% lower than total weighted average contribution margin for the fiscal year ended March 31, 2015. It should be noted that we define contribution margin as an amount per unit of net sales minus material cost, which is thought to increase in almost direct proportion to net sales volume.

Japan

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

Honda s consolidated unit sales in Japan decreased 11.7% from the previous fiscal year to 696 thousand units[*2] in fiscal year 2015. The main reasons for the decline were weak demand due to Japan s consumption tax

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rate increase and the fall-back from a spike in demand prior to the increase, along with intensified competition in the mini-vehicle segment. This was despite the introduction of new automobile models such as *GRACE* and solid sales of the *VEZEL* and *N-WGN* models.

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

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

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

North America

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

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

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

[*] Source: Autodata

Europe

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

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

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

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

Asia

Total demand for automobiles in Asia decreased around 4% from the previous year to approximately 6,860 thousand units[*1] in calendar year 2014. This was mainly caused by a weak economy in Thailand, despite a

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recovery in demand in India due to improving economic conditions in the country. Total demand for automobiles in China increased about 7% from the previous year to approximately 23,490 thousand units[*2] in calendar year 2014.

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

Honda s consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China increased 1.1% from the previous fiscal year to 789 thousand units in fiscal year 2015. The increase was mainly attributable to a full model change of the Fit and introduction of the *VEZEL* and *XR-V* models.

Honda s unit production by consolidated subsidiaries in Asia increased 18.5% from the previous fiscal year to 697 thousand units[*3] in fiscal year 2015.

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

[*1] The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.
[*2] Source: CAAM (China Association of Automobile Manufacturers)
[*3] The total includes the following nine countries: China, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

Other Regions

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

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

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

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

Financial Services Business

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

Total amount of receivables from financial services and equipment on operating leases of finance subsidiaries on March 31, 2015 increased by ¥1,240.3 billion, or 15.9%, to ¥9,018.9 billion from the March 31,

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

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

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

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

Power Product and Other Businesses

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

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

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

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

Japan

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

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

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North America

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

Europe

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

Asia

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

Other Regions

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

Geographical Information

Japan

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

North America

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

Europe

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

Asia

In Asia, sales revenue increased by ¥438.1 billion, or 15.2%, to ¥3,328.5 billion from the previous fiscal year, due mainly to an increase in sales revenue in the Automobile business and Motorcycle business and

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

Other Regions

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

Significant Factors Affecting Our Results of Operations

Loss related to airbag inflators

Honda has been conducting market-based measures in relation to airbag inflators mainly in North America and Japan. This is related to the problem where the internal pressure of the inflator rises abnormally at the time of airbag deployment on the driver s side and passenger s side, causing damage to the container and spraying metal fragments inside of the cars. We have been continuing to focus on the satisfaction and safety of our customers and make every effort to replace those airbag inflators affected by market-based measures as quickly as possible.

Provisions recorded for the above warranty programs accrued during the period for the years ended March 31, 2015 and 2016 are approximately ¥120.0 billion and approximately ¥436.0 billion, respectively. These include the financial impact from the amendment of the Consent Order issued by NHTSA in November 2015, which is based on an agreement with our supplier in May 2016.

The number of airbag inflators subject to provisions above, which were conducted in market-based measures for the year ended March 31, 2016 are approximately 11,880 thousand units for the driver s side and approximately 6,000 thousand units for the passenger s side.

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 position 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 described in note (3) Significant Accounting Policies 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. We also provide specific warranty programs, including product recalls, as needed. Product warranties vary depending upon the nature of the product, the geographic location of their sales and other factors.

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We recognize costs for general warranties on products we sell and for specific warranty programs, including product recalls. We recognize general estimated warranty costs at the time products are sold to customers. We also recognize specific estimated warranty program costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 that typically warrant these parts.

We believe our provision for product warranties is a critical accounting estimate because changes in the calculation can materially affect profit for the year attributable to owners of the parent, and require us to estimate the frequency and amounts of future claims, which are inherently uncertain.

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

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

The changes in the provision for those product warranties and sales revenue for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	2015	2016
Provisions for product warranties			
Balance at beginning of year	¥ 212,824	¥ 274,231	¥ 421,523
Provision*	168,994	295,035	607,646
Charge-offs	(104,396)	(156,787)	(257,574)
Reversal	(13,210)	(12,171)	(12,907)
Exchange differences on translating foreign operations	10,019	21,215	(31,247)
Balance at end of year	¥ 274,231	¥ 421,523	¥ 727,441
Sales revenue	¥ 12,506,091	¥ 13,328,099	¥ 14,601,151

* Provisions for product warranties accrued during the period for the years ended March 31, 2014, 2015 and 2016 are ¥168.9 billion, ¥295.0 billion and ¥607.6 billion, respectively, due mainly to the future warranty costs for product recalls in the Automobile business.

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 includes retail and finance lease receivables (consumer finance receivables) derived from those services in receivables from financial services, and operating leases are classified as equipment on operating leases. Honda also includes wholesale receivables in receivables from financial services.

Credit losses are an expected cost of extending credit. The majority of the credit risk is with consumer financing and to a lesser extent with dealer financing. Credit risk on consumer finance receivables can be affected by general economic conditions. Adverse changes such as a rise in unemployment rates can increase the likelihood of defaults. Declines in used vehicle prices can reduce the amount of recoveries on repossessed collateral. Exposure to credit risk on consumer finance receivables is managed by monitoring and adjusting

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underwriting standards, which affect the level of credit risk that is assumed, pricing contracts for expected losses, and focusing collection efforts to minimize losses.

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

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

The allowance for credit losses is management s estimate of probable losses incurred on receivables from financial services. Estimated losses on past due operating lease rental payments are also recognized with an allowance for credit losses. Our finance subsidiaries evaluate these estimates, at minimum, on a quarterly basis.

Consumer finance receivables are collectively evaluated for impairment. Delinquencies and losses are monitored on an ongoing basis and this historical experience provides the primary basis for estimating the allowance. Various methodologies are utilized when estimating the allowance for credit losses including models that incorporate vintage loss and delinquency migration analysis. The models take into consideration attributes of the portfolio including loan-to-value ratios, internal and external credit scores, and collateral types. Market and economic factors such as used vehicle prices, unemployment rates, and consumer debt service burdens are also incorporated into these models. Estimated losses on operating leases expected to terminate early due to lessee defaults are also determined collectively, consistent with the methodologies used for consumer finance receivables.

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

We believe our allowance for credit losses and impairment losses on operating leases is a critical accounting estimate because it requires significant judgment about inherently uncertain items. Our finance subsidiaries regularly review the adequacy of the allowance for credit losses and impairment losses on operating leases. The estimates are based on information available at the end of each reporting period. 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 charge-offs during fiscal year 2016, the provision for fiscal year 2016 and the allowance balance at the end of fiscal year 2016 would have increased by approximately ¥4.8 billion and ¥2.5 billion, respectively. Note that this sensitivity analysis may be asymmetric and is specific to the base conditions in fiscal year 2016.

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Additional Narrative of the Change in Credit Loss

The following tables summarize our allowance for credit losses on receivables from financial services:

	Yen (millions)			
For the year ended March 31, 2014	**Retail**	**Finance lease**	**Wholesale**	**Total**
Allowance for credit losses				
Balance at beginning of year	¥ 18,528	¥ 788	¥ 1,278	¥ 20,594
Provision	18,688	311	1,165	20,164
Charge-offs	(25,610)	(574)	(112)	(26,296)
Recoveries	9,681	94	11	9,786
Exchange differences on translating foreign operations	683	17	252	952
Balance at end of year	¥ 21,970	¥ 636	¥ 2,594	¥ 25,200
Ending balance of receivables from financial services	¥ 4,563,700	¥ 330,087	¥ 496,899	¥ 5,390,686
Average balance of receivables from financial services	¥ 4,180,635	¥ 347,768	¥ 465,456	¥ 4,993,859
Net charge-offs as a % of average balance of receivables from financial services	0.38%	0.14%	0.02%	0.33%
Allowance as a % of ending balance of receivables from financial services	0.48%	0.19%	0.52%	0.47%

	Yen (millions)			
For the year ended March 31, 2015	**Retail**	**Finance lease**	**Wholesale**	**Total**
Allowance for credit losses				
Balance at beginning of year	¥ 21,970	¥ 636	¥ 2,594	¥ 25,200
Provision	18,213	349	(202)	18,360
Charge-offs	(26,673)	(620)	(385)	(27,678)
Recoveries	9,101	131	27	9,259
Exchange differences on translating foreign operations	38	3	(144)	(103)
Balance at end of year	¥ 22,649	¥ 499	¥ 1,890	¥ 25,038
Ending balance of receivables from financial services	¥ 4,901,918	¥ 260,543	¥ 556,735	¥ 5,719,196
Average balance of receivables from financial services	¥ 4,732,809	¥ 295,315	¥ 526,817	¥ 5,554,941
Net charge-offs as a % of average balance of receivables from financial services	0.37%	0.17%	0.07%	0.33%
Allowance as a % of ending balance of receivables from financial services	0.46%	0.19%	0.34%	0.44%

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	Yen (millions)			
For the year ended March 31, 2016	Retail	Finance lease	Wholesale	Total
Allowance for credit losses				
Balance at beginning of year	¥ 22,649	¥ 499	¥ 1,890	¥ 25,038
Provision	24,148	457	769	25,374
Charge-offs	(31,258)	(268)	(64)	(31,590)
Recoveries	8,839	107	98	9,044
Exchange differences on translating foreign operations	(2,078)	(33)	(190)	(2,301)
Balance at end of year	¥ 22,300	¥ 762	¥ 2,503	¥ 25,565
Ending balance of receivables from financial services	¥ 4,227,816	¥ 227,502	¥ 589,889	¥ 5,045,207
Average balance of receivables from financial services	¥ 4,564,867	¥ 244,023	¥ 573,312	¥ 5,382,202
Net charge-offs as a % of average balance of receivables from financial services	0.49%	0.07%	(0.01)%	0.42%
Allowance as a % of ending balance of receivables from financial services	0.53%	0.33%	0.42%	0.51%

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

	Yen (millions)		
	2014	2015	2016
Provision for credit losses on past due lease payments under operating leases	¥ 1,704	¥ 1,869	¥ 2,141
Impairment losses on operating leases due to early termination	¥ 3,304	¥ 4,077	¥ 5,486

Fiscal Year 2016 Compared with Fiscal Year 2015

The provision for credit losses on receivables from financial services for the fiscal year ended March 31, 2016 increased by ¥7.0 billion, or 38.2%, from the fiscal year ended March 31, 2015. Net charge-offs of receivables from financial services for the fiscal year ended March 31, 2016 increased by ¥4.1 billion, or 22.4%, from the fiscal year ended March 31, 2015. The increase in the provision for credit losses and net charge-offs was attributable to higher loss severities on receivables in our North American finance subsidiaries. Impairment losses on operating leases due to early termination for the fiscal year ended March 31, 2016 increased by ¥1.4 billion, or 34.6%, from the fiscal year ended March 31, 2015 due to the growth in equipment on operating leases in our North American finance subsidiaries.

Fiscal Year 2015 Compared with Fiscal Year 2014

The provision for credit losses on receivables from financial services for the fiscal year ended March 31, 2015 decreased by ¥1.8 billion, or 8.9%, from the fiscal year ended March 31, 2014. This decline was primarily attributable to the decline in retail loan acquisition volumes during the fiscal year 2015 in our North American finance subsidiaries. The increase in net charge-offs of receivables from financial services for the fiscal year ended March 31, 2015 of ¥1.9 billion, or 11.6%, from the fiscal year ended March 31, 2014 was primarily due to foreign currency translation effects. Impairment losses on operating leases due to early termination for the fiscal year ended March 31, 2015 increased by ¥0.7 billion, or 23.4%, from the fiscal year ended March 31, 2014 due to the growth in equipment on operating leases in our North American finance subsidiaries and foreign currency translation effects.

Losses on Lease Residual Values

Our finance subsidiaries in North America determine contractual residual values of lease vehicles at lease inception based on expectations of end of term used vehicle values, taking into consideration external industry

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data and our own historical experience. Lease customers have the option at the end of the lease term to return the vehicle to the dealer or to buy the vehicle for the contractual residual value (or if purchased prior to lease maturity, for the outstanding contractual balance). Returned lease vehicles can be purchased by the grounding dealer for the contractual residual value (or if purchased prior to lease maturity, for the outstanding contractual balance) or a market based price. Returned lease vehicles that are not purchased by the grounding dealers are sold through online and physical auctions. We are exposed to risk of loss on the disposition of returned lease vehicles when the proceeds from the sale of the vehicles are less than the contractual residual values at the end of the lease term.

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

We also review our equipment on operating leases for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. If impairment conditions are met, impairment losses are measured by the amount carrying values exceed their recoverable amounts.

We believe that our estimated losses on lease residual values and impairment losses are 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, 2016 were to decrease by approximately ¥10,000 per unit from our present estimates, holding all other assumptions constant, the total impact would be an increase in depreciation expense by approximately ¥5.4 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 ¥0.8 billion, which would be recognized over the remaining lease terms. Note that this sensitivity analysis may be asymmetric and is specific to the base conditions in fiscal year 2016. Also, declines in auction values are likely to have a negative effect on return rates which could affect the sensitivities.

Post-employment Benefits

We have various pension plans covering substantially all of our employees in Japan and certain employees in foreign countries. Defined benefit obligations and defined benefit costs are based on assumptions of many factors, including the discount rate and the rate of salary increase. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds that is consistent with the currency and estimated term of the post-employment benefit obligations. The rate of salary increase reflects our actual experience as well as near-term outlook. Our assumed discount rate and rate of salary increase for Japanese plans as of March 31, 2016 were 0.5% and 2.1%, respectively. Our assumed discount rate and rate of salary increase for foreign plans as of March 31, 2016 were 3.6 - 4.2% and 2.5 - 3.6%, respectively.

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

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We believe that the assumptions currently used are appropriate. However, changes in assumptions could affect our defined benefit costs and obligations, including our cash requirements to fund such obligations in the future. Actual results may differ from our assumptions, and the difference is recognized in other comprehensive income when it is incurred and reclassified immediately to retained earnings.

For information on the effect of change in the assumed discount rate on our defined benefit obligations, see 4) Sensitivity analysis of note (18) Employee Benefits to the accompanying consolidated financial statements.

Deferred Tax Assets

We consider the probability that a portion of or all of the deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit can be utilized against future taxable profits in the recognition of deferred tax assets. In assessing recoverability of deferred tax assets, we consider the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning strategies.

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

Based upon the level of historical taxable profit and projections for future taxable profit over the periods for which the deferred tax assets are deductible, we believe it is probable that we will utilize the benefits of these deferred tax assets as of March 31, 2015 and 2016. Uncertainty of estimates of future taxable profit could increase due to changes in the economic environment surrounding us, effects by market conditions, effects of currency fluctuations or other factors.

New Accounting Pronouncements Not Yet Adopted

For a description of new accounting pronouncements not yet adopted, see (e) New Accounting Standards and Interpretations Not Yet Adopted of note (2) Basis of Preparation to the accompanying consolidated financial statements.

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, Honda also funds financial programs for customers and dealers.

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

Honda meets its working capital requirements primarily through cash generated by operations and bank loans. Honda believes that its working capital is sufficient for the Company s present requirements. The year-end balance of liabilities associated with the Company and its subsidiaries funding for non-Financial services businesses was ¥495.3 billion as of March 31, 2016. In addition, the Company s finance subsidiaries fund financial programs for customers and dealers primarily from medium-term notes, bank loans, securitization of finance receivables, commercial paper and corporate bonds. The year-end balance of liabilities associated with these finance subsidiaries funding for Financial services business was ¥6,326.0 billion as of March 31, 2016.

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

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Cash Flows

Fiscal Year 2016 Compared with Fiscal Year 2015

Consolidated cash and cash equivalents on March 31, 2016 increased by ¥285.7 billion from March 31, 2015, to ¥1,757.4 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 ¥1,390.9 billion of cash inflows. Cash inflows from operating activities increased by ¥370.5 billion compared with the previous fiscal year, due mainly to an increase in cash received from customers, which was partially offset by increased payments for parts and raw materials.

Net cash used in investing activities amounted to ¥875.0 billion of cash outflows. Cash outflows from investing activities increased by ¥34.5 billion compared with the previous fiscal year, due mainly to an increase in payments for acquisitions of other financial assets.

Net cash used in financing activities amounted to ¥95.2 billion of cash outflows. Cash outflows from financing activities increased by ¥107.7 billion compared with the previous fiscal year, due mainly to a decrease in proceeds from financing liabilities.

Fiscal Year 2015 Compared with Fiscal Year 2014

Consolidated cash and cash equivalents on March 31, 2015 increased by ¥278.1 billion from March 31, 2014, to ¥1,471.7 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 ¥1,020.4 billion of cash inflows. Cash inflows from operating activities increased by ¥571.2 billion compared with the previous fiscal year, due mainly to an increase in cash received due to increased unit sales in Motorcycle business and increase in collections of receivables from financial services, which was partially offset by increased payments for parts, raw materials and equipment on operating leases.

Net cash used in investing activities amounted to ¥840.4 billion of cash outflows. Cash outflows from investing activities decreased by ¥80.5 billion compared with the previous fiscal year, due mainly to a decrease in payments for additions to property, plant and equipment.

Net cash provided by financing activities amounted to ¥12.4 billion of cash inflows. Cash inflows from financing activities decreased by ¥342.9 billion compared with the previous fiscal year, due mainly to a decrease in cash inflows from financing liabilities and an increase in dividends paid.

Liquidity

The ¥1,757.4 billion in cash and cash equivalents as of March 31, 2016 is mainly denominated in U.S. dollars and in Japanese yen, with the remainder denominated in other currencies.

Honda s cash and cash equivalents as of March 31, 2016 corresponds to approximately 1.4 months of sales revenue, and Honda believes it has sufficient liquidity for its business operations.

At the same time, Honda is aware of the possibility that various factors, such as recession-induced market contraction and financial and foreign exchange market volatility, may adversely affect liquidity. For this reason, finance subsidiaries that carry total short-term borrowings of ¥1,128.1 billion have committed lines of credit equivalent to ¥1,100.8 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 financing liabilities as of March 31, 2016 are mainly denominated in U.S. dollars, with the remainder denominated in Japanese yen and in other currencies. For further information regarding financing liabilities, see note (15) Financing Liabilities and (25) Financial Risk Management to the accompanying consolidated financial statements.

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, 2016.

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

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

C. Research and Development

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

Total consolidated R&D expenditures incurred during the fiscal year 2014, 2015 and 2016 were ¥625.6 billion, ¥670.3 billion and ¥719.8 billion, respectively.

In addition, a portion of the R&D expenditures at the Company and its consolidated subsidiaries has been capitalized, and recorded as intangible assets. For details regarding R&D expenses recognized in the consolidated statements of income, see note (21) Research and Development to the accompanying consolidated financial statements.

R&D activities by segment are as follows.

Motorcycle Business

In the Motorcycle Business segment, Honda is aiming to deliver appealing products in a timely manner that offer outstanding environmental performance and that will enable customers to experience the joy of ownership.

Among major technological achievements, in the small motorcycle sector, Honda developed a single-cylinder 150cc water-cooled engine with one of the best acceleration in its class that also achieves both enhanced performance at low-to-medium speeds and superior fuel economy. This engine was installed on the *Sonic 150R* launched in Indonesia. In Brazil, we launched the *XRE190*, which features the first ABS system on a Honda motorcycle, a lightweight compact system with simple structure developed for small motorcycles.

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In the large motorcycle sector, we launched the *CRF1000L Africa Twin* in Europe, Japan and other countries, featuring a newly developed compact four-stroke OHC in-line two-cylinder 1000cc water-cooled engine. Adopting the latest semi-double cradle frame and high-performance suspension, this adventure model achieves both superior off-road performance and nimble on-road handling.

Furthermore, we launched the *RC213V-S*, a street legal version of the *RC213V* race machine that swept the MotoGP-class of the FIM Grand Prix World Championship in 2013 and 2014. The *RC213V* utilizes lightweight components, being processed with accuracy and precision craftsmanship to make it a standout among mass-produced motorcycles.

In the scooter sector, LED headlights were newly added to the core *Air Blade* model in Vietnam, and fuel economy and noise levels were upgraded through engine improvements and weight reductions to the frame.

In the electrical technologies, development is underway toward introduction of a commuter EV based on the *EV-CUB Concept* unveiled at the Tokyo Motor Show.

R&D expenditures in this segment incurred during the fiscal year 2014, 2015 and 2016 were ¥72.3 billion, ¥73.7 billion and ¥76.7 billion, respectively.

Automobile Business

In the Automobile Business segment, Honda has been involved in R&D activities with the aim of customer satisfaction with advanced technologies and competitiveness under the themes of Creating New Values and Advanced R&D Activities Worldwide .

Among major technological achievements in the automobile business segment, Honda launched the *Clarity Fuel Cell* in Japan, a product on the leading edge of the times. This fuel cell vehicle features a high-compression hydrogen storage tank, and through improved powertrain efficiency and running energy, achieves world-class driving range per one hydrogen filling as a zero emissions vehicle. The time required to top off the fuel tank is also about three minutes, achieving convenience on par with traditional gasoline-power vehicles. It is also the first sedan-type FCV in the world to carry five passengers.

Honda also launched the new *Step WGN*, featuring a newly-developed direct injection 1.5L VTEC Turbo engine, the new *Odyssey Hybrid*, featuring high torque and high output while reducing its size and weight, and the new *Vezel*, with improved equipment to enhance its competitiveness. The *Vezel* is sold in countries other than Japan under the trade name of *HR-V*, and in Europe, a type featuring a 1.6L i-DTEC diesel engine is available, in addition to a traditional gasoline engine model. All three of the above models feature *Honda SENSING*, an advanced driver-assistive system to prevent and avoid accidents.

In North America, Honda s largest market, the 10th generation *Civic sedan* was launched, striving to achieve a new benchmark in the compact car segment. The new *Civic sedan* was jointly developed by development teams in Japan and the United States, and its driving performance, fuel economy, and safety were all updated. Available engine types include the in-line four-cylinder 1.5L DOHC direct injection turbo engine, and the

in-line four-cylinder 2.0L DOHC i-VTEC engine. Also featured is *Honda SENSING*, providing new value in the compact car segment. This *Civic sedan* was awarded the North American Car of the Year at the North American International Auto Show for the first time in ten years.

In the electrical technologies, development has been underway for plug-in hybrids that Honda regards and expects as the future of EVs, and development is also underway for zero emission vehicles such as fuel cell vehicles and battery EVs ahead of an expected eventual rise in demand.

R&D expenditures in this segment incurred during the fiscal year 2014, 2015 and 2016 were ¥524.3 billion, ¥567.3 billion and ¥614.2 billion, respectively.

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Power Product and Other Businesses

Honda has involved research and development in the Power Products Business, based on the principle of Expand the usefulness and joy towards worldwide customers, by having a full understanding of the market, looking into the future and adapting business fundamentals .

Among major technological achievements, Honda launched the *Comame (F220), Puchina (FG201)* and *Salad (FF500)* compact tillers in Japan. These models feature improved styling, ease of transport, and operability, and also conform to new safety standards set by the Institute of Agricultural Machinery.

Utilizing inverter technologies harbored in the development process for generators, Honda introduced the *Power Exporter 9000*, a 9kVA portable external power generator that converts electrical power from fuel cell vehicles to power communities, homes, and facilities.

In other areas, corporate leasing began for *Honda Walking Assist*, a compact and lightweight assistive device for use in walking training. It features technologies for bipedal walking gained from the development process for the *ASIMO* humanoid robot. Based on the inverted pendulum model of bipedal walking theory, *Honda Walking Assist* serves to guide the customer into efficient walking. Moving forward, Honda will work to promote its use in walking training in hospitals and rehabilitation environments.

In electrical technologies, R&D activities have been underway, as Honda seeks to expand electrification efforts, for products such as lawn mowers and power units for OEM manufacturers.

In Other Businesses such as the aircraft engines, Honda seeks to establish a sustainable business structure and make a name for itself in the industry. Under this policy, Honda progressed product improvement and cost reductions of the *HF120* jet engine. Through proprietary technologies such as Over-The-Wing Engine Mount, natural laminar flow wings, and an integrally molded carbon composite fuselage, the *HondaJet* achieves top speed, flight ceiling, climbing ability, fuel economy, and cabin size that are among the best in its class. The *HondaJet* made a world tour across 13 countries, and after initial demonstrations in Japan, Europe, and South America, it received a Type Certification (TC) from the United States Federal Aviation Administration (FAA) in December 2015. Its deliveries commenced afterwards.

R&D expenditures in this segment incurred during the fiscal year 2014, 2015 and 2016 were ¥28.9 billion, ¥29.2 billion and ¥28.8 billion, respectively.

Patents and Licenses

As of March 31, 2016, Honda owned more than 20,900 patents in Japan and more than 26,400 patents abroad. Honda also had applications pending for more than 7,400 patents in Japan and for more than 14,600 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

See Item 5.A Operating and Financial Review and Prospects for information required by this item.

E. Off-Balance Sheet Arrangements

Loan commitments

Honda maintains unused balances on committed lines to dealers based on loan commitment contracts. The undiscounted maximum amount of this obligation as of March 31, 2016 was ¥125.6 billion. Although committed lines have been extended, they will not necessarily be withdrawn, as certain contracts contain terms and conditions of withdrawal that require screening of the obligor s credit standing.

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Guarantee of employee loans

As of March 31, 2016, we guaranteed ¥19.1 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 ¥19.1 billion. As of March 31, 2016, no amount has been accrued for any estimated losses under the obligations, as it was probable that the employees would be able to make all scheduled payments.

F. Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations as of March 31, 2016:

Contractual Obligations

	Yen (millions)				
		Payments due by period			
	Total	Within 1 year	1-3 years	3-5 years	Thereafter
Financing liabilities	¥ 6,756,164	¥ 2,873,706	¥ 2,545,316	¥ 1,075,162	¥ 261,980
Other financial liabilities	146,575	74,492	33,157	24,357	14,569
Future minimum lease payments under non-cancelable operating leases	74,463	18,263	20,880	10,835	24,485
Purchase and other commitments[*1]	98,584	60,547	24,336	13,701	
Contributions to defined benefit pension plans[*2]	78,212	78,212			
Total	¥ 7,153,998	¥ 3,105,220	¥ 2,623,689	¥ 1,124,055	¥ 301,034

[*1] Honda had commitments for purchases of property, plant and equipment as of March 31, 2016.

[*2] 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.

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, 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 certified public accountants, and may not at the same time be directors or employees of the Company or any of its subsidiaries. They are required to attend at 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 meets all of the following independence requirements: (1) a person who has not been a director, accounting councilor, executive officer, manager or any other employee of the Company or any of its subsidiaries for ten years prior to the assumption of office; (2) if the relevant person assumed an office of corporate auditor of the Company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been a director, accounting councilor, executive officer, manager or any other employee of the Company or any of its subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the Company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the Company; and (5) a person who is not a spouse or a certain relative of (a) a director, manager or any other important employee of the Company or (b) the natural person controlling the Company. Corporate Auditors are required to elect from among themselves at least one Full-time 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 (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Representative Directors			
Takahiro Hachigo	Joined Honda Motor Co., Ltd. in April 1982	*3	29,200
(May 19, 1959)	General Manager of Automobile Purchasing Division II for Purchasing Operations, appointed in April 2008 Operating Officer of the Company, appointed in June 2008 General Manager of Purchasing Division II for Purchasing Operations, appointed in April 2010 General Manager of Suzuka Factory for Production Operations, appointed in April 2011 Vice President and Director of Honda Motor Europe, Ltd., appointed in April 2012 Managing Officer of Honda R&D Co., Ltd., appointed in September 2012 President and Director of Honda R&D Europe (U.K.) Ltd., appointed in September 2012 Representative of Development, Purchasing and Production (China), appointed in April 2013 Vice President of Honda Motor (China) Investment Co., Ltd., appointed in April 2013 Vice President of Honda Motor Technology (China) Co., Ltd., appointed in November 2013 Managing Officer of the Company, appointed in April 2014 Senior Managing Officer of the Company,		

appointed in April 2015

President, Chief Executive Officer and

Representative Director of the Company,

appointed in June 2015 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Seiji Kuraishi	Joined Honda Motor Co., Ltd. in April 1982	*3	29,400
(July 10, 1958)	President and Director of Honda Malaysia Sdn Bhd, appointed in October 2002 General Manager of Product Planning and Marketing Office for Automobile Operations, appointed in April 2005 Vice President of Honda Motor (China) Investment Co., Ltd., appointed in April 2007 Operating Officer of the Company, appointed in June 2007 President of Dongfeng Honda Automobile Co., Ltd., appointed in January 2008 Chief Operating Officer for Regional Operations (China), appointed in April 2010 President of Honda Motor (China) Investment Co., Ltd., appointed in April 2010 Director of the Company, appointed in June 2010 Operating Officer and Director of the Company, appointed in April 2011 Operating Officer of the Company (retired from the position as Director), appointed in June 2011 President of Honda Motor Technology (China) Co., Ltd., appointed in November 2013 Managing Officer of the Company, appointed in April 2014 Senior Managing Officer of the Company, appointed in April 2016		

Executive Vice President, Executive Officer and

Representative Director of the Company,

appointed in June 2016 (presently held)

Risk Management Officer,

appointed in June 2016 (presently held)

Corporate Brand Officer,

appointed in June 2016 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Directors			
Yoshiyuki Matsumoto	Joined Honda Motor Co., Ltd. in April 1981	*3	33,000
(January 14, 1958)	Responsible for Automobile Products for Automobile Operations, appointed in April 2006 Operating Officer of the Company, appointed in June 2006 General Manager of Suzuka Factory for Production Operations, appointed in April 2009 Executive in Charge of Business Unit No.3 for Automobile Operations, appointed in April 2011 Managing Officer of the Company, appointed in April 2012 Representative of Development, Purchasing and Production (Asia & Oceania), appointed in April 2013 Executive Vice President of Asian Honda Motor Co., Ltd., appointed in April 2013 President and Chief Executive Officer of Honda Motor India Private Ltd., appointed in April 2013 Senior Managing Officer of the Company, appointed in April 2015 Chief Operating Officer for Automobile Operations, appointed in April 2015 Executive in Charge of Quality Innovation for Automobile Operations, appointed in April 2015 Senior Managing Officer and Director of the Company,		

appointed in June 2015 (presently held)

President, Chief Executive Officer and Director of

Honda R&D Co., Ltd.,

appointed in April 2016 (presently held)

Supervising Director of F1 Project,

appointed in April 2016 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Yoshi Yamane	Joined Honda Engineering Co., Ltd. in October 1985	*3	28,800
(September 28, 1958)	Large Project Leader of Corporate Project, Automobile Production Planning Office for Production Operations, appointed in April 2008 Operating Officer of the Company, appointed in June 2008 Responsible for Production for Production Operations, appointed in June 2008 Responsible for Production for Regional Operations (China), appointed in April 2009 Vice President of Honda Motor (China) Investment Co., Ltd., appointed in September 2010 General Manager of Suzuka Factory for Production Operations, appointed in April 2012 Representative of Automobile Development, Purchasing and Production (Japan), appointed in April 2013 General Manager of Suzuka Factory of Automobile Production for Automobile Operations, appointed in April 2013 Managing Officer of the Company, appointed in April 2014 Head of Automobile Production for Regional Operations (Japan), appointed in April 2014 Head of Production Supervisory Unit of Automobile Production for Regional Operations (Japan), appointed in April 2014 Senior Managing Officer of the Company, appointed in April 2015		

Chief Production Officer,

appointed in April 2015

Representative of Automobile Development, Purchasing

and Production for Automobile Operations,

appointed in April 2015

Head of Production for Automobile Operations,

appointed in April 2015

Representative of Automobile Development, Purchasing

and Production (Europe Region),

appointed in April 2015

Senior Managing Officer and Director of the Company,

appointed in June 2015 (presently held)

Chief Operating Officer for Production Operations,

appointed in April 2016 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Kohei Takeuchi	Joined Honda Motor Co., Ltd. in April 1982	*3	19,400
(February 10, 1960)	General Manager of Accounting Division for Business Management Operations, appointed in April 2010 Operating Officer of the Company, appointed in April 2011 Chief Operating Officer for Business Management Operations, appointed in April 2013 (presently held) Operating Officer and Director of the Company, appointed in June 2013 Managing Officer and Director of the Company, appointed in April 2015 Senior Managing Officer and Director of the Company, appointed in April 2016 (presently held) Chief Officer for Honda Driving Safety Promotion Center, appointed in April 2016 (presently held)		
Takashi Sekiguchi	Joined Honda Motor Co., Ltd. in April 1982	*3	28,400
(January 27, 1959)	President and Director of Honda Cars Philippines, Inc., appointed in April 2005 General Manager of Product Planning and Marketing Office for Automobile Operations, appointed in April 2007 Executive Vice President and Director of American Honda Motor Co., Inc., appointed in April 2008 Operating Officer of the Company, appointed in June 2008 President and Director of Honda Canada Inc.,		

appointed in April 2011

Executive in Charge of Business Unit No.2

for Automobile Operations,

appointed in April 2013

Managing Officer of the Company,

appointed in April 2015

Executive in Charge of Sales Strategy for Automobile Operations,

appointed in April 2015 (presently held)

Chief Operating Officer for Automobile Operations,

appointed in April 2016 (presently held)

Managing Officer and Director of the Company,

appointed in June 2016 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Hideko Kunii	Associate Director of Ricoh Co., Ltd.,	*3	600
(December 13, 1947)	appointed in April 2009 Chairperson of Ricoh IT Solutions Co., Ltd., appointed in July 2009 Outside Director of Innovation Network Corporation of Japan, appointed in July 2009 (presently held) Member of Gender Equality Bureau Cabinet Office, appointed in August 2009 Vice Chairperson of Japan Information Technology Service Industry Association, appointed in June 2011 (presently held) Professor, Graduate School of Engineering Management, Shibaura Institute of Technology, appointed in April 2012 (presently held) End of tenure as Chairperson of Ricoh IT Solutions Co., Ltd. in March 2013 End of tenure as Associate Director of Ricoh Co., Ltd. in March 2013 Deputy President, Shibaura Institute of Technology, appointed in April 2013 (presently held) General Manager of Gender Equality Promotion Office, Shibaura Institute of Technology, appointed in October 2013 (presently held) Director of the Company, appointed in June 2014 (presently held) Outside Director of Tokyo Electric Power Company, Incorporated (presently, Tokyo Electric Power Company Holdings, Inc.), appointed in June 2014 (presently held) Outside Director of Mitsubishi Chemical Holdings Corporation,		

appointed in June 2015 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Motoki Ozaki	Joined Kao Soap Co., Ltd. (presently, Kao Corporation)	*3	0
(June 6, 1949)	in April 1972 Brand Manager, Marketing Planning of Kao Soap Co., Ltd., appointed in September 1981 President, Sales-Consumer Products, Hokkaido Region of Kao Corporation, appointed in May 1990 Vice President, Personal Care of Kao Corporation, appointed in February 1996 Vice President, Baby and Feminine Care of Kao Corporation, appointed in February 1998 President, Prestige Cosmetics of Kao Corporation, appointed in April 2000 President, Global Fabric and Home Care of Kao Corporation, appointed in April 2002 Board of Director, Executive Officer of Kao Corporation, appointed in June 2002 Representative Director, President and Chief Executive Officer of Kao Corporation, appointed in June 2004 Chairman of the Board of Kao Corporation, appointed in June 2012 President and Representative Director of The Kao Foundation for Arts and Sciences, appointed in June 2012 (presently held) President of Kigyo Mecenat Kyogikai, Association for Corporate Support of the Arts, appointed in March 2014 (presently held) Retired from Chairman of the Board of Kao Corporation		

in March 2014

President of New National Theatre Foundation,

appointed in June 2014 (presently held)

Outside Director of Nomura Securities Co., Ltd.,

appointed in June 2015 (presently held)

Director of the Company,

appointed in June 2016 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Takanobu Ito	Joined Honda Motor Co., Ltd. in April 1978	*3	36,500
(August 29, 1953)	Executive Vice President of Honda R&D Americas, Inc.,		
	appointed in April 1998		
	Director of the Company,		
	appointed in June 2000		
	Senior Managing Director of Honda R&D Co., Ltd.,		
	appointed in June 2001		
	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		
	General Supervisor, Motor Sports,		
	appointed in April 2004		
	General Manager of Suzuka Factory for Production Operations,		
	appointed in April 2005		
	Managing Officer of the Company,		
	appointed in June 2005		
	Chief Operating Officer for Automobile Operations,		
	appointed in April 2007		
	Senior Managing Director of the Company,		
	appointed in June 2007		
	President and Director of Honda R&D Co., Ltd.,		
	appointed in April 2009		
	President and Representative Director of the Company,		
	appointed in June 2009		
	President, Chief Executive Officer and		
	Representative Director of the Company,		

appointed in April 2011

Chief Operating Officer for Automobile Operations,

appointed in April 2011

Director and Advisor of the Company,

appointed in June 2015 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Shinji Aoyama	Joined Honda Motor Co., Ltd. in April 1986	*3	15,600
(December 25, 1963)	General Manager of Motorcycle Business Planning Office for Motorcycle Operations, appointed in April 2011 Operating Officer of the Company, appointed in April 2012 Chief Operating Officer for Motorcycle Operations, appointed in April 2013 (presently held) Operating Officer and Director of the Company, appointed in June 2013 (presently held)		
Noriya Kaihara	Joined Honda Motor Co., Ltd. in April 1984	*3	11,900
(August 4, 1961)	General Manager of Automobile Quality Assurance Division, appointed in April 2012 Operating Officer of the Company, appointed in April 2013 Chief Quality Officer, appointed in April 2013 (presently held) Operating Officer and Director of the Company, appointed in June 2013 (presently held) Chief Operating Officer for Customer Service Operations, appointed in April 2014 Head of Service Supervisory Unit for Automobile Operations, appointed in April 2014 Chief Operating Officer for Customer First Operations, appointed in April 2016 (presently held)		
Kazuhiro Odaka	Joined Honda Motor Co., Ltd. in April 1985	*3	5,500
(April 12, 1962)	Vice President of American Honda Motor Co., Inc., appointed in April 2006		

General Manager of Associate Relations Division

for Business Support Operations,

appointed in April 2010

Operating Officer of the Company,

appointed in April 2015

General Manager of Human Resources Division

also responsible for Human Resources and Associate Relations

for Business Support Operations,

appointed in April 2015

Chief Operating Officer for Business Support Operations,

appointed in April 2016 (presently held)

Compliance Officer,

appointed in April 2016 (presently held)

Operating Officer and Director of the Company,

appointed in June 2016 (presently held)

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Masayuki Igarashi	Joined Honda Motor Co., Ltd. in April 1988	*3	5,700
(July 6, 1963)	Director of Asian Honda Motor Co., Ltd., appointed in April 2014 Operating Officer of the Company, appointed in April 2015 Chief Operating Officer for Power Product Operations, appointed in April 2015 (presently held) Operating Officer and Director of the Company, appointed in June 2015 (presently held)		
Corporate Auditors			
Masahiro Yoshida	Joined Honda Motor Co., Ltd. in April 1979	*6	31,500
(March 5, 1957)	General Manager of Human Resources Division, also responsible for Human Resources and Associate Relations for Business Support Operations, appointed in April 2007 Operating Officer of the Company, appointed in June 2007 General Manager of Hamamatsu Factory for Production Operations, appointed in April 2008 Chief Operating Officer for Business Support Operations, appointed in April 2010 Director of the Company, appointed in June 2010 Operating Officer and Director of the Company, appointed in April 2011 Compliance Officer, appointed in April 2012 Managing Officer and Director of the Company, appointed in April 2013		

	Corporate Auditor of the Company (full-time), appointed in June 2016 (presently held)		
Kunio Endo (August 23, 1957)	Joined Honda Motor Co., Ltd. in April 1981 President and Director of American Honda Finance Corporation, appointed in November 2010 President and Director of Honda Canada Finance Inc., appointed in November 2010 Corporate Auditor of the Company (full-time), appointed in June 2013 (presently held)	*4	14,600

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Name (Date of birth)	Current Positions and Biographies with Registrant	Term	Number of Shares Owned
Toshiaki Hiwatari	Prosecutor General, appointed in July 2008	*6	1,400
(August 4, 1945)	Retired from office in June 2010 Registered with the Daiichi Tokyo Bar Association in September 2010 Advisor Attorney to TMI Associates, appointed in September 2010 (presently held) Corporate Auditor of the Company, appointed in June 2012 (presently held) Outside Director of Nomura Securities Co., Ltd., appointed in October 2012 (presently held) Outside Director of TOYO KANETSU K.K., appointed in June 2015 (presently held)		
Hideo Takaura	Registered as Japanese CPA in May 1977	*5	0
(June 19, 1949)	Chief Executive Officer of PricewaterhouseCoopers Aarata, appointed in September 2006 Representative Partner of PricewaterhouseCoopers Aarata, appointed in May 2009 Retired from PricewaterhouseCoopers Aarata in June 2009 Auditor of Innovation Network Corporation of Japan, appointed in July 2009 (presently held) Corporate Auditor of the Company, appointed in June 2015 (presently held)		
Mayumi Tamura	Executive Officer, SVP and Chief Financial Officer of	*5	0
(May 22, 1960)	The Seiyu, Ltd. (presently, Seiyu GK), appointed in June 2007 Executive Officer, SVP and Chief Financial Officer of Wal-Mart Japan Holdings GK (presently, Wal-Mart Japan Holdings KK),		

appointed in May 2010

End of tenure as Executive Officer, SVP and Chief Financial Officer

of Seiyu GK in July 2013

End of tenure as Executive Officer, SVP and Chief Financial Officer

of Wal-Mart Japan Holdings GK in July 2013

Retired from Seiyu GK in January 2014

Retired from Wal-Mart Japan Holdings GK in January 2014

Corporate Auditor of the Company,

appointed in June 2015 (presently held)

*1 Directors Ms. Hideko Kunii and Mr. Motoki Ozaki are outside directors.
*2 Corporate Auditors Mr. Toshiaki Hiwatari, Mr. Hideo Takaura and Ms. Mayumi Tamura are outside corporate auditors.

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*3 The term of office of a Director is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2017 after his/her election to office at the close of the ordinary general meeting of shareholders on June 16, 2016.

*4 The term of office of a Corporate Auditor is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2017 after his/her election to office at the close of the ordinary general meeting of shareholders on June 19, 2013.

*5 The term of office of a Corporate Auditor is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2019 after his/her election to office at the close of the ordinary general meeting of shareholders on June 17, 2015.

*6 The term of office of a Corporate Auditor is until at the close of the ordinary general meeting of shareholders of the fiscal year ending March 31, 2020 after his/her election to office at the close of the ordinary general meeting of shareholders on June 16, 2016.

*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 Officer	
Toshiaki Mikoshiba	Chief Operating Officer for Regional Operations (North America)
	President and Director of Honda North America, Inc.
	President and Chief Executive Officer of American Honda Motor Co., Inc.
Managing Officers	
Toshihiko Nonaka	President, Chief Executive Officer and Director of Honda Engineering Co., Ltd.
Soichiro Takizawa	Senior Executive Vice President and Director of Honda North America, Inc.
Michimasa Fujino	President and Director of Honda Aircraft Company, LLC
Operating Officers	
Naoto Matsui	Chief Operating Officer for Purchasing Operations
Mitsugu Matsukawa	Chief Operating Officer for IT Operations
	Head of Production Planning Supervisory Unit for Production Operations
Tetsuo Suzuki	Representative of Motorcycle DEB for Motorcycle Operations
Issao Mizoguchi	Chief Operating Officer for Regional Operations (Latin America)
	President and Director of Honda South America Ltda.
	President and Director of Honda Automoveis do Brazil Ltda.
	President and Director of Moto Honda da Amazonia Ltda.
Toshihiro Mibe	Senior Managing Officer and Director of Honda R&D Co., Ltd.
Yusuke Hori	Head of Regional Unit (Africa & the Middle East)
Tomomi Kosaka	Executive Vice President and Director of Honda North America, Inc.
	President and Director of Honda of America Mfg., Inc.

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Noriaki Abe	Chief Operating Officer for Regional Operations (Asia & Oceania)
	President and Director of Asian Honda Motor Co., Ltd.
Toshiyuki Shimabara	Executive in Charge of Motorcycle Production for Motorcycle Operations
	General Manager of Kumamoto Factory for Motorcycle Operations
	Executive in Charge of Power Product Production for Power Product Operations
Yasuhide Mizuno	Chief Operating Officer for Regional Operations (China)
	President of Honda Motor (China) Investment Co., Ltd.
	President of Honda Motor Technology (China) Co., Ltd.
Hiroyuki Kachi	Head of Automobile Production for Regional Operations (Japan)
Soichi Yamamoto	Executive Vice President and Director of Honda Motor Europe Ltd.
	Managing Director of Honda of the U.K. Manufacturing Ltd.
Katsushi Inoue	Chief Operating Officer for Regional Operations (Europe Region)
	President and Director of Honda Motor Europe Ltd.
Kimiyoshi Teratani	Chief Operating Officer for Regional Operations (Japan)
Asako Suzuki	General Manager of Marketing and Product Planning Division for Regional Operations (Japan)

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

None of Honda s members of the board of directors is party to a service contract with Honda or any of its subsidiaries that provides for benefits upon termination of employment.

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 receive bonuses, the aggregate amount of which is approved at the annual general meeting of shareholders. The amounts of the bonuses approved to pay to Directors are allocated among them at a meeting of the Board of Directors. It is based on the Company s performance for each fiscal year, a Director s bonuses in the past, and other factors. 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, 2016 was ¥907 million. This amount includes remuneration paid to four 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.

The total amount of bonuses paid to the Company s Directors during the fiscal year ended March 31, 2016 was ¥252 million.

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The amounts of remuneration and bonuses that were paid during the year ended March 31, 2016 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	16	¥ 700	2	¥ 23	2	¥ 135	5	¥ 47	25	¥ 907
Bonus	11	244	2	7					13	252
Total		¥ 944		¥ 30		¥ 135		¥ 47		¥ 1,159

The amount of remuneration paid to Fumihiko Ike during the fiscal year ended March 31, 2016 was ¥73 million. The amount of bonus for Fumihiko Ike accrued for the fiscal year ended March 31, 2016 was ¥26 million.

The amount of remuneration paid to Takahiro Hachigo during the fiscal year ended March 31, 2016 was ¥76 million. The amount of bonus for Takahiro Hachigo accrued for the fiscal year ended March 31, 2016 was ¥38 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, 2014, 2015 and 2016.

As of March 31, 2014

Total	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses
199,368	42,582	145,609	2,160	9,017

As of March 31, 2014, Honda had 199,368 full-time employees, including 132,620 local nationals employed in its overseas operations.

As of March 31, 2015

Total	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses
204,730	42,163	150,850	2,241	9,476

As of March 31, 2015, Honda had 204,730 full-time employees, including 138,942 local nationals employed in its overseas operations.

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As of March 31, 2016

Total	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses
208,399	44,384	152,311	2,209	9,495

As of March 31, 2016, Honda had 208,399 full-time employees, including 143,424 local nationals employed in its overseas operations.

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 85% of the employees of the Company and its Japanese subsidiaries were members of AHWU as of March 31, 2016.

In Japan, basic wages are negotiated annually and the average increases in wages of the Company s employees in the fiscal year ended March 31, 2014, 2015 and 2016 were 2.6%, 2.9% and 2.3%, 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 Directors and Corporate Auditors as a group as of June 16, 2016 is as follows.

Title of Class	Amount Owned	% of Class
Common Stock	291,500 shares	0.016%

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, 2016, the Association owned 5,462,381 shares of the Company s common stock.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2016, 1,811,428,430 shares of Honda s Common Stock were issued and 1,802,283,519 shares were outstanding.

The following table shows the shareholders of record that owned 5% or more of the issued shares of Honda s Common Stock as of March 31, 2016:

Name	Shares owned (thousands)	Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	116,000	6.40

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According to a statement on Schedule 13G (Amendment No. 12) filed by Mitsubishi UFJ Financial Group, Inc. with the SEC on February 4, 2016, Mitsubishi UFJ Financial Group, Inc. directly and indirectly held, as of December 31, 2015, 115,162,071 shares, or 6.4% of the then issued shares, of Honda s Common Stock. According to a statement on Schedule 13G (Amendment No. 1) filed by BlackRock, Inc. with the SEC on January 26, 2016, BlackRock, Inc. directly and indirectly held, as of December 31, 2015, 98,158,854 shares, or 5.4% 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 business on March 31, 2016 were 1,811,428,430 shares of Common Stock, of which 76,126,891 shares represented by ADSs and 314,120,048 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 252 at March 31, 2016.

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, 2016, Honda had sales of ¥698.1 billion and purchases of ¥1,472.5 billion with affiliates and joint ventures accounted for using the equity method. As of March 31, 2016, Honda had receivables of ¥246.6 billion from affiliates and joint ventures, and had payables of ¥158.5 billion to affiliates and joint ventures.

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 Item 4 Information on the Company Marketing and Distribution Overseas Sales .

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7. Legal Proceedings

Various legal proceedings are pending against us. We believe that such proceedings constitute ordinary routine litigation incidental to our business.

Honda is subject to potential liability under other various lawsuits and claims. Honda recognizes a provision for loss contingencies when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recognized 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.

With respect to product liability, personal injury claims or lawsuits, Honda believes that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by Honda s insurance and provision. Punitive damages are claimed in certain of these lawsuits.

After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position or results of operations.

Class actions related to airbag inflators

Honda has been conducting market-based measures in relation to airbag inflators. Honda recognizes a provision for specific warranty costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In the United States and Canada, various class action lawsuits and civil lawsuits related to the above mentioned market-based measures have been filed against Honda. The plaintiffs have claimed for properly functioning airbag inflators, compensation of economic losses including incurred costs and the decline in the value of vehicles, as well as punitive damages. Most of the class action lawsuits in the United States were transferred to the United States District Court for the Southern District of Florida and consolidated into a multidistrict litigation.

Honda did not recognize a provision for loss contingencies because the conditions for a provision have not been met as of the date of this report. Therefore, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report because there are some uncertainty, such as the period when these lawsuits will be concluded.

8. Profit Redistribution Policy

The Company strives to carry out its operations worldwide from a global perspective and to increase its corporate value. With respect to the redistribution of profits to its shareholders, which we consider to be one of the most important management issues, the Company s 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 and implementing a flexible capital policy. The present goal is to

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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 profit for the year attributable to owners of the parent) 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 ¥22 per share for the year ended March 31, 2016. As a result, total dividends for the year ended March 31, 2016, together with the first quarter dividends of ¥22, the second quarter dividends of ¥22 and the third quarter dividends of ¥22, were ¥88 per share.

Details of Distribution of Surplus (Record dates of the fiscal year ended March 31, 2016)

	Resolution of the Board of Directors July 31, 2015	Resolution of the Board of Directors November 4, 2015	Resolution of the Board of Directors January 29, 2016	Resolution at General Meeting of Shareholders June 16, 2016
Dividend per Share of Common Stock (yen)	22.00	22.00	22.00	22.00
Total Amount of Dividends (millions of yen)	39,650	39,650	39,650	39,650

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 traded on the Tokyo Stock Exchange (TSE) since its shares were first listed on the TSE in 1957.

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 Exchange (the NYSE), having been traded on the over-the-counter markets in the United States since 1962.

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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.

	Yen per share of Common Stock on the TSE		U.S. dollars per American Depositary Share on the NYSE	
Fiscal year	**High**	**Low**	**High**	**Low**
2012	¥ 3,300	¥ 2,127	$ 41.23	$ 27.52
2013	3,830	2,294	40.00	28.50
2014	4,405	3,350	42.96	34.24
2015				
1st quarter	¥ 3,726	¥ 3,292	$ 35.92	$ 32.42
2nd quarter	3,830	3,388	36.02	33.55
3rd quarter	3,788	3,239	34.16	28.83
4th quarter	4,170	3,420	34.62	28.61
2016				
1st quarter	¥ 4,400	¥ 3,855	$ 36.44	$ 32.00
2nd quarter	4,499	3,452	35.99	29.00
3rd quarter	4,142	3,512	33.87	29.75
4th quarter	3,846	2,726	31.00	24.56
CY 2015				
December	¥ 4,123	¥ 3,773	$ 33.42	$ 31.18
CY 2016				
January	¥ 3,846	¥ 3,161	$ 31.00	$ 26.41
February	3,443	2,726	27.93	24.56
March	3,221	2,862	28.26	25.99
April	3,200	2,769	28.74	25.53
May	3,161	2,812	28.26	26.23

B. Plan of Distribution

Not applicable.

C. Markets

See Item 9.A, Offer and Listing Details .

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.

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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.

The current central clearing system for shares of Japanese listed companies was established in 2009 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). The shares of all Japanese companies listed on any Japanese financial instruments exchange, including Honda s shares, are subject to the system. Under the Book-Entry Law, all shares are dematerialized and all share certificates for such shares are 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 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.

A registered shareholder is generally entitled to exercise its rights as a shareholder, such as voting rights and to receive dividends (if any). 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 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 (a) 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 (b) exercise the 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.

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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.

Electricity generation and supply and sale of electricity.

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

Provisions Regarding Directors

There is no provision in Honda s articles of incorporation as to a director s power to vote on a proposal, arrangement or contract in which the director is materially interested, but the Company Law and Honda s regulations of the board of directors provide that such director is required to refrain from voting on such matters at the Board of Director s meetings.

The Company Law provides that compensation for directors is determined at a general meeting of shareholders of a company. Within the upper limit approved by the shareholders meeting, the Board of Directors will determine the amount of compensation for each director. The Board of Directors may, by its resolution, leave such decision to the president s discretion.

The Company Law and Honda s regulations of the board of directors provide that a significant loan from a third party to a company should be approved by the Board of Directors.

There is no mandatory retirement age for directors under the Company Law or Honda s articles of incorporation.

The Company Law provides that any articles of incorporation of a company having no restriction on a transfer of its shares, including Honda, may not provide any requirement concerning the number of shares one individual must hold in order to qualify him or her as a director.

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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 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.

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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. If the consolidation of shares effected by Honda produces any fractional shares, any dissenting shareholder of such fractional shares may request that Honda purchase all of such fractional shares by such holder, at a fair price.

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.

Japanese Unit Share System

Consistent with the requirements of the Company Law, the articles of incorporation of Honda adopts a unit share system called 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.

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

In addition to the rights 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,

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,

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 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.

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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 are not limited to:

- 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,
- 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.

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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.

Holdings of Shares by Foreign Investors

There are no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights on Honda s shares imposed by the laws of Japan or Honda s articles of incorporation or other constituent documents.

Shareholders Register Manager

Sumitomo Mitsui Trust Bank, Limited is the Shareholders Register Manager for the shares. Sumitomo Mitsui Trust Bank s office is located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8233, Japan. Sumitomo Mitsui Trust Bank 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).

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;

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(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.

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.

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 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 other than the relevant corporation 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. As of April 1, 2014, any person who filed a report on or after that date to reflect a change in holding of 5% or less of the total issued shares is not required to file any further report for a change of 1% or more in shareholding (unless the holding exceeds 5%) or any change in material matters previously reported. Copies of any report must also be furnished 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

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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 of Japan which materially affect our ability to import or export capital for our use or our ability to pay dividends or other payments to non-resident holders of our shares.

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 (a) 20.42% for dividends to be paid on or before December 31, 2037, and (b) 20% for dividends to be paid thereafter. 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 20.42% or 20% withholding tax rate is reduced to (i) 15.315% for dividends to be paid on or before December 31, 2037, and (ii) 15% for dividends to be paid thereafter, except for dividends

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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, and Spain, and 10% under the income tax treaties with, among others, Australia, France, the Netherlands, Portugal, Sweden, 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 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, is not ineligible for benefits under the U.S.-Japan Tax Treaty 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 sale for tax purposes, or a person whose functional currency is not the U.S. dollar.

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If a partnership holds the shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the shares or ADSs.

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) to a U.S. holder 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 that constitute qualified dividend income will be taxable to such holder at the preferential rates applicable to long term capital gains 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 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. However, Honda does not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, a U.S. holder should expect to generally treat distributions that Honda makes as dividends.

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 or deductible 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 preferential rates. 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 generally be income from sources outside the United States and will, depending on a U.S. holder s circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to such U.S. holder.

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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).

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.

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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.

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, unless a U.S. holder has made a mark-to-market election with respect to its shares or ADSs or the U.S. holder has otherwise made a purging election with respect to its shares or ADSs.

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 (or is treated as a PFIC with respect to such U.S. holder) either in the taxable year of the distribution or the preceding taxable year. Dividends that a U.S. holder receives that do not constitute qualified dividend income are not eligible for taxation at the preferential rates 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, subject to certain applicable exceptions set forth in Internal Revenue Service regulations. U.S. holders should consult their own tax advisors regarding the PFIC rules and potential filing and other requirements.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

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 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.

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I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure about Market Risk

The information required under this Item 11 is set forth in (b) Market Risk of note (25) Financial Risk Management to the accompanying consolidated financial statements.

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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

3. Fees and charges

JPMorgan Chase Bank, N.A., as ADR depositary, 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 depositary 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 depositary payable by investors are as follows:

Category (as defined by SEC)	**Depositary Actions**	**Associated Fee**
(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
	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	Depositary Actions	Associated Fee
(g) Expenses of the depositary	Expenses incurred on behalf of holders in connection with	Expenses payable at the sole discretion of the depositary by billing holders or by deducting charges from one or more dividends or other cash distributions
	Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment	
	The depositary 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 depositary 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 depositary or its agents	

4. Direct / Indirect Payment Disclosure

Honda does not receive any reimbursement from the depositary bank. JPMorgan Chase Bank, N.A. 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 depositary service administration, including but not limited to, dividend disbursement and proxy process. From April 1, 2015 to March 31, 2016, the Depositary waived $198,698.55 in expenses related to the Annual General Meeting of Shareholders.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of 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, 2016. 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.

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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 accordance with 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 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, 2016 based on the criteria established in Internal Control-Integrated Framework (2013) 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, 2016.

The Company s independent registered public accounting firm 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 for the fiscal year ended March 31, 2016 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. Kunio Endo and Mr. Hideo Takaura are each qualified as an audit committee financial expert as defined by the rules of the SEC. Mr. Endo and Mr. Takaura were each elected to become one of Honda s Corporate Auditors at the general meeting of shareholders held on June 19, 2013 and June 17, 2015, respectively. See Item 6.A Directors and Senior Management for additional information regarding them. They meet the independence requirements imposed on Corporate Auditors under the Company Law of Japan. See Item 6.C Board Practices 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.

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Item 16C. Principal Accountant Fees and Services

KPMG AZSA LLC has served as Honda s independent registered public accounting firm for each of the fiscal years in the three-year period ended March 31, 2016, 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 to Honda in fiscal year 2015 and 2016:

	Yen (millions)	
	2015	**2016**
Audit Fees	¥ 4,180	¥ 4,415
Audit-Related Fees	130	127
All Other Fees	28	12
Total	¥ 4,338	¥ 4,554

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.

All Other Fees mainly includes fees for services rendered with respect to advisory services.

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 the principal accountant to ensure that the independence of the 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 the principal accountant and its affiliates which 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.

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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.

- 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 independent registered public accounting firm that 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 by that Rule) at acting independently of management and performing the functions of an audit

committee as contemplated therein.

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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 fiscal year ended March 31, 2016. There were no purchases of Honda s shares by its affiliated purchasers during that fiscal year.

Period	(a) Total Number of Shares Purchased(*)	(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, 2015	477	¥ 4,201		
May 1 to May 31, 2015	361	¥ 4,206		
June 1 to June 30, 2015	277	¥ 4,143		
July 1 to July 31, 2015	126	¥ 4,454		
August 1 to August 31, 2015	321	¥ 4,080		
September 1 to September 30, 2015	169	¥ 3,948		
October 1 to October 31, 2015	126	¥ 3,860		
November 1 to November 30, 2015	284	¥ 4,011		
December 1 to December 31, 2015	642	¥ 3,971		
January 1 to January 31, 2016	250	¥ 3,654		
February 1 to February 29, 2016	24	¥ 4,917		
March 1 to March 31, 2016	350	¥ 3,116		
Total	3,407	¥ 3,964		

* 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	Corporate Governance Practices Followed by Honda
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.	For certain large-scale Japanese companies, which employ a corporate governance system based on a Board of Corporate Auditors (the Board of Corporate Auditors system), including Honda, Japan s Company Law (to which amendments were effected as of May 1, 2015) requires that, if a company does not have any outside director at the end of a fiscal year, the company shall explain and disclose the reason why it is not appropriate to have an outside director at the annual general meeting of shareholders as well as in its convocation documents and business report. Outside director is defined as a director who meets all of the following independence requirements: (1) a person who is not an executive director, executive officer, manager or any other employee of the company or any of its subsidiaries and has not been in such position for ten years prior to the assumption of office; (2) if the relevant person assumed an office of a non-executive director, accounting councilor or corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been an executive director, executive officer, manager or any other employee of the company or any of its subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the company; and (5) a person who is not a spouse or a certain relative of (a) a director, executive officer, manager or any other important employee of the company or (b) the natural person controlling the company. The responsibility of overseeing management and outside directors is assigned to the corporate auditors who also work with the accounting audit firm to oversee accounting. Corporate auditors are separate from the company s management and meet certain independence requirements under Japan s Company Law.

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Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Honda
	In the case of Japanese companies which employ the Board of Corporate Auditors system, including Honda, at least half of the corporate auditors must be outside corporate auditors who must meet additional independence requirements under Japan s Company Law.
	Outside corporate auditor is defined as a corporate auditor who meets all of the following independence requirements: (1) a person who has not been a director, accounting councilor, executive officer, manager or any other employee of the company or any of its subsidiaries for ten years prior to the assumption of office; (2) if the relevant person assumed an office of corporate auditor of the company or any of its subsidiaries during the ten years mentioned in (1) above, a person who had not been a director, accounting councilor, executive officer, manager or any other employee of the company or any of its subsidiaries for further ten years prior to the assumption of such office; (3) a person who is not a director, corporate auditor, executive officer, manager or any other employee of the parent company or who is not a natural person controlling the company; (4) a person who is not an executive director, executive officer, manager or any other employee of a company which is controlled by the parent company or by the natural person controlling the company; and (5) a person who is not a spouse or a certain relative of (a) a director, manager or any other important employee of the company or (b) the natural person controlling the company.
	In addition, the listing rules of the Tokyo Stock Exchange, which Honda is subject to, require listed companies to have at least one independent director or corporate auditor, and to make efforts to have at least one independent director. Requirements for an independent director/corporate auditor are more stringent than those for outside directors or outside corporate auditors. Unlike an outside director/corporate auditor, an independent director/corporate auditor may not be (a) a person who is, or has been until recently, a major business counterparty or an executive director, executive officer, manager or employee of the major business counterparties, (b) a person who is, or has been until recently, a professional advisor receiving significant remuneration from the company, (c) a person who has been until recently a director, executive officer,

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Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Honda
	corporate auditor, manager or employee of the parent company or an executive director, executive officer, manager or employee of the parent company s subsidiaries, or (d) a relative of persons mentioned in (a), (b) and (c) or a relative of certain scope of persons such as directors of the parent company or any of its subsidiaries. Now Honda has two outside Directors both of whom are also independent Directors, and three outside Corporate Auditors all of whom are also independent Corporate Auditors.
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.	Like a majority of Japanese companies, Honda employs the Board of Corporate Auditors system as described above. Under this system, the Board of Corporate Auditors is a legally separate and independent body from the Board of Directors. The main function of the Board of Corporate Auditors is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company: to monitor the performance of the directors, and review and express opinions on the method of auditing by the company s accounting audit firm and on such accounting audit firm s audit reports, for the protection of the company s shareholders. Japanese companies which employ the Board of Corporate Auditors system, including Honda, are required to have at least three corporate auditors. Currently, Honda has five Corporate Auditors. Each Corporate Auditor has a four-year term. In contrast, the term of each Director of Honda is one year. With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Honda relies on an exemption under that rule which is available to foreign private issuers with Board of Corporate Auditors meeting certain criteria.
A NYSE-listed U.S. company must have a nominating/corporate governance committee entirely of independent directors.	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.

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Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Honda
A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.	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.
A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.	Currently, Honda does not adopt stock option compensation plans. If Honda were to adopt such a plan, Honda must obtain shareholder approval with respect to compensation for the Directors in the form of stock options, but the conditions of the stock options may be determined by the Board of Directors unless they are issued with specifically favorable conditions or price for the Directors concerning the issuance and exercise of the stock options.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

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 JPMorgan Chase Bank, N.A.), 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

(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, 2016

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 and joint ventures are omitted because such affiliates and joint ventures 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 statements of financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2016, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 23, 2016 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG AZSA LLC

Tokyo, Japan

June 23, 2016

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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, 2016, based on criteria established in *Internal Control Integrated Framework* (2013) 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 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 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, 2016, based on criteria established in Internal Control *Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Honda Motor Co., Ltd. and subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2016, and our report dated June 23, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG AZSA LLC

Tokyo, Japan

June 23, 2016

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2015 and 2016

	Note	Yen (millions) 2015	2016
Assets			
Current assets:			
Cash and cash equivalents	5	¥ 1,471,730	¥ 1,757,456
Trade receivables	6	820,681	826,714
Receivables from financial services	7	2,098,951	1,926,014
Other financial assets	8	92,708	103,035
Inventories	9	1,498,312	1,313,292
Other current assets		313,758	315,115
Total current assets		6,296,140	6,241,626
Non-current assets:			
Investments accounted for using the equity method	10	614,975	593,002
Receivables from financial services	7	3,584,654	3,082,054
Other financial assets	8	350,579	335,203
Equipment on operating leases	11	3,335,367	3,678,111
Property, plant and equipment	12	3,189,511	3,139,564
Intangible assets	13	759,535	824,939
Deferred tax assets	23	138,069	180,828
Other non-current assets		157,007	153,967
Total non-current assets		12,129,697	11,987,668
Total assets		¥ 18,425,837	¥ 18,229,294
Liabilities and Equity			
Current liabilities:			
Trade payables	14	¥ 1,157,738	¥ 1,128,041
Financing liabilities	15	2,833,563	2,789,620
Accrued expenses		377,372	384,614
Other financial liabilities	16	109,715	89,809
Income taxes payable		53,654	45,872
Provisions	17	294,281	513,232
Other current liabilities		474,731	519,163
Total current liabilities		5,301,054	5,470,351
Non-current liabilities:			
Financing liabilities	15	3,926,276	3,736,628
Other financial liabilities	16	61,147	47,755
Retirement benefit liabilities	18	592,724	660,279
Provisions	17	182,661	264,978
Deferred tax liabilities	23	744,410	789,830
Other non-current liabilities		234,744	227,685
Total non-current liabilities		5,741,962	5,727,155

Total liabilities		11,043,016	11,197,506
Equity:			
Common stock		86,067	86,067
Capital surplus		171,118	171,118
Treasury stock		(26,165)	(26,178)
Retained earnings		6,083,573	6,194,311
Other components of equity		794,034	336,115
Equity attributable to owners of the parent		7,108,627	6,761,433
Non-controlling interests		274,194	270,355
Total equity	19	7,382,821	7,031,788
Total liabilities and equity		¥ 18,425,837	¥ 18,229,294

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2014, 2015 and 2016

	Note	Yen (millions) 2014	2015	2016
Sales revenue	20	¥ 12,506,091	¥ 13,328,099	¥ 14,601,151
Operating costs and expenses:				
Cost of sales		(9,590,557)	(10,330,784)	(11,332,399)
Selling, general and administrative		(1,493,298)	(1,720,550)	(2,108,874)
Research and development	21	(598,372)	(606,162)	(656,502)
Total operating costs and expenses		(11,682,227)	(12,657,496)	(14,097,775)
Operating profit		823,864	670,603	503,376
Share of profit of investments accounted for using the equity method	10	130,916	96,097	126,001
Finance income and finance costs:				
Interest income	22	24,072	27,037	28,468
Interest expense	22	(12,803)	(18,194)	(18,146)
Other, net	22	(32,146)	30,694	(4,249)
Total finance income and finance costs		(20,877)	39,537	6,073
Profit before income taxes		933,903	806,237	635,450
Income tax expense	23	(267,992)	(245,139)	(229,092)
Profit for the year		¥ 665,911	¥ 561,098	¥ 406,358
Profit for the year attributable to:				
Owners of the parent		624,703	509,435	344,531
Non-controlling interests		41,208	51,663	61,827

		Yen 2014	2015	2016
Earnings per share attributable to owners of the parent				
Basic and diluted	24	¥ 346.62	¥ 282.66	¥ 191.16

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014, 2015 and 2016

		Yen (millions)		
	Note	2014	2015	2016
Profit for the year		¥ 665,911	¥ 561,098	¥ 406,358
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans		83,292	(101,286)	(70,709)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income		13,581	24,007	(15,797)
Share of other comprehensive income of investments accounted for using the equity method	10	6,855	(714)	(1,274)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		193,509	465,776	(430,152)
Share of other comprehensive income of investments accounted for using the equity method	10	27,059	57,356	(36,591)
Total other comprehensive income, net of tax	19	324,296	445,139	(554,523)
Comprehensive income for the year		¥ 990,207	¥ 1,006,237	¥ (148,165)
Comprehensive income for the year attributable to:				
Owners of the parent		944,706	931,709	(188,580)
Non-controlling interests		45,501	74,528	40,415

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended March 31, 2014, 2015 and 2016

		Yen (millions)							
		Equity attributable to owners of the parent							
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2013		¥ 86,067	¥ 171,117	¥ (26,124)	¥ 5,260,157	¥ 42,017	¥ 5,533,234	¥ 195,071	¥ 5,728,305
Comprehensive income for the year									
Profit for the year					624,703		624,703	41,208	665,911
Other comprehensive income, net of tax	19					320,003	320,003	4,293	324,296
Total comprehensive income for the year					624,703	320,003	944,706	45,501	990,207
Reclassification to retained earnings	19				88,661	(88,661)			
Transactions with owners and other									
Dividends paid	19				(142,381)		(142,381)	(11,629)	(154,010)
Purchases of treasury stock				(26)			(26)		(26)
Disposal of treasury stock				1			1		1
Equity transactions and others								(5,549)	(5,549)
Total transactions with owners and other				(25)	(142,381)		(142,406)	(17,178)	(159,584)
Balance as of March 31, 2014		¥ 86,067	¥ 171,117	¥ (26,149)	¥ 5,831,140	¥ 273,359	¥ 6,335,534	¥ 223,394	¥ 6,558,928
Comprehensive income for the year									
Profit for the year					509,435		509,435	51,663	561,098
Other comprehensive income, net of tax	19					422,274	422,274	22,865	445,139
Total comprehensive income for the year					509,435	422,274	931,709	74,528	1,006,237
Reclassification to retained earnings	19				(98,401)	98,401			
Transactions with owners and other									
Dividends paid	19				(158,601)		(158,601)	(21,566)	(180,167)
Purchases of treasury stock				(17)			(17)		(17)
Disposal of treasury stock				1			1		1
Equity transactions and others			1				1	(2,162)	(2,161)
Total transactions with owners and other			1	(16)	(158,601)		(158,616)	(23,728)	(182,344)

Balance as of March 31, 2015	¥ 86,067	¥ 171,118	¥ (26,165)	¥ 6,083,573	¥ 794,034	¥ 7,108,627	¥ 274,194	¥ 7,382,821
Comprehensive income for the year								
Profit for the year				344,531		344,531	61,827	406,358
Other comprehensive income, net of tax	19				(533,111)	(533,111)	(21,412)	(554,523)
Total comprehensive income for the year				344,531	(533,111)	(188,580)	40,415	(148,165)
Reclassification to retained earnings	19			(75,192)	75,192			
Transactions with owners and other								
Dividends paid	19			(158,601)		(158,601)	(40,525)	(199,126)
Purchases of treasury stock			(14)			(14)		(14)
Disposal of treasury stock			1			1		1
Equity transactions and others							(3,729)	(3,729)
Total transactions with owners and other			(13)	(158,601)		(158,614)	(44,254)	(202,868)
Balance as of March 31, 2016	¥ 86,067	¥ 171,118	¥ (26,178)	¥ 6,194,311	¥ 336,115	¥ 6,761,433	¥ 270,355	¥ 7,031,788

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2014, 2015 and 2016

	Note	Yen (millions) 2014	2015	2016
Cash flows from operating activities:				
Profit before income taxes		¥ 933,903	¥ 806,237	¥ 635,450
Depreciation, amortization and impairment losses excluding equipment on operating leases		588,132	625,229	660,714
Share of profit of investments accounted for using the equity method		(130,916)	(96,097)	(126,001)
Finance income and finance costs, net		(27,945)	(41,941)	(982)
Interest income and interest costs from financial services, net		(167,397)	(172,275)	(151,374)
Changes in assets and liabilities				
Trade receivables		(47,084)	(45,839)	(88,173)
Inventories		(66,991)	(56,285)	66,405
Trade payables		84,520	22,246	105,189
Accrued expenses		2,527	8,865	32,151
Provisions and retirement benefit liabilities		(24,228)	107,324	329,391
Receivables from financial services		(423,106)	316,962	354,353
Equipment on operating leases		(248,604)	(535,165)	(558,826)
Other assets and liabilities		(14,135)	45,255	20,765
Other, net		(4,211)	(12,931)	4,851
Dividends received		107,629	114,501	105,477
Interest received		224,232	236,344	233,873
Interest paid		(88,582)	(89,804)	(92,355)
Income taxes paid, net of refund		(248,636)	(212,222)	(139,913)
Net cash provided by operating activities		449,108	1,020,404	1,390,995
Cash flows from investing activities:				
Payments for additions to property, plant and equipment		(718,431)	(648,205)	(635,176)
Payments for additions to and internally developed intangible assets		(208,752)	(234,915)	(236,783)
Proceeds from sales of property, plant and equipment and intangible assets		19,586	33,243	25,617
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of		9,129		
Payments for acquisitions of investments accounted for using the equity method			(1,971)	(3,238)
Proceeds from sales of investments accounted for using the equity method		3,812		3,237
Payments for acquisitions of other financial assets		(108,510)	(108,873)	(173,761)
Proceeds from sales and redemptions of other financial assets		75,429	119,897	145,414
Other, net		6,714	328	(387)
Net cash used in investing activities		(921,023)	(840,496)	(875,077)
Cash flows from financing activities:				
Proceeds from short-term financing liabilities		8,561,912	8,731,773	8,302,231
Repayments of short-term financing liabilities		(8,568,859)	(8,602,054)	(8,708,320)
Proceeds from long-term financing liabilities		1,597,530	1,505,732	1,826,991
Repayments of long-term financing liabilities		(1,059,235)	(1,389,121)	(1,267,290)
Dividends paid to owners of the parent		(142,381)	(158,601)	(158,601)
Dividends paid to non-controlling interests		(11,296)	(21,513)	(40,331)

Purchases and sales of treasury stock, net		(25)	(16)	(13)
Other, net		(22,188)	(53,712)	(49,966)
Net cash provided by (used in) financing activities		355,458	12,488	(95,299)
Effect of exchange rate changes on cash and cash equivalents		39,429	85,750	(134,893)
Net change in cash and cash equivalents		(77,028)	278,146	285,726
Cash and cash equivalents at beginning of year		1,270,612	1,193,584	1,471,730
Cash and cash equivalents at end of year	5	¥ 1,193,584	¥ 1,471,730	¥ 1,757,456

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Reporting Entity

Honda Motor Co., Ltd. (the Company) is a public company domiciled in Japan. The Company and its subsidiaries (collectively Honda) develop, manufacture and distribute motorcycles, automobiles, power products and others throughout the world, and also provide financial services to customers and dealers for the sale of those products. Principal manufacturing facilities are located in Japan, the United States of America, Canada, Mexico, the United Kingdom, Turkey, Italy, France, China, India, Indonesia, Malaysia, Thailand, Vietnam, Argentina and Brazil.

(2) Basis of Preparation

(a) Compliance with International Financial Reporting Standards

The Company s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The term IFRS also includes International Accounting Standards (IASs) and the related interpretations of the interpretations committees (SIC and IFRIC).

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities separately stated in note 3.

(c) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. All financial information presented in Japanese yen has been rounded to the nearest million Japanese yen, except when otherwise indicated.

(d) Early Adoption of New Accounting Standards and Interpretations

Honda has early adopted IFRS 9 Financial Instruments (issued in November 2009, amended in October 2010 and November 2013).

(e) New Accounting Standards and Interpretations Not Yet Adopted

New or amended standards and interpretations that have been issued as of the date of approval of the consolidated financial statements but are not effective and have not yet been adopted by Honda as of March 31, 2016 are as follows.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Honda is currently evaluating the impact of adoption of these standards and interpretations on the Company s consolidated financial statements.

Standards and interpretations		Mandatory adoption (from fiscal years beginning on or after)	Reporting periods in which the Company is scheduled to adopt the standards	Overview of new or amended standards and interpretations
IFRS 9	Financial Instruments (issued in 2014)	January 1, 2018	Fiscal year ending March 31, 2019	Amendment regarding the requirements for classifying and measuring financial assets and liabilities, and accounting for impairment of financial assets
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	New standard applied in accounting and disclosure for revenue recognition, which supersedes current standards of revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	New standard applied in accounting and disclosure for recognition of leases, which supersedes current standards of recognition of leases
IAS 7	Statement of cash flows	January 1, 2017	Fiscal year ending March 31, 2018	Requiring disclosure of changes in liabilities arising from financing activities

(f) Use of Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments that have been made in the process of applying accounting policies and that have significant effects on the amounts reported in the consolidated financial statements is as follows:

Scope of subsidiaries, affiliates and joint ventures (notes 3(a) and 3(b))

Recognition of intangible assets arising from development (note 3(h))

Accounting for contracts including lease (note 3(i))

Information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements is as follows:

Valuation of financial assets measured at amortized cost (notes 6, 7 and 8)

Fair value of financial instruments (note 26)

Net realizable value of inventories (note 9)

Recoverable amount of non-financial assets (notes 11, 12 and 13)

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Measurement of provisions (note 17)

Measurement of net defined benefit liabilities (assets) (note 18)

Recoverability of deferred tax assets (note 23)

Likelihood and magnitude of outflows of resources embodying economic benefits required to settle contingent liabilities (note 28)

(3) Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries which are directly or indirectly controlled by the Company, and those structured entities which are controlled by Honda. All significant intercompany balances and transactions have been eliminated in consolidation.

Honda controls an entity when Honda is exposed or has rights to variable returns from involvement with the entity, and has the ability to affect those returns by using its power, which is the current ability to direct the relevant activities, over the entity. To determine whether or not Honda controls an entity, status of voting rights or similar rights, contractual agreements and other specific factors are taken into consideration.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Honda consolidates structured entities over which it has control, by comprehensively determining whether its control over the entity exists based on any contractual arrangements with such entity as well as the percentage of its voting or similar rights in the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost. The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary.

Changes in the Company s ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. When control over a subsidiary is lost, the investment retained after the loss of control is remeasured at fair value as of the date of the loss of control,

and any gain or loss on such remeasurement and disposal of the interest sold is recognized in profit or loss.

(b) Investments in Affiliates and Joint Ventures (Investments Accounted for Using the Equity Method)

Affiliates are entities over which Honda has a significant influence over the decisions on financial and operating policies, but does not have control or joint control.

Joint ventures are joint arrangements whereby the parties including Honda that have joint control have rights to the net assets of the arrangement. Joint arrangements are arrangements of which two or more parties have joint control, and joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in affiliates and joint ventures are accounted for using the equity method from the date when the investees are determined to be affiliates or joint ventures until the date when they ceased to be classified as affiliates or joint ventures. Under the equity method, the investment is initially recognized at cost, and the carrying amount is subsequently increased or decreased, to recognize Honda s share of profit or loss and other comprehensive income of the affiliate or the joint venture after the date of initial recognition. The financial statements of affiliates and joint ventures have been adjusted in order to ensure consistency with the accounting policies adopted by the Company in applying the equity method, as necessary.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The use of the equity method is discontinued from the date when the investees are determined to be no longer affiliates or joint ventures. Unless the investee becomes a subsidiary, the investment retained after cessation of the equity method is remeasured at fair value, and any gain or loss on such remeasurement and disposal of the investment is recognized in profit or loss.

(c) Foreign Currency Translations

1) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies at the exchange rates prevailing when such transactions occur. All foreign currency receivables and payables are translated into the respective functional currencies at the applicable exchange rates at the end of the reporting period. Gains or losses on exchange differences arising on settlement of foreign currency receivables and payables or on their translations at the end of the reporting date are recognized in profit or loss and they are included in finance income and finance costs-other, net in the consolidated statements of income, unless any gains or losses are recognized in other comprehensive income.

2) Foreign operations

All assets and liabilities of foreign subsidiaries, affiliates and joint ventures (collectively foreign operation), which use a functional currency other than Japanese yen, are translated into Japanese yen at the exchange rates at the end of the reporting period. All revenues and expenses of foreign operation are translated into Japanese yen at the average exchange rate for the period. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in other components of equity in the consolidated statements of financial position. When a foreign operation is disposed of, and control, significant influence or joint control over the foreign operation is lost, the cumulative amount of exchange differences relating to the foreign operation is reclassified from equity to profit or loss.

(d) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity security of another entity. When Honda becomes a party to the contractual provision of a financial instrument, the financial instrument is recognized either as a financial asset or as a financial liability. When Honda purchases or sells a financial asset, the financial asset is recognized or derecognized at the trade date.

1) Non-derivative financial assets

Honda classifies financial assets other than derivatives into financial assets measured at amortized cost , financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss . Honda determines the classification of financial assets upon initial recognition.

Financial assets measured at amortized cost

A financial asset is classified into financial assets measured at amortized cost when the asset is held within a business model whose objective is to hold the asset in order to collect the contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are initially measured at their fair value, and are subsequently measured at amortized cost using the effective interest method.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Financial assets measured at fair value

A financial asset other than a financial asset measured at amortized cost is classified into financial assets measured at fair value. The financial assets measured at fair value are further classified into the following categories, according to their holding purposes:

Financial assets measured at fair value through other comprehensive income

Honda elects to designate investments in equity securities such as shares, held for maintaining and strengthening the trade relationship as financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income are initially measured at their fair value, and subsequent changes in fair value of the investment are presented in other comprehensive income. However, dividends from the investment are principally recognized in profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value other than financial assets measured at fair value through other comprehensive income are classified into financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at their fair value, and subsequent changes in fair value are recognized in profit or loss.

Financial assets are derecognized when the contractual rights to cash flows from the financial assets expire, or when the contractual rights to receive the cash flows from the financial assets are transferred and all risks and rewards of ownership of the financial assets are substantially transferred.

When a financial asset measured at fair value through other comprehensive income is sold, an amount of accumulated other comprehensive income recognized in other components of equity in the consolidated statements of financial position is directly reclassified to retained earnings.

(Cash and cash equivalents)

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Honda includes all highly liquid debt instruments with original maturities of three months or less in cash equivalents.

2) Non-derivative financial liabilities

Financial liabilities other than derivatives are initially measured at their fair value, and are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are derecognized, when the obligations specified in the contract are discharged, canceled or expire.

3) Derivatives

Honda has entered into foreign exchange and interest rate agreements to manage currency and interest rate exposures. These agreements include foreign currency forward contracts, currency option contracts, currency swap agreements and interest rate swap agreements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

All these derivatives are initially recognized as assets or liabilities and measured at fair value, when Honda becomes a party to the contractual provision of the derivatives. Subsequent changes in fair value of derivatives are recognized in profit or loss in the period of the changes.

Honda has not held any derivatives designated as hedges for the years ended March 31, 2014, 2015 and 2016.

4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position, only when Honda currently has a legally enforceable right to offset the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes purchase costs and conversion costs, and it is determined principally by using the first-in first-out method. Conversion cost includes an appropriate share of production overheads on the normal operation capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Equipment on Operating Leases

Equipment on operating leases is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses.

A vehicle subject to operating lease is initially measured at its cost. Depreciation of equipment on operating leases is calculated on the straight-line method over the lease term. The depreciable amount is the cost of the vehicle less its residual value which is estimated by using the estimate of future used vehicle value, taking into consideration external industry data and Honda s historical experience.

(g) Property, Plant and Equipment

Property, plant and equipment is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses.

Property, plant and equipment is initially measured at its cost. Subsequent expenditures on an item of property, plant and equipment acquired, are recognized in the carrying amount of the item, only when it is probable that the expenditure will generate a future economic benefit.

Depreciation of property, plant and equipment, except for land that is not subject to depreciation, is calculated on the straight-line method over the estimated useful life. The depreciable amount is the cost of the asset less the respective estimated residual values.

The estimated useful lives used in calculating depreciation of property, plant and equipment are mainly as follows:

Buildings and structures: 3 to 50 years

Machinery and equipment: 2 to 20 years

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually at each fiscal year end, and adjusted prospectively, if appropriate.

(h) Intangible Assets

Intangible assets are measured based on the cost model and carried at their cost less accumulated amortization and impairment losses.

(Research and development)

Development expenditure for a product is capitalized only when there is a technical and commercial feasibility of completing the development, Honda has intention, ability and sufficient resources to use the outcome of the development, it is probable that the outcome will generate a future economic benefit, and the cost can be measured reliably.

Capitalized development cost is measured at the sum of expenditures for development incurred between when the foregoing conditions for capitalization are initially met and when the development is completed, and includes all directly attributable costs to the development process. Capitalized development cost is amortized using the straight-line method over the expected product life cycle of the developed product ranging mainly from 2 to 6 years.

Expenditures on research and other development expenditures which do not meet the foregoing conditions are expensed as incurred.

(Other intangible asset)

Other intangible assets are initially measured at cost and principally amortized using the straight-line method over their estimated useful lives. Other intangible assets are mainly comprised of software for internal use whose estimated useful lives ranges from 3 to 5 years.

The amortization method and useful lives of intangible assets are reviewed annually at each fiscal year end, and adjusted prospectively, if appropriate.

(i) Lease

An arrangement that is or contains a lease is determined based on the substance of the arrangement by assessment of whether the fulfillment of that arrangement depends on use of a specific asset or group of assets, and whether a right to use the asset is transferred under the arrangement.

When an arrangement is or contains a lease, the lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership, based on the substance of the arrangement. Leases other than finance lease are classified as operating lease.

1) Lease as a lessee

A leased asset and liability for the future lease payment under a finance lease are initially recognized at the lower of fair value of the leased asset or the present value of the minimum lease payments, each determined at inception of the lease. After the initial recognition, the leased asset is accounted for according to the accounting policies applied to the asset. Lease payments under a finance lease are apportioned between the finance cost and the reduction in the carrying amount of the liability. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

2) Lease as a lessor

The finance subsidiaries of the Company engage in the business of leasing vehicles as a lessor. A receivable from customer held under a finance lease is initially recognized at the amount of net investment in the lease which is the gross investment in the lease discounted at the interest rate implicit in the lease, and included in receivables from financial services in the consolidated statements of financial position. After the initial recognition, the receivable under finance lease is accounted for in accordance with the accounting policies applied to financial assets. Vehicles subject to operating leases are presented as equipment on operating leases in the consolidated statements of financial position.

(j) Impairment

1) Financial assets measured at amortized cost

At the end of each reporting period, based on individual assets or assets grouped according to credit risk characteristics, financial assets measured at amortized cost are assessed to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence of impairment includes significant financial difficulty of the issuer or the borrowers, a default or delinquency in interest or principal payments, an increase in the probability of bankruptcy or other financial restructuring of the issuer, and disappearance of an active market for the security.

If there is an objective evidence that financial assets measured at amortized cost is impaired, the amount of impairment loss is measured as the difference between the carrying amount of the assets and its present value which is calculated by discounting estimated future cash flows using the asset s original effective interest rate. The impairment loss is recognized in profit or loss, by deducting the carrying amount of the financial assets directly or through an allowance account.

Further, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognized, the impairment loss which was recorded in prior periods is reversed and recognized in profit or loss.

Receivables from financial services Allowance for credit losses

The allowance for credit losses is management s estimate of probable losses incurred on receivables from financial services. Estimated losses on past due operating lease rental payments are also recognized through an allowance for credit losses.

Consumer finance receivables are collectively evaluated for impairment. Delinquencies and losses are continuously monitored and this historical experience provides the primary basis for estimating the allowance. Various methodologies are utilized when estimating the allowance for credit losses including models that incorporate vintage loss and delinquency migration analysis. The models take into consideration attributes of the portfolio including loan-to-value ratios, internal and external credit scores, and collateral types. Economic factors such as used vehicle prices, unemployment rates, and consumer debt service burdens are also incorporated when estimating losses.

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Receivables from financial services Allowance for losses on lease residual values

The allowance for losses on lease residual values is management s estimate of probable losses arising from declines in the estimated lease residual values incurred on receivables from finance leases.

The finance subsidiaries of the Company purchase insurance to cover a substantial amount of the estimated residual value of vehicles leased as finance leases to customers. The allowance for losses on lease residual values are maintained at an amount management deems adequate to cover estimated losses on the uninsured portion of the vehicles lease residual values. The allowance is also based on management s evaluation of many factors, including current economic conditions, industry experience and the finance subsidiaries historical experience with residual value losses.

2) Non-financial assets and investments accounted for using the equity method

At the end of the reporting period, the carrying amount of non-financial assets other than inventories and deferred tax assets (which are comprised mainly of equipment on operating leases, property, plant and equipment, and intangible assets) and investments accounted for using the equity method are assessed to determine whether or not there is any indication of impairment. If there is such an indication, the recoverable amount of such asset is estimated and compared with the carrying amount of the asset, as test of impairment.

For investments accounted for using the equity method, the entire carrying amount of each investment in affiliates and joint ventures is tested for impairment as a single asset, when there is objective evidence that the investments accounted for using the equity method may be impaired.

The recoverable amount of an individual asset or cash-generating units is the higher of fair value less costs to sell and value in use. Value in use is determined as the present value of future cash flows expected to be derived from an asset or a cash-generating unit. A cash-generating unit is determined as the smallest identifiable group of assets that generate cash inflows which are largely independent of cash inflows from other assets or a group of assets. When it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

When the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in profit or loss. An impairment loss for a cash-generating unit is allocated to the assets on the basis of the relative carrying amount of each asset in the unit.

An impairment loss recognized for an asset or a cash-generating unit in prior period is reversed, if there is any indication that the impairment loss may have decreased or may no longer exist, and when the recoverable amount of the asset exceeds the carrying amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but the increased carrying amount does not exceed the carrying amount (net of depreciation or amortization) calculated on the basis that no impairment loss had occurred in the prior period.

(k) Provisions

Provisions are recognized when Honda has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured based on the best estimate of expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, a provision is measured

at the present value of the expenditures required to settle the obligation. In calculating the present value, a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability is used as the discount rate.

(l) Employee Benefits

1) Short-term employee benefits

For short-term employee benefits including salaries, bonuses and paid annual leave, when the employees render related services, the amounts expected to be paid in exchange for those services are recognized as expenses.

2) Post-employment benefits

Honda has various post-employment benefit plans including defined benefit plans and defined contribution plans.

Defined benefit plans

For defined benefit plans, the present value of defined benefit obligations less the fair value of plan assets is recognized as either liability or asset in the consolidated statements of financial position.

The present value of defined benefit obligations and service cost are principally determined for each plan using the projected unit credit method. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds that is consistent with the currency and estimated term of the post-employment benefit obligation. Net interest on the net defined benefit liability (asset) for the reporting period is determined by multiplying the net defined benefit liability (asset) by the discount rate.

Past service cost defined as the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment is recognized in profit or loss upon occurrence of the plan amendment or curtailment.

Honda recognizes the difference arising from remeasurement of present value of the defined benefit obligation and the fair value of the plan asset in other comprehensive income when it is incurred, and reclassifies it immediately to retained earnings.

Defined contribution plans

For defined contribution plans, when the employees render related services, the contribution payables to defined contribution plan are recognized as expenses.

(m) Equity

1) Common share

Common share issued by the Company is classified as equity, and the proceeds from issuance of common share are included in common stock and capital surplus.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

2) Treasury stock

Treasury stock acquired by Honda is recognized at cost and deducted from equity. When treasury stock is sold, the consideration received is recognized as equity with the difference between the carrying amount and the consideration received included in capital surplus.

(n) Revenue Recognition

Sales revenue is measured at the fair value of consideration received or receivable. Amounts collected from customers and remitted to governmental authorities such as sales taxes are accounted for on a net basis and, therefore, are deducted from sales revenue.

The specific criteria for revenue recognition for each type of transactions are as follows:

1) Sale of products

Revenue from sale of products is recognized when the significant risks and rewards of ownership of products are transferred to the customer, Honda retains neither continuous involvement nor effective control over the product, the amount of revenue and the corresponding cost can be measured reliably and collection of the relevant receivable is reasonably assured. This generally corresponds to the date of delivery of products to customers.

Honda provides dealer incentives retained by the dealer, which generally represent discounts provided from Honda to the dealer. Honda also provides incentive programs generally in the form of below-market interest rate loans or lease programs for the retail customers to enhance dealer s sales activities. The amount incurred for these programs is calculated based on the difference between the interest or lease rate offered to retail customers and the market-based interest or lease rate. These incentives are estimated and recognized at the time the product is sold to the dealer, and are deducted from sales revenue in the consolidated statements of income.

2) Rendering of financial services

Interest income from receivables from financial services is recognized using the effective interest method. Finance receivable origination fees and certain direct origination costs are included in the calculation of the effective interest rate, and the net fee or cost is amortized using the effective interest method over the contractual term of the finance receivables.

The finance subsidiaries of the Company offer financial services that contain a lease. Interest income from receivables held under a finance lease is recognized using the effective interest method. When Honda is the manufacturer or dealer lessor, sales revenue and the corresponding cost for a portion identified as sale of products is recognized in profit or loss in accordance with the policy on revenue recognition for sale of products. Revenue from operating leases is recognized on a straight-line basis over the term of the lease.

(o) Income Taxes

Income tax expenses are presented as the aggregate amount of current taxes and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss, except for the tax arising from a transaction which is recognized either in other comprehensive income or directly in equity.

Current taxes are measured at the amount expected to be paid to (or recovered from) the taxation authorities in respect of the taxable profit (or tax loss) for the reporting period, using the tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amount of assets or liabilities in the consolidated statements of financial position and the tax base of the assets or liabilities and carryforward of unused tax losses and tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilized.

Deferred tax liabilities for taxable temporary differences related to investments in subsidiaries and affiliates, and interest in joint ventures are not recognized to the extent that Honda is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences arising from investments in subsidiaries and affiliates, and interest in joint ventures are recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which they can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Honda expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Honda reviews the carrying amount of deferred tax assets at the end of each reporting period, and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are offset, only when Honda has a legally enforceable right to set off current tax assets against current tax liabilities, and the same taxation authority levies income taxes either on the same taxable entity or on different taxable entity which intends either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

Honda recognizes the impact of tax positions in the consolidated financial statements, if any, based on Honda s assessment of various factors including interpretations of tax law and prior experiences, when it is probable that the positions will be sustained upon examination by the taxation authorities.

(p) Earnings per Share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of common shares outstanding during the period.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(4) Segment Information

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

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

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

(a) Segment Information

Segment information as of and for the years ended March 31, 2014, 2015 and 2016 is as follows:

As of and for the year ended March 31, 2014

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥ 1,689,228	¥ 9,178,773	¥ 1,326,026	¥ 312,064	¥ 12,506,091	¥	¥ 12,506,091
Intersegment		70,591	11,696	25,811	108,098	(108,098)	
Total	1,689,228	9,249,364	1,337,722	337,875	12,614,189	(108,098)	12,506,091
Segment profit (loss)	¥ 176,898	¥ 461,156	¥ 182,708	¥ 3,102	¥ 823,864	¥	¥ 823,864
Share of profit of investments accounted for using the equity method	¥ 29,503	¥ 101,200	¥	¥ 213	¥ 130,916	¥	¥ 130,916
Segment assets	1,316,079	6,795,373	7,995,429	341,678	16,448,559	(400,121)	16,048,438
Investments accounted for using the equity method	85,927	462,218		3,936	552,081		552,081
Depreciation and amortization	67,540	492,661	384,145	11,653	955,999		955,999
Capital expenditures	79,995	854,658	1,214,618	19,052	2,168,323		2,168,323
Impairment losses on non-financial assets	74	15,087	3,304	(1,189)	17,276		17,276
Provision for credit and lease residual losses on receivables from financial services			20,361		20,361		20,361

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

As of and for the year ended March 31, 2015

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥ 1,846,666	¥ 9,603,335	¥ 1,555,550	¥ 322,548	¥ 13,328,099	¥	¥ 13,328,099
Intersegment		154,536	12,363	24,362	191,261	(191,261)	
Total	1,846,666	9,757,871	1,567,913	346,910	13,519,360	(191,261)	13,328,099
Segment profit (loss)	¥ 192,154	¥ 279,756	¥ 202,574	¥ (3,881)	¥ 670,603	¥	¥ 670,603
Share of profit of investments accounted for using the equity method	¥ 29,234	¥ 66,512	¥	¥ 351	¥ 96,097	¥	¥ 96,097
Segment assets	1,489,703	7,653,645	9,318,545	334,858	18,796,751	(370,914)	18,425,837
Investments accounted for using the equity method	99,816	510,653		4,506	614,975		614,975
Depreciation and amortization	70,881	525,522	484,526	12,061	1,092,990		1,092,990
Capital expenditures	87,762	791,626	1,685,245	14,588	2,579,221		2,579,221
Impairment losses on non-financial assets	267	13,278	4,077	229	17,851		17,851
Provision for credit and lease residual losses on receivables from financial services			19,328		19,328		19,328

As of and for the year ended March 31, 2016

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Power Product and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers	¥ 1,805,429	¥ 10,625,405	¥ 1,835,605	¥ 334,712	¥ 14,601,151	¥	¥ 14,601,151
Intersegment		142,280	14,095	17,532	173,907	(173,907)	
Total	1,805,429	10,767,685	1,849,700	352,244	14,775,058	(173,907)	14,601,151
Segment profit (loss)	¥ 181,773	¥ 153,366	¥ 199,358	¥ (31,121)	¥ 503,376	¥	¥ 503,376
Share of profit of investments accounted for using the equity method	¥ 26,077	¥ 99,362	¥	¥ 562	¥ 126,001	¥	¥ 126,001
Segment assets	1,412,404	7,493,086	9,071,874	333,586	18,310,950	(81,656)	18,229,294
	97,195	491,122		4,685	593,002		593,002

Investments accounted for using the equity method						
Depreciation and amortization	76,267	564,631	622,874	13,770	1,277,542	1,277,542
Capital expenditures	73,541	796,209	1,972,647	18,251	2,860,648	2,860,648
Impairment losses on non-financial assets	99	4,684	6,470	92	11,345	11,345
Provision for credit and lease residual losses on receivables from financial services			26,899		26,899	26,899

Explanatory notes:

1. Segment profit (loss) of each segment is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable.
2. Segment assets of each segment are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets. Segment assets are based on those directly associated with each segment and those not directly associated with specific segments are allocated based on the most reasonable measures applicable except for the corporate assets described below.
3. Intersegment sales revenues are generally made at values that approximate arm s-length prices.
4. Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2014, 2015 and 2016 amounted to ¥299,742 million, ¥345,266 million and ¥451,387 million, respectively, which consist primarily of the Company s cash and cash equivalents and financial assets measured at fair value through other comprehensive income.
5. Provisions for product warranties accrued for the years ended March 31, 2014, 2015 and 2016 are ¥168,994 million, ¥295,035 million and ¥607,646 million, respectively. These are mainly included in Automobile business.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

6. The amount of write-down of inventories recognized as an expense for the years ended March 31, 2014 is not significant.
The amounts of write-down of inventories recognized as an expense for the years ended March 31, 2015 and 2016 are ¥9,041 million and ¥27,610 million, respectively. These are primarily related to aircrafts and aircraft engines, which are included in Power Product and Other businesses.

(b) Product or Service Groups Information

Sales revenue by product or service groups of Honda for the years ended March 31, 2014, 2015 and 2016 is as follows:

	Yen (millions)		
	2014	**2015**	**2016**
Motorcycles and relevant parts	¥ 1,608,924	¥ 1,746,284	¥ 1,679,130
All-terrain vehicles (ATVs) and relevant parts	80,304	100,382	126,299
Automobiles and relevant parts	9,773,467	10,295,898	11,446,424
Financial services	731,332	862,987	1,014,586
Power products and relevant parts	251,242	263,232	268,486
Others	60,822	59,316	66,226
Total	¥ 12,506,091	¥ 13,328,099	¥ 14,601,151

(c) Geographical Information

The sales revenue and carrying amounts of non-current assets other than financial instruments and deferred tax assets based on the location of the Company and its subsidiaries as of and for the years ended March 31, 2014, 2015 and 2016 are as follows:

As of and for the year ended March 31, 2014

	Yen (millions)			
	Japan	**United States**	**Other Countries**	**Total**
Sales revenue	¥ 2,236,303	¥ 5,530,567	¥ 4,739,221	¥ 12,506,091
Non-current assets other than financial instruments and deferred tax assets	¥ 2,022,425	¥ 2,843,021	¥ 1,194,875	¥ 6,060,321

As of and for the year ended March 31, 2015

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥ 2,137,844	¥ 6,102,633	¥ 5,087,622	¥ 13,328,099
Non-current assets other than financial instruments and deferred tax assets	¥ 2,279,156	¥ 3,640,230	¥ 1,522,034	¥ 7,441,420

As of and for the year ended March 31, 2016

	Yen (millions)			
	Japan	United States	Other Countries	Total
Sales revenue	¥ 2,022,931	¥ 7,263,557	¥ 5,314,663	¥ 14,601,151
Non-current assets other than financial instruments and deferred tax assets	¥ 2,426,439	¥ 3,759,009	¥ 1,611,133	¥ 7,796,581

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(d) Supplemental Geographical Information

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

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

As of and for the year ended March 31, 2014

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers	¥ 2,236,303	¥ 6,189,386	¥ 683,680	¥ 2,395,533	¥ 1,001,189	¥ 12,506,091	¥	¥ 12,506,091
Inter-geographic areas	1,977,455	373,003	97,877	494,885	11,275	2,954,495	(2,954,495)	
Total	4,213,758	6,562,389	781,557	2,890,418	1,012,464	15,460,586	(2,954,495)	12,506,091
Operating profit (loss)	¥ 245,828	¥ 335,682	¥ (33,890)	¥ 232,023	¥ 38,087	¥ 817,730	¥ 6,134	¥ 823,864
Assets	¥ 3,914,471	¥ 8,768,285	¥ 708,540	¥ 2,000,923	¥ 775,069	¥ 16,167,288	¥ (118,850)	¥ 16,048,438
Non-current assets other than financial instruments and deferred tax assets	¥ 2,022,425	¥ 3,103,055	¥ 124,045	¥ 613,576	¥ 197,220	¥ 6,060,321	¥	¥ 6,060,321

As of and for the year ended March 31, 2015

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers	¥ 2,137,844	¥ 6,870,388	¥ 656,195	¥ 2,716,529	¥ 947,143	¥ 13,328,099	¥	¥ 13,328,099
Inter-geographic areas	1,793,123	330,475	67,729	612,015	3,199	2,806,541	(2,806,541)	
Total	3,930,967	7,200,863	723,924	3,328,544	950,342	16,134,640	(2,806,541)	13,328,099
Operating profit (loss)	¥ 210,171	¥ 181,525	¥ (22,615)	¥ 278,855	¥ 40,167	¥ 688,103	¥ (17,500)	¥ 670,603
Assets	¥ 4,231,472	¥ 10,454,542	¥ 667,945	¥ 2,526,914	¥ 677,831	¥ 18,558,704	¥ (132,867)	¥ 18,425,837
	¥ 2,279,156	¥ 4,084,678	¥ 120,217	¥ 760,642	¥ 196,727	¥ 7,441,420	¥	¥ 7,441,420

Non-current assets other than financial instruments and deferred tax assets								

As of and for the year ended March 31, 2016

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers	¥ 2,022,931	¥ 8,123,655	¥ 693,255	¥ 2,955,690	¥ 805,620	¥ 14,601,151	¥	¥ 14,601,151
Inter-geographic areas	1,905,654	413,427	82,782	579,683	3,032	2,984,578	(2,984,578)	
Total	3,928,585	8,537,082	776,037	3,535,373	808,652	17,585,729	(2,984,578)	14,601,151
Operating profit (loss)	¥ (98,714)	¥ 210,862	¥ 18,747	¥ 335,508	¥ (8,322)	¥ 458,081	¥ 45,295	¥ 503,376
Assets	¥ 4,258,071	¥ 10,240,942	¥ 719,561	¥ 2,467,481	¥ 603,754	¥ 18,289,809	¥ (60,515)	¥ 18,229,294
Non-current assets other than financial instruments and deferred tax assets	¥ 2,426,439	¥ 4,364,808	¥ 118,992	¥ 713,968	¥ 172,374	¥ 7,796,581	¥	¥ 7,796,581

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Explanatory notes:

1. Major countries or regions in each geographic area:

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

2. Operating profit (loss) of each geographical region is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before share of profit of investments accounted for using the equity method and finance income and finance costs.
3. Assets of each geographical region are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets.
4. Sales revenues between geographic areas are generally made at values that approximate arm s-length prices.
5. Reconciling items include elimination of inter-geographic transactions and balances as well as unallocated corporate assets. Unallocated corporate assets, included in reconciling items as of March 31, 2014, 2015 and 2016 amounted to ¥299,742 million, ¥345,266 million and ¥451,387 million, respectively, which consist primarily of the Company s cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

(5) Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Cash and deposits	¥ 1,091,179	¥ 1,157,781
Cash equivalents	380,551	599,675
Total	¥ 1,471,730	¥ 1,757,456

Cash equivalents held by Honda mainly consist of money market funds and certificates of deposit.

(6) Trade Receivables

Trade receivables are classified as financial assets measured at amortized cost.

Trade receivables as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Trade accounts and notes receivable	¥ 688,256	¥ 705,629
Other	137,792	136,973
Allowance for doubtful accounts	(5,367)	(15,888)
Total	¥ 820,681	¥ 826,714

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The changes in the allowance for doubtful trade receivables for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	2015	2016
Balance at beginning of year	¥ 7,136	¥ 7,260	¥ 5,367
Provision	¥ 528	¥ 58	¥ 11,786
Charge-offs	(782)	(1,589)	(593)
Exchange differences on translating foreign operations	378	(362)	(672)
Balance at end of year	¥ 7,260	¥ 5,367	¥ 15,888

(7) Receivables from Financial Services

The finance subsidiaries of the Company provide various financial services to customers and dealers in order to support the sale of our products. These receivables from financial services are categorized as follows:

Consumer finance receivables:

Retail receivables primarily consist of receivables from installment contracts with customers.

Finance lease receivables primarily consist of receivables from non-cancelable auto leases with customers.

Dealer finance receivables:

Wholesale receivables primarily consist of financing receivables from dealers for the purchase of inventories and dealer loans.

Receivables from financial services are classified into financial assets measured at amortized cost.

Receivables from financial services as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	**2016**
Consumer finance receivables:		
Retail	¥ 4,901,918	¥ 4,227,816
Finance lease	260,543	227,502
Dealer finance receivables:		
Wholesale	556,735	589,889
Subtotal	¥ 5,719,196	¥ 5,045,207
Allowance for credit losses	¥ (25,038)	¥ (25,565)
Allowance for losses on lease residual values	(1,116)	(1,615)
Unearned interest income and fees	(9,437)	(9,959)
Total	¥ 5,683,605	¥ 5,008,068
Current assets	¥ 2,098,951	¥ 1,926,014
Non-current assets	3,584,654	3,082,054
Total	¥ 5,683,605	¥ 5,008,068

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Finance lease receivables

The gross investment in the lease and the present value of minimum lease payments receivable as of March 31, 2015 and 2016 are as follows:

	Yen (millions)			
As of March 31, 2015	**Within 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
Gross investment in the lease	¥ 94,264	¥ 166,142	¥ 137	¥ 260,543
Unearned interest income and fees	(2,130)	(7,303)	(4)	(9,437)
Unguaranteed residual values	(8,653)	(27,158)		(35,811)
Present value of minimum lease payments receivable	¥ 83,481	¥ 131,681	¥ 133	¥ 215,295

	Yen (millions)			
As of March 31, 2016	**Within 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
Gross investment in the lease	¥ 83,099	¥ 144,363	¥ 40	¥ 227,502
Unearned interest income and fees	(4,136)	(5,823)		(9,959)
Unguaranteed residual values	(15,895)	(48,133)	(2)	(64,030)
Present value of minimum lease payments receivable	¥ 63,068	¥ 90,407	¥ 38	¥ 153,513

Allowance for credit losses

The changes in the allowance for credit losses on receivables from financial services for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)			
	Retail	**Finance lease**	**Wholesale**	**Total**
Balance as of April 1, 2013	¥ 18,528	¥ 788	¥ 1,278	¥ 20,594
Provision	¥ 18,688	¥ 311	¥ 1,165	¥ 20,164
Charge-offs	(25,610)	(574)	(112)	(26,296)
Recoveries	9,681	94	11	9,786
Exchange differences on translating foreign operations	683	17	252	952
Balance as of March 31, 2014	¥ 21,970	¥ 636	¥ 2,594	¥ 25,200

Provision	¥ 18,213	¥ 349	¥ (202)	¥ 18,360
Charge-offs	(26,673)	(620)	(385)	(27,678)
Recoveries	9,101	131	27	9,259
Exchange differences on translating foreign operations	38	3	(144)	(103)
Balance as of March 31, 2015	¥ 22,649	¥ 499	¥ 1,890	¥ 25,038
Provision	¥ 24,148	¥ 457	¥ 769	¥ 25,374
Charge-offs	(31,258)	(268)	(64)	(31,590)
Recoveries	8,839	107	98	9,044
Exchange differences on translating foreign operations	(2,078)	(33)	(190)	(2,301)
Balance as of March 31, 2016	¥ 22,300	¥ 762	¥ 2,503	¥ 25,565

For more information on allowance for credit losses, see note 25.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(8) Other Financial Assets

Other financial assets as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	**2016**
Financial assets measured at amortized cost:		
Receivables other than trade receivables and receivables from financial services	¥ 97,222	¥ 86,602
Debt securities	18,231	40,670
Guaranty deposits	17,652	15,268
Restricted cash	33,377	37,456
Other	10,067	9,643
Allowance for doubtful accounts	(12,061)	(11,731)
Financial assets measured at fair value through other comprehensive income:		
Equity securities	184,883	153,313
Financial assets measured at fair value through profit or loss:		
Derivatives	34,598	50,022
Debt securities	59,318	56,995
Total	¥ 443,287	¥ 438,238
Current assets	¥ 92,708	¥ 103,035
Non-current assets	350,579	335,203
Total	¥ 443,287	¥ 438,238

The changes in the allowance for doubtful accounts for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	**2015**	**2016**
Balance at beginning of year	¥ 22,363	¥ 21,932	¥ 12,061
Provision	¥ 237	¥ 773	¥ 1,382
Charge-offs	(680)	(10,713)	(1,528)
Exchange differences on translating foreign operations	12	69	(184)
Balance at end of year	¥ 21,932	¥ 12,061	¥ 11,731

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Major securities included in financial assets measured at fair value through other comprehensive income as of March 31, 2015 and 2016 are as follows:

As of March 31, 2015

	Yen (millions) Fair value
Sirius XM Holdings Inc.	¥ 43,075
Stanley Electric Co., Ltd.	25,092
Mitsubishi UFJ Financial Group, Inc.	10,785
NIPPON SEIKI CO., LTD.	8,887
Shindengen Electric Manufacturing Co., Ltd.	8,017
Daido Steel Co., Ltd.	7,022

As of March 31, 2016

	Yen (millions) Fair value
Sirius XM Holdings Inc.	¥ 41,764
Stanley Electric Co., Ltd.	23,504
NIPPON SEIKI CO., LTD.	8,167
Mitsubishi UFJ Financial Group, Inc.	7,563
Shindengen Electric Manufacturing Co., Ltd.	5,091
Daido Steel Co., Ltd.	5,090

(9) Inventories

Inventories as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Finished goods	¥ 862,761	¥ 760,512
Work in process	84,724	74,328
Raw materials	550,827	478,452
Total	¥ 1,498,312	¥ 1,313,292

The amount of write-down of inventories recognized as an expense for the years ended March 31, 2014 is not significant.

The amounts of write-down of inventories recognized as an expense for the years ended March 31, 2015 and 2016 are ¥9,041 million and ¥27,610 million, respectively.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(10) Investments accounted for using the equity method

Honda s equity in affiliates and joint ventures as of March 31, 2015 and 2016 is as follows:

	Yen (millions)	
	2015	**2016**
Investments accounted for using the equity method:		
Affiliates	¥ 363,286	¥ 343,405
Joint ventures	251,689	249,597
Total	¥ 614,975	¥ 593,002
Honda s equity of undistributed earnings:		
Affiliates	¥ 231,406	¥ 234,434
Joint ventures	128,813	152,331
Total	¥ 360,219	¥ 386,765

For the years ended March 31, 2015 and 2016, the Company recognized impairment losses of ¥22,244 million and ¥28,887 million on certain investments accounted for using the equity method, respectively, because there is objective evidence of impairment from declines in quoted market values. The impairment losses are included in share of profit of investments accounted for using the equity method in the consolidated statements of income and mainly included in the automobile business segment.

Honda s share of comprehensive income of affiliates and joint ventures for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	**2015**	**2016**
Profit for the year:			
Affiliates	¥ 26,261	¥ 8,650	¥ 8,538
Joint ventures	104,655	87,447	117,463
Total	¥ 130,916	¥ 96,097	¥ 126,001
Other comprehensive income:			
Affiliates	¥ 20,370	¥ 21,597	¥ (12,096)
Joint ventures	13,544	35,045	(25,769)

Total	¥ 33,914	¥ 56,642	¥ (37,865)
Comprehensive income for the year:			
Affiliates	¥ 46,631	¥ 30,247	¥ (3,558)
Joint ventures	118,199	122,492	91,694
Total	¥ 164,830	¥ 152,739	¥ 88,136

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Combined financial information in respect of affiliates and joint ventures as of March 31, 2015 and 2016, and for the years ended March 31, 2014, 2015 and 2016 is as follows:

(Affiliates)

	Yen (millions)			
For the year ended March 31, 2014	**Motorcycle Business**	**Automobile Business**	**Power Product and Other Businesses**	**Total**
Sales revenue	¥ 207,592	¥ 2,461,301	¥ 5,119	¥ 2,674,012
Profit for the year	14,176	82,927	773	97,876

	Yen (millions)			
As of and for the year ended March 31, 2015	**Motorcycle Business**	**Automobile Business**	**Power Product and Other Businesses**	**Total**
Current assets	¥ 90,803	¥ 989,022	¥ 6,448	¥ 1,086,273
Non-current assets	57,845	1,137,861	20,242	1,215,948
Total assets	148,648	2,126,883	26,690	2,302,221
Current liabilities	48,906	621,994	2,469	673,369
Non-current liabilities	6,692	266,233	1,556	274,481
Total liabilities	55,598	888,227	4,025	947,850
Total equity	¥ 93,050	¥ 1,238,656	¥ 22,665	¥ 1,354,371
Sales revenue	¥ 220,578	¥ 2,626,191	¥ 6,198	¥ 2,852,967
Profit for the year	12,886	108,717	929	122,532

	Yen (millions)			
As of and for the year ended March 31, 2016	**Motorcycle Business**	**Automobile Business**	**Power Product and Other Businesses**	**Total**
Current assets	¥ 88,052	¥ 1,022,990	¥ 7,003	¥ 1,118,045
Non-current assets	50,129	1,137,554	24,827	1,212,510
Total assets	138,181	2,160,544	31,830	2,330,555
Current liabilities	41,582	648,206	2,448	692,236
Non-current liabilities	7,181	245,863	1,448	254,492

Total liabilities	48,763	894,069	3,896	946,728
Total equity	¥ 89,418	¥ 1,266,475	¥ 27,934	¥ 1,383,827
Sales revenue	¥ 219,265	¥ 2,708,831	¥ 6,818	¥ 2,934,914
Profit for the year	13,780	91,316	1,147	106,243

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Joint ventures)

	Yen (millions)			
For the year ended March 31, 2014	**Motorcycle Business**	**Automobile Business**	**Power Product and Other Businesses**	**Total**
Sales revenue	¥ 682,447	¥ 2,171,805	¥ 19	¥ 2,854,271
Profit for the year	53,152	176,270	1	229,423

	Yen (millions)			
As of and for the year ended March 31, 2015	**Motorcycle Business**	**Automobile Business**	**Power Product and Other Businesses**	**Total**
Current assets	¥ 202,502	¥ 894,363	¥ 1,858	¥ 1,098,723
Non-current assets	112,988	303,854	598	417,440
Total assets	315,490	1,198,217	2,456	1,516,163
Current liabilities	181,627	801,107	611	983,345
Non-current liabilities	8,415	27,693	1,207	37,315
Total liabilities	190,042	828,800	1,818	1,020,660
Total equity	¥ 125,448	¥ 369,417	¥ 638	¥ 495,503
Sales revenue	¥ 732,433	¥ 2,210,540	¥ 1,986	¥ 2,944,959
Profit for the year	49,861	126,420	(55)	176,226

	Yen (millions)			
As of and for the year ended March 31, 2016	**Motorcycle Business**	**Automobile Business**	**Power Product and Other Businesses**	**Total**
Current assets	¥ 194,278	¥ 849,553	¥ 2,311	¥ 1,046,142
Non-current assets	115,588	298,357	577	414,522
Total assets	309,866	1,147,910	2,888	1,460,664
Current liabilities	174,749	734,783	1,088	910,620
Non-current liabilities	8,371	42,651	1,063	52,085
Total liabilities	183,120	777,434	2,151	962,705
Total equity	¥ 126,746	¥ 370,476	¥ 737	¥ 497,959

Sales revenue	¥ 706,527	¥ 2,962,929	¥ 4,069	¥ 3,673,525
Profit for the year	47,248	196,796	149	244,193

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(11) Equipment on Operating Leases

The changes in cost, accumulated depreciation and impairment losses, and the carrying amounts of equipment on operating leases for the years ended March 31, 2015 and 2016 are as follows:

(Cost)

	Yen (millions) Equipment on operating leases
Balance as of April 1, 2014	¥ 2,968,089
Additions	¥ 1,681,178
Sales or disposal	(1,040,535)
Exchange differences on translating foreign operations	449,649
Other	
Balance as of March 31, 2015	¥ 4,058,381
Additions	¥ 1,967,538
Sales or disposal	(1,238,597)
Exchange differences on translating foreign operations	(261,250)
Other	
Balance as of March 31, 2016	¥ 4,526,072

(Accumulated depreciation and impairment losses)

	Yen (millions) Equipment on operating leases
Balance as of April 1, 2014	¥ (540,682)
Depreciation	¥ (481,535)
Sales or disposal	380,134
Exchange differences on translating foreign operations	(76,854)
Other	(4,077)

Balance as of March 31, 2015	¥	(723,014)
Depreciation	¥	(620,016)
Sales or disposal		456,371
Exchange differences on translating foreign operations		45,168
Other		(6,470)
Balance as of March 31, 2016	¥	(847,961)

(Carrying amount)

		Yen (millions)
		Equipment on operating leases
Balance as of March 31, 2015	¥	3,335,367
Balance as of March 31, 2016		3,678,111

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Future minimum lease payments)

Future minimum lease payments expected to be received under non-cancelable operating leases as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	**2016**
Within 1 year	¥ 568,425	¥ 630,480
Between 1 and 5 years	659,634	768,925
Later than 5 years		
Total	¥ 1,228,059	¥ 1,399,405

Future minimum lease payments expected to be received as shown above should not necessarily be considered indicative of future cash collections.

(12) Property, Plant and Equipment

The changes in cost, accumulated depreciation and impairment losses, and the carrying amounts of property, plant and equipment for the years ended March 31, 2015 and 2016 are as follows:

(Cost)

	Yen (millions)				
	Land	**Buildings and structures**	**Machinery and equipment**	**Construction in progress**	**Total**
Balance as of April 1, 2014	¥ 531,035	¥ 1,969,690	¥ 4,412,721	¥ 277,855	¥ 7,191,301
Additions	¥ 7,413	¥ 14,157	¥ 169,446	¥ 512,904	¥ 703,920
Reclassification	7,976	85,340	360,032	(453,348)	
Sales or disposal	(5,134)	(26,709)	(254,436)		(286,279)
Exchange differences on translating foreign operations	9,144	92,520	323,661	31,759	457,084

Other	(24)	(379)	478	(4,740)	(4,665)
Balance as of March 31, 2015	¥ 550,410	¥ 2,134,619	¥ 5,011,902	¥ 364,430	¥ 8,061,361
Additions	¥ 666	¥ 22,014	¥ 164,563	¥ 500,063	¥ 687,306
Reclassification	14,029	123,541	407,832	(545,402)	
Sales or disposal	(3,622)	(21,998)	(250,901)		(276,521)
Exchange differences on translating foreign operations	(13,962)	(88,021)	(300,932)	(34,563)	(437,478)
Other	(902)	(1,387)	7,837	(9,296)	(3,748)
Balance as of March 31, 2016	¥ 546,619	¥ 2,168,768	¥ 5,040,301	¥ 275,232	¥ 8,030,920

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Accumulated depreciation and impairment losses)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2014	¥ (3,045)	¥ (1,059,161)	¥ (3,306,404)	¥ (1,149)	¥ (4,369,759)
Depreciation	¥	¥ (64,337)	¥ (386,715)	¥	¥ (451,052)
Sales or disposal	540	23,061	215,845		239,446
Impairment losses	(1,339)	(5,050)	(5,873)	(1,372)	(13,634)
Exchange differences on translating foreign operations	(152)	(42,651)	(235,214)	(5)	(278,022)
Other	484	(1,523)	2,210		1,171
Balance as of March 31, 2015	¥ (3,512)	¥ (1,149,661)	¥ (3,716,151)	¥ (2,526)	¥ (4,871,850)
Depreciation	¥	¥ (71,453)	¥ (414,957)	¥	¥ (486,410)
Sales or disposal	608	15,187	215,592		231,387
Exchange differences on translating foreign operations	137	38,475	205,063	177	243,852
Other	(917)	817	(8,250)	15	(8,335)
Balance as of March 31, 2016	¥ (3,684)	¥ (1,166,635)	¥ (3,718,703)	¥ (2,334)	¥ (4,891,356)

(Carrying amount)

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
Balance as of March 31, 2015	¥ 546,898	¥ 984,958	¥ 1,295,751	¥ 361,904	¥ 3,189,511
Balance as of March 31, 2016	542,935	1,002,133	1,321,598	272,898	3,139,564

For commitments for purchases of property, plant and equipment, see note 28.

(13) Intangible Assets

The changes in cost, accumulated amortization and impairment losses, and carrying amounts of intangible assets for the years ended March 31, 2015 and 2016 are as follows:

(Cost)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2014	¥ 783,173	¥ 249,616	¥ 43,063	¥ 1,075,852
Additions	¥	¥ 21,884	¥ 1,683	¥ 23,567
Internally developed	188,107	32,894		221,001
Sales or disposal	(105,539)	(3,686)	(618)	(109,843)
Exchange differences on translating foreign operations	77	13,666	2,339	16,082
Other	(1,216)	4,520	(7,220)	(3,916)
Balance as of March 31, 2015	¥ 864,602	¥ 318,894	¥ 39,247	¥ 1,222,743

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Additions	¥	¥ 25,368	¥ 4,062	¥ 29,430
Internally developed	190,992	25,174		216,166
Sales or disposal	(67,377)	(3,145)	(2,227)	(72,749)
Exchange differences on translating foreign operations	(621)	(13,840)	(4,180)	(18,641)
Other	58	1,102	33	1,193
Balance as of March 31, 2016	¥ 987,654	¥ 353,553	¥ 36,935	¥ 1,378,142

(Accumulated amortization and impairment losses)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of April 1, 2014	¥ (258,455)	¥ (130,314)	¥ (17,300)	¥ (406,069)
Amortization	¥ (123,938)	¥ (35,009)	¥ (1,456)	¥ (160,403)
Sales or disposal	105,539	2,138	514	108,191
Exchange differences on translating foreign operations		(10,050)	(1,040)	(11,090)
Other	44	(249)	6,368	6,163
Balance as of March 31, 2015	¥ (276,810)	¥ (173,484)	¥ (12,914)	¥ (463,208)
Amortization	¥ (127,684)	¥ (40,363)	¥ (3,069)	¥ (171,116)
Sales or disposal	67,377	1,696	1,375	70,448
Exchange differences on translating foreign operations	5	8,991	2,153	11,149
Other		(339)	(137)	(476)
Balance as of March 31, 2016	¥ (337,112)	¥ (203,499)	¥ (12,592)	¥ (553,203)

(Carrying amount)

	Yen (millions)			
	Capitalized development costs	Software	Other	Total
Balance as of March 31, 2015	¥ 587,792	¥ 145,410	¥ 26,333	¥ 759,535
Balance as of March 31, 2016	650,542	150,054	24,343	824,939

Amortization of capitalized development costs is included in research and development, and amortization of other intangible assets is included in cost of sales, selling, general and administrative, and research and development in the consolidated statements of income.

For commitments for purchases of intangible assets, see note 28.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(14) Trade Payables

Trade payables are classified as financial liabilities measured at amortized cost.

Trade payables as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Trade accounts and notes payable	¥ 999,586	¥ 961,606
Other	158,152	166,435
Total	¥ 1,157,738	¥ 1,128,041

(15) Financing Liabilities

Financing liabilities are classified as financial liabilities measured at amortized cost.

Financing liabilities presented in current liabilities as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Current:		
Commercial paper	¥ 809,814	¥ 766,603
Loans	387,511	314,943
Medium-term notes	333,369	
Asset-backed securities	54,780	26,136
Subtotal	¥ 1,585,474	¥ 1,107,682
Reclassification from non-current liabilities (Current portion)	¥ 1,248,089	¥ 1,681,938
Total	¥ 2,833,563	¥ 2,789,620

The weighted average interest rates for financing liabilities presented in current liabilities (excluding reclassification from non-current liabilities) as of March 31, 2015 and 2016 are as follows:

	2015	2016
Weighted average interest rate	0.77%	1.16%

Financing liabilities presented in non-current liabilities as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Non-current:		
Loans	¥ 1,471,613	¥ 1,478,968
Medium-term notes	2,322,930	2,588,906
Corporate bonds	499,307	459,469
Asset-backed securities	880,515	891,223
Subtotal	¥ 5,174,365	¥ 5,418,566
Reclassification to current liabilities (Current portion)	¥ (1,248,089)	¥ (1,681,938)
Total	¥ 3,926,276	¥ 3,736,628

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The interest rate range and payment due date for financing liabilities presented in non-current liabilities (including reclassification to current liabilities) as of March 31, 2015 and 2016 are as follows:

	2015	2016
Loans	Interest rate: 0.20% - 25.00% Due: 2015 - 2031	Interest rate: 0.18% - 29.99% Due: 2016 - 2046
Medium-term notes	Interest rate: 0.15% - 7.63% Due: 2015 - 2023	Interest rate: 0.18% - 7.63% Due: 2016 - 2023
Corporate bonds	Interest rate: 0.25% - 0.59% Due: 2015 - 2021	Interest rate: 0.21% - 0.59% Due: 2016 - 2021
Asset-backed securities	Interest rate: 0.33% - 1.46% Due: 2015 - 2020	Interest rate: 0.13% - 1.56% Due: 2016 - 2021

(Pledged assets)

Pledged assets for financing liabilities as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	2016
Trade receivables	¥ 19,259	¥ 21,757
Receivables from financial services	946,891	945,761
Inventories	12,631	21,364
Property, plant and equipment	76,009	67,706
Total	¥ 1,054,790	¥ 1,056,588

Receivables from financial services are pledged as collateral for liabilities related to asset-backed securities transactions. Other items are mainly pledged as collateral for secured bank loans.

As is customary in Japan, bank loans are extended under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations

that have become due or, in the event of default, against all obligations due to the bank.

(16) Other Financial Liabilities

Other financial liabilities as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)	
	2015	2016
Financial liabilities measured at amortized cost:		
Lease obligations	¥ 82,099	¥ 69,206
Other	41,235	36,020
Financial liabilities measured at fair value through profit or loss:		
Derivatives	47,528	32,338
Total	¥ 170,862	¥ 137,564
Current liabilities	¥ 109,715	¥ 89,809
Non-current liabilities	61,147	47,755
Total	¥ 170,862	¥ 137,564

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(17) Provisions

The components of and changes in provisions for the year ended March 31, 2016 are as follows:

	Yen (millions)		
	Product warranties*	Other	Total
Balance as of April 1, 2015	¥ 421,523	¥ 55,419	¥ 476,942
Provision	¥ 607,646	¥ 23,630	¥ 631,276
Charge-offs	(257,574)	(14,645)	(272,219)
Reversal	(12,907)	(8,363)	(21,270)
Exchange differences on translating foreign operations	(31,247)	(5,272)	(36,519)
Balance as of March 31, 2016	¥ 727,441	¥ 50,769	¥ 778,210

Current liabilities and non-current liabilities of provisions as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	2016
Current liabilities	¥ 294,281	¥ 513,232
Non-current liabilities	182,661	264,978
Total	¥ 476,942	¥ 778,210

Explanatory note:

* Honda recognizes provisions for product warranties to cover future product warranty expenses. Honda recognizes costs for general warranties on products Honda sells and for specific warranty programs, including product recalls. Honda recognizes general estimated warranty costs at the time products are sold to customers. Honda also recognizes specific estimated warranty program costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. These provisions are estimated based on historical warranty claim experience with consideration given to the expected level of future warranty costs as well as current information on repair costs. Provision for product warranties are utilized for expenditures based on the demand from customers and dealers.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(18) Employee Benefits

(a) Post-employment Benefits

Honda has various pension plans covering substantially all of their employees in Japan and certain employees in foreign countries. The Company and its Japanese subsidiaries provide plans similar to a cash balance pension plans or other defined benefit pension plans in accordance with the Defined-Benefit Corporate Pension Act of Japan. The Company and some of its subsidiaries have retirement benefit plans as well as lump-sum retirement benefit plans, in which the amount of benefits is basically determined based on the level of salary, service years, and other factors.

The Company s pension plans are administered by the Honda Pension Fund (the Fund) which is legally independent of the Company. The Director of the Fund has the fiduciary duty to comply with laws, the directives by the Minister of Health, Labour and Welfare, and the Director-Generals of Regional Bureaus of Health and Welfare made pursuant to those laws, and the by-laws of the Fund and the decisions made by the Board of Representatives of the Fund. The Company is required to make contributions to the Fund and obligated to make contributions in the amount stipulated by the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations.

In September 2013, certain consolidated subsidiaries in North America amended their defined benefit pension plans, effective January 1, 2014, to reduce the benefits in future periods for their employees on and after January 1, 2014.

This plan amendment resulted in a reduction of the defined benefit obligation and recognition of the past service cost in a credit to profit or loss at the date of the plan amendment for the consolidated subsidiaries. Due to this plan amendment, Honda recognized ¥62,493 million of past service cost in a credit to profit or loss, of which ¥43,563 million is included in cost of sales and ¥18,930 million is included in selling, general and administrative expense in the consolidated statement of income for the year ended March 31, 2014. Defined benefit obligation and plan asset of defined benefit pension plan have also been remeasured.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

1) Defined benefit obligations and plan assets

The changes in present value of defined benefit obligations and fair value of plan assets of the Company and certain of its consolidated subsidiaries for the years ended March 31, 2015 and 2016 are as follows:

	Yen (millions)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Balance at beginning of year	¥ 1,288,360	¥ 686,885	¥ 1,375,455	¥ 947,430
Current service cost	31,780	17,709	35,426	21,698
Past service cost	(8,377)			66
Interest cost	19,026	32,696	13,611	35,221
Plan participants contributions		34		52
Remeasurements:				
Changes in demographic assumptions	(3,484)	21,002	(11,410)	(10,874)
Changes in financial assumptions	97,640	124,455	101,566	(50,115)
Other	956	4,041	(1,892)	3,080
Benefits paid	(50,446)	(32,836)	(58,335)	(44,539)
Exchange differences on translating foreign operations		93,444		(63,739)
Balance at end of year	¥ 1,375,455	¥ 947,430	¥ 1,454,421	¥ 838,280
Fair value of plan assets:				
Balance at beginning of year	¥ 1,012,039	¥ 654,631	¥ 1,142,515	¥ 798,474
Interest income	15,211	31,486	11,444	29,905
Actual return on plan assets, excluding interest income	111,270	32,612	(19,182)	(42,012)
Employer contributions	54,441	31,763	54,001	32,673
Plan participants contributions		34		52
Benefits paid	(50,446)	(32,836)	(58,335)	(44,539)
Exchange differences on translating foreign operations		80,784		(55,103)
Balance at end of year	¥ 1,142,515	¥ 798,474	¥ 1,130,443	¥ 719,450
Net defined benefit liabilities	¥ 232,940	¥ 148,956	¥ 323,978	¥ 118,830

2) Fair value of plan assets

Honda s investment policies for the Japanese and foreign pension plan assets are designed to maximize total medium-to-long term returns that are available to provide future payments of pension benefits to eligible participants under accepted risks. Plan assets are invested in well-diversified Japanese and foreign individual equity and debt securities using target asset allocations, consistent with accepted tolerance for risks. Honda sets target asset allocations for each asset category with future anticipated performance over medium-to-long term periods based on the expected returns, long-term risks and historical returns. Target asset allocations are adjusted as necessary when there are significant changes in the investment environment of plan assets.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The fair value of the Japanese and foreign pension plan assets by asset category as of March 31, 2015 and 2016 is as follows:

As of March 31, 2015

	Yen (millions)					
	Japanese plans			Foreign plans		
	Market price in active market			Market price in active market		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash and cash equivalents	¥ 11,449	¥	¥ 11,449	¥ 5,297	¥	¥ 5,297
Equity securities:						
Japan	33,962		33,962	17,972		17,972
United States	184,908		184,908	104,415		104,415
Other	214,834	1,096	215,930	105,665	4,256	109,921
Debt securities:						
Japan	73,232		73,232		77	77
United States	3,507	113,318	116,825		110,604	110,604
Other	212,424	13,578	226,002		61,802	61,802
Group annuity insurance:						
General accounts		25,044	25,044			
Separate accounts		14,053	14,053			
Pooled funds:						
Real estate funds					42,889	42,889
Private equity funds					50,730	50,730
Hedge funds		117,356	117,356		42,010	42,010
Commingled and other mutual funds	1,388	112,383	113,771	5,834	229,433	235,267
Other	(13)	9,996	9,983	836	16,654	17,490
Total	¥ 735,691	¥ 406,824	¥ 1,142,515	¥ 240,019	¥ 558,455	¥ 798,474

As of March 31, 2016

	Yen (millions)					
	Japanese plans			Foreign plans		
	Market price in active market			Market price in active market		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash and cash equivalents	¥ 16,393	¥	¥ 16,393	¥ 10,502	¥	¥ 10,502
Equity securities:						
Japan	29,017		29,017	11,970		11,970
United States	187,566		187,566	93,806		93,806
Other	191,042	167	191,209	90,083	3,560	93,643

Debt securities:						
Japan	78,329		78,329			
United States	3,319	115,544	118,863		96,922	96,922
Other	211,575	15,036	226,611		47,203	47,203
Group annuity insurance:						
General accounts		27,784	27,784			
Separate accounts		13,470	13,470			
Pooled funds:						
Real estate funds					45,200	45,200
Private equity funds					61,228	61,228
Hedge funds		108,666	108,666		37,159	37,159
Commingled and other mutual funds	2,819	133,012	135,831	5,907	199,601	205,508
Other	(4)	(3,292)	(3,296)	486	15,823	16,309
Total	¥ 720,056	¥ 410,387	¥ 1,130,443	¥ 212,754	¥ 506,696	¥ 719,450

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

3) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations as of March 31, 2015 and 2016 are as follows:

	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	1.0%	3.4 - 3.9%	0.5%	3.6 - 4.2%
Rate of salary increase	2.1%	2.5 - 3.6%	2.1%	2.5 - 3.6%

4) Sensitivity analysis

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate as of March 31, 2015 and 2016 are as follows:

	Yen (millions)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease	¥ 110,012 increase	¥ 99,873 increase	¥ 114,488 increase	¥ 81,895 increase
0.5% increase	¥ 97,640 decrease	¥ 85,980 decrease	¥ 101,566 decrease	¥ 70,990 decrease

This sensitivity analysis shows changes in defined benefit obligations as of March 31, 2015 and 2016, as a result of changes in actuarial assumptions that the Company can reasonably assume. This analysis is based on provisional calculations, and thus actual results may differ from the analysis. In addition, changes in the rate of salary increase are not expected.

5) Cash flows

The amount of contributions to plan assets made by the Company and certain of its consolidated subsidiaries are determined based on various factors such as the level of salary and service years of employees, status of plan asset reserve, and actuarial calculations. In accordance with the provisions of the Defined Benefit Corporate Pension Act, the Honda Pension Fund also recalculates the amount of contributions every five years at the end of the reporting period as a base date, in an effort to ensure balanced finances in the future. The Company and certain of its consolidated subsidiaries may make contributions of a necessary amount if the amount of reserve falls below the minimum base amount.

The Company and certain of its consolidated subsidiaries expect to contribute ¥53,143 million to its Japanese pension plans and ¥25,069 million to its foreign pension plans in the year ending March 31, 2017.

The weighted average duration of defined benefit obligations as of March 31, 2015 and 2016 are as follows:

	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Weighted average duration of defined benefit obligations	15 years	19 years	15 years	17 years

Certain of the Company s subsidiaries in North America provide mainly health care and life insurance benefits to retired employees. Such benefits have no material effect on Honda s financial position and result of operations.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(b) Personnel Expenses

Personnel expenses included in the consolidated statements of income for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	2015	2016
Personnel expenses	¥ 1,310,624	¥ 1,451,506	¥ 1,497,127

Personnel expenses include salaries, bonuses, social security expenses and expenses relating to post-employment benefits.

(19) Equity

(a) Management of Capital

Honda makes investments in capital and research and development to improve corporate value through growth on a global basis. In order to meet these funding needs, Honda makes capital management through consideration of the balance between financing liabilities and equity.

Financing liabilities and equity of Honda as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	2016
Financing liabilities	¥ 6,759,839	¥ 6,526,248
Equity	7,382,821	7,031,788

(b) Common Stock

The Company s total number of shares authorized and issued for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Shares		
	2014	2015	2016
Total number of authorized shares			
Balance at end of year			
Common shares, no par value	7,086,000,000	7,086,000,000	7,086,000,000
Total number of issued shares			
Balance at beginning of year	1,811,428,430	1,811,428,430	1,811,428,430
Changes during the year			
Balance at end of year	1,811,428,430	1,811,428,430	1,811,428,430

All of the issued shares as of March 31, 2014, 2015 and 2016 have been paid in full.

(c) Capital Surplus and Retained Earnings

Capital surplus consists of surplus that is derived from equity transactions and not recorded in common stock, and its primary component is capital reserves. The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in common stock, and that the remaining shall be incorporated in capital reserves. Capital reserves may be incorporated in common stock upon approval of the General Meeting of Shareholders.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Retained earnings consist of legal reserves and accumulated earnings. The Companies Act of Japan provides that earnings in an amount equal to 10% of cash dividends from retained earnings shall be appropriated as a capital reserve or a legal reserve on the date of distribution of retained earnings until an aggregated amount of capital reserve and legal reserve equals 25% of common stock. Legal reserves may be used upon approval of the General Meeting of Shareholders. Certain foreign consolidated subsidiaries are also required to appropriate their earnings under the laws of respective countries.

(d) Treasury Stock

The total number of the Company s treasury stock held by Honda as of March 31, 2014, 2015 and 2016 is as follows:

	Shares		
	2014	2015	2016
Common shares	9,137,234	9,141,504	9,144,911

Under the Companies Act of Japan, the number of shares and total value of treasury stock acquisition may be determined, upon approval of the General Meeting of Shareholders, within the amount available for distribution. Furthermore, treasury stock may be acquired through market transactions or tender offers in accordance with the articles of incorporation within the conditions set forth in the Companies Act, upon approval of the Board of Directors.

(e) Other Components of Equity

The changes in other components of equity for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)			
	Remeasurements of defined benefit plans	Net changes in revaluation of financial assets measured at fair value through other comprehensive income	Exchange differences on translating foreign operations	Total
Balance as of April 1, 2013	¥	¥ 42,017	¥	¥ 42,017
Adjustment during the year	¥ 87,923	¥ 16,126	¥ 215,954	¥ 320,003
Reclassification to retained earnings	(87,923)	(738)		(88,661)

Balance as of March 31, 2014	¥	¥ 57,405	¥ 215,954	¥ 273,359
Adjustment during the year	¥ (101,467)	¥ 24,906	¥ 498,835	¥ 422,274
Reclassification to retained earnings	101,467	(3,066)		98,401
Balance as of March 31, 2015	¥	¥ 79,245	¥ 714,789	¥ 794,034
Adjustment during the year	¥ (76,342)	¥ (16,456)	¥ (440,313)	¥ (533,111)
Reclassification to retained earnings	76,342	(1,150)		75,192
Balance as of March 31, 2016	¥	¥ 61,639	¥ 274,476	¥ 336,115

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(f) Other Comprehensive Income

Each component of other comprehensive income and related tax effect including non-controlling interests for the years ended March 31, 2014, 2015 and 2016 are as follows:

For the year ended March 31, 2014

	Yen (millions)		
	Before-tax	Tax benefit (expense)	Net-of-tax
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year	¥ 127,331	¥ (44,039)	¥ 83,292
Net changes	127,331	(44,039)	83,292
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	20,586	(7,005)	13,581
Net changes	20,586	(7,005)	13,581
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	6,845	10	6,855
Net changes	6,845	10	6,855
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Amount incurred during the year	194,166	(249)	193,917
Reclassification to profit or loss	(657)	249	(408)
Net changes	193,509		193,509
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	28,013	(953)	27,060
Reclassification to profit or loss	(1)		(1)
Net changes	28,012	(953)	27,059

Total other comprehensive income	¥ 376,283	¥ (51,987)	¥ 324,296

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

For the year ended March 31, 2015

	Yen (millions)		
	Before-tax	**Tax benefit (expense)**	**Net-of-tax**
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year	¥ (130,187)	¥ 28,901	¥ (101,286)
Net changes	(130,187)	28,901	(101,286)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	32,369	(8,362)	24,007
Net changes	32,369	(8,362)	24,007
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(428)	(286)	(714)
Net changes	(428)	(286)	(714)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Amount incurred during the year	465,719	(1)	465,718
Reclassification to profit or loss	57	1	58
Net changes	465,776		465,776
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	59,859	(2,503)	57,356
Reclassification to profit or loss			
Net changes	59,859	(2,503)	57,356
Total other comprehensive income	¥ 427,389	¥ 17,750	¥ 445,139

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

For the year ended March 31, 2016

	Yen (millions)		
	Before-tax	**Tax benefit (expense)**	**Net-of-tax**
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans:			
Amount incurred during the year	¥ (93,561)	¥ 22,852	¥ (70,709)
Net changes	(93,561)	22,852	(70,709)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income:			
Amount incurred during the year	(24,308)	8,511	(15,797)
Net changes	(24,308)	8,511	(15,797)
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(1,554)	280	(1,274)
Net changes	(1,554)	280	(1,274)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Amount incurred during the year	(430,191)		(430,191)
Reclassification to profit or loss	39		39
Net changes	(430,152)		(430,152)
Share of other comprehensive income of investments accounted for using the equity method:			
Amount incurred during the year	(37,554)	929	(36,625)
Reclassification to profit or loss	35	(1)	34
Net changes	(37,519)	928	(36,591)
Total other comprehensive income	¥ (587,094)	¥ 32,571	¥ (554,523)

The components of other comprehensive income included in non-controlling interests for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	2015	2016
Remeasurements of defined benefit plans	¥ (356)	¥ (1,485)	¥ 5,073
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	35	53	(55)
Exchange differences on translating foreign operations	4,614	24,297	(26,430)
Total	¥ 4,293	¥ 22,865	¥ (21,412)

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(g) Dividends from Retained Earnings

The Company distributes retained earnings within the available amount calculated in accordance with the Companies Act of Japan. The amount of retained earnings available for distribution is calculated based on the amount of retained earnings recorded in the Company s non-consolidated accounting records prepared in accordance with accounting principles generally accepted in Japan.

The amounts recognized as dividends of retained earnings for the years ended March 31, 2014, 2015 and 2016 are as follows:

1) Dividend payout

For the year ended March 31, 2014

Resolution	The Ordinary General Meeting of Shareholders on June 19, 2013
Type of shares	Common shares
Total amount of dividends (millions of yen)	34,243
Dividend per share (yen)	19.00
Record date	March 31, 2013
Effective date	June 20, 2013
Resolution	The Board of Directors Meeting on July 31, 2013
Type of shares	Common shares
Total amount of dividends (millions of yen)	36,045
Dividend per share (yen)	20.00
Record date	June 30, 2013
Effective date	August 26, 2013
Resolution	The Board of Directors Meeting on October 30, 2013
Type of shares	Common shares
Total amount of dividends (millions of yen)	36,045
Dividend per share (yen)	20.00
Record date	September 30, 2013
Effective date	November 28, 2013
Resolution	The Board of Directors Meeting on January 31, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	36,045
Dividend per share (yen)	20.00
Record date	December 31, 2013
Effective date	February 27, 2014

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

For the year ended March 31, 2015

Resolution	The Ordinary General Meeting of Shareholders on June 13, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	March 31, 2014
Effective date	June 16, 2014
Resolution	The Board of Directors Meeting on July 29, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	June 30, 2014
Effective date	August 25, 2014
Resolution	The Board of Directors Meeting on October 28, 2014
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	September 30, 2014
Effective date	November 28, 2014
Resolution	The Board of Directors Meeting on January 30, 2015
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	December 31, 2014
Effective date	February 26, 2015

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

For the year ended March 31, 2016

Resolution	The Ordinary General Meeting of Shareholders on June 17, 2015
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	March 31, 2015
Effective date	June 18, 2015
Resolution	The Board of Directors Meeting on July 31, 2015
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	June 30, 2015
Effective date	August 25, 2015
Resolution	The Board of Directors Meeting on November 4, 2015
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	September 30, 2015
Effective date	November 30, 2015
Resolution	The Board of Directors Meeting on January 29, 2016
Type of shares	Common shares
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	December 31, 2015
Effective date	February 26, 2016

2) Dividends payable of which record date was in the year ended March 31, 2016, effective after the period

Resolution	The Ordinary General Meeting of Shareholders on June 16, 2016
Type of shares	Common shares
Resource for dividend	Retained earnings
Total amount of dividends (millions of yen)	39,650
Dividend per share (yen)	22.00
Record date	March 31, 2016
Effective date	June 17, 2016

(20) Sales Revenue

Sales revenue for the years ended March 31, 2014, 2015 and 2016 consists of the following:

	Yen (millions)		
	2014	2015	2016
Sales of products	¥ 11,774,759	¥ 12,465,112	¥ 13,586,565
Revenue from financial services	731,332	862,987	1,014,586
Total	¥ 12,506,091	¥ 13,328,099	¥ 14,601,151

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(21) Research and Development

Research and development costs for the years ended March 31, 2014, 2015 and 2016 consist of the following:

	Yen (millions)		
	2014	2015	2016
Research and development expenditures incurred during the reporting period	¥ 625,698	¥ 670,331	¥ 719,810
Amount capitalized	(153,043)	(188,107)	(190,992)
Amortization of capitalized development costs	125,717	123,938	127,684
Total	¥ 598,372	¥ 606,162	¥ 656,502

(22) Finance Income and Finance Costs

Finance income and finance costs for the years ended March 31, 2014, 2015 and 2016 consist of the following:

	Yen (millions)		
	2014	2015	2016
Interest income:			
Financial assets measured at amortized cost	¥ 23,684	¥ 26,024	¥ 27,348
Financial assets measured at fair value through profit or loss	388	1,013	1,120
Total	24,072	27,037	28,468
Interest expense:			
Financial liabilities measured at amortized cost	(12,803)	(18,194)	(18,146)
Other, net:			
Dividends received:			
Financial assets measured at fair value through other comprehensive income	3,960	3,417	3,955
Financial assets measured at fair value through profit or loss	45	86	3
Gains (losses) on derivatives:			
Financial assets and financial liabilities measured at fair value through profit or loss	(34,225)	(48,323)	35,675
Gains (losses) on foreign exchange	(9,297)	75,413	(42,509)
Other	7,371	101	(1,373)
Total	(32,146)	30,694	(4,249)

Total	¥ (20,877)	¥ 39,537	¥ 6,073

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(23) Income Taxes

(a) Income Tax Expense

Profit before income taxes and income tax expense for the years ended March 31, 2014, 2015 and 2016 consist of the following:

	Yen (millions)								
	2014			2015			2016		
	Japan	Foreign	Total	Japan	Foreign	Total	Japan	Foreign	Total
Profit (loss) before income taxes	¥ 274,255	¥ 659,648	¥ 933,903	¥ 216,757	¥ 589,480	¥ 806,237	¥ (88,987)	¥ 724,437	¥ 635,450
Income tax expense (benefit):									
Current taxes	(3,251)	210,774	207,523	13,022	173,702	186,724	(7,085)	155,031	147,946
Deferred taxes	54,266	6,203	60,469	30,490	27,925	58,415	(767)	81,913	81,146
Total	¥ 51,015	¥ 216,977	¥ 267,992	¥ 43,512	¥ 201,627	¥ 245,139	¥ (7,852)	¥ 236,944	¥ 229,092

The statutory income tax rate in Japan for the years ended March 31, 2014, 2015 and 2016 was 37.9%, 35.1 and 32.5%, respectively. The foreign subsidiaries are subject to taxes based on income at rates ranging from 16.0% to 38.0%.

The Japanese statutory income tax rate for the years ended March 31, 2014, 2015 and 2016 differs from the average effective tax rate for the following reasons:

	2014	2015	2016
Statutory income tax rate[*1]	37.9%	35.1%	32.5%
Difference in statutory income tax rates of foreign subsidiaries	(6.4)	(2.6)	(0.2)
Effects of investments accounted for using the equity method	(5.3)	(4.2)	(6.4)
Effects of undistributed earnings and withholding taxes on royalty	5.1	3.1	8.9
Changes in unrecognized deferred tax assets	0.4	3.0	2.5
Effects of income and expense not taxable and deductible for tax purpose	(0.1)	0.8	0.7
Effects of tax credit	(1.4)	(5.6)	(3.4)
Other adjustments relating to prior years	0.4	(0.4)	1.9
Adjustments for the uncertain tax positions on income taxes[*2]	(3.2)	0.2	0.2
Transfer pricing tax refund[*3]			(3.0)

Adjustments for the changes in income tax laws	0.4	(0.1)	0.5
Other	0.9	1.1	1.9
Average effective tax rate	28.7%	30.4%	36.1%

Explanatory notes:

*1 On March 20, 2014, the National Diet of Japan approved amendments to existing income tax laws and the Special Reconstruction Corporation Tax imposed on companies was abolished for fiscal years beginning on or after April 1, 2014. Upon the change in the laws, the statutory income tax rate in Japan for fiscal years beginning on or after April 1, 2014 was changed to approximately 35%. On March 31, 2015, the National Diet of Japan approved amendments to existing income tax laws. Upon the change in the laws, the statutory income tax rate in Japan was changed to approximately 33% for fiscal years beginning on or after April 1, 2015 and would be changed to approximately 32% for fiscal years beginning on or after April 1, 2016. On

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 29, 2016, the National Diet of Japan approved amendments to existing income tax laws. Upon the change in the laws, the statutory income tax rate in Japan for fiscal years beginning on and after April 1, 2016 was changed to approximately 30%.

*2 Due to the Company s remeasurement based on technical merits regarding transfer pricing matters of overseas transactions between the Company and foreign joint ventures, the Company decreased a liability relating to a portion of uncertain tax positions for the year ended March 31, 2014.

*3 In May 2015, the lawsuit related to transfer pricing involving the Company s transactions with certain consolidated subsidiaries in Brazil was concluded, and it was ruled that the Company shall receive a tax refund with corresponding interest in Japan. As a result, income tax expense decreased by ¥19,145 million for the year ended March 31, 2016.

(b) Deferred Tax Assets and Deferred Tax Liabilities

The components by major factor in deferred tax assets and deferred tax liabilities as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	**2016**
Deferred tax assets:		
Inventories	¥ 79,645	¥ 80,615
Accrued expenses	77,419	72,125
Provisions	144,899	230,661
Property, plant and equipment	40,587	33,912
Intangible assets	23,159	21,705
Retirement benefit liabilities	178,962	193,412
Carryforward of unused tax losses	41,216	33,013
Carryforward of unused tax credit	33,297	18,748
Other	118,043	131,399
Total	¥ 737,227	¥ 815,590
Deferred tax liabilities:		
Property, plant and equipment	¥ 94,407	¥ 104,687
Intangible assets	192,540	200,391
Other financial assets	43,484	33,157
Finance leases	29,131	29,070
Operating leases	867,718	921,697
Undistributed earnings	46,688	50,839
Other	69,600	84,751
Total	¥ 1,343,568	¥ 1,424,592

Net deferred tax assets (liabilities)	¥ (606,341)	¥ (609,002)

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Notes to Consolidated Financial Statements (Continued)

The changes in deferred tax assets and deferred tax liabilities recognized as income tax expense in the consolidated statements of income for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	2015	2016
Inventories	¥ 11,186	¥ (17,791)	¥ (1,737)
Provisions	(14,593)	(35,054)	(95,477)
Property, plant and equipment	2,939	13,800	23,520
Retirement benefit liabilities	32,393	8,075	1,752
Operating leases	12,823	50,899	115,217
Undistributed earnings	1,628	9,632	6,796
Carryforward of unused tax losses	34,455	22,150	6,339
Carryforward of unused tax credit	(12,427)	(3,311)	13,341
Other	(7,935)	10,015	11,395
Total	¥ 60,469	¥ 58,415	¥ 81,146

Honda considers the probability that a portion of, or all of, the deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit can be utilized against future taxable profits in the recognition of deferred tax assets. In assessing recoverability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning strategies. Based upon the level of historical taxable profit and projections for future taxable profit over the periods for which the deferred tax assets are deductible, management believes it is probable that Honda will utilize the benefits of these deferred tax assets as of March 31, 2015 and 2016. Uncertainty of estimates of future taxable profit could increase due to changes in the economic environment surrounding Honda, effects by market conditions, effects of currency fluctuations or other factors. Deferred tax assets recognized by entities that have suffered a loss in either the current or preceding period is ¥82,593 million as of March 31, 2016.

Deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credit for which deferred tax assets are not recognized as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	2016
Deductible temporary differences	¥ 281,560	¥ 279,347
Carryforward of unused tax losses	199,204	206,472
Carryforward of unused tax credit	24,632	17,833

The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	2016
Within 1 year	¥	¥ 1,083
Between 1 and 5 years	25,571	56,603
Between 5 and 20 years	56,609	46,979
Indefinite periods	117,024	101,807
Total	¥ 199,204	¥ 206,472

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Notes to Consolidated Financial Statements (Continued)

The components by expiry of the carryforward of unused tax credits for which deferred tax assets are not recognized as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	**2016**
Within 1 year	¥	¥
Between 1 and 5 years	15,242	2,217
Between 5 and 20 years	9,390	15,616
Indefinite periods		
Total	¥ 24,632	¥ 17,833

The aggregate amounts of temporary differences relating to investments in subsidiaries and interests in joint ventures for which deferred tax liabilities are not recognized as of March 31, 2015 and 2016 are ¥4,164,009 million and ¥4,142,632 million, respectively.

(24) Earnings Per Share

Earnings per share attributable to owners of the parent for the years ended March 31, 2014, 2015 and 2016 are calculated based on the following information. There were no potentially dilutive common shares outstanding for the years ended March 31, 2014, 2015 and 2016.

	2014	**2015**	**2016**
Profit for the year attributable to owners of the parent (millions of yen)	¥ 624,703	¥ 509,435	¥ 344,531
Weighted average number of common shares outstanding, basic (shares)	1,802,294,383	1,802,289,321	1,802,285,138
Basic earnings per share attributable to owners of the parent (yen)	¥ 346.62	¥ 282.66	¥ 191.16

(25) Financial Risk Management

(a) Risk Management

Honda has manufacturing operations throughout the world and sells products and components to various countries. In the course of these activities, Honda holds trade receivables arising from business activities, receivables from financial services, trade payables and financing liabilities, and is thus exposed to market risk, credit risk and liquidity risk associated with the holding of such financial instruments.

These risks are evaluated by Honda through periodic monitoring.

(b) Market Risk

Honda is exposed to the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in foreign currency exchange rates and interest rates.

Honda uses derivatives that consist mainly of foreign currency forward exchange contracts, foreign currency option contracts, currency swap agreements and interest rate swap agreements to reduce primarily the risk that future cash flows of a financial instrument fluctuates because of changes in foreign currency exchange rates and interest rates.

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Notes to Consolidated Financial Statements (Continued)

Derivatives are used within the scope of actual demand, in accordance with risk management policies. In addition, Honda does not hold any derivatives for trading purpose.

1) Foreign currency exchange rate risk

Honda has manufacturing operations throughout the world 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 profit and the value of the financial instruments it holds.

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

(Foreign currency exchange rate risk sensitivity analysis)

Sensitivity analysis of Honda s foreign currency exchange rate risk associated with holding financial instruments as of March 31, 2015 and 2016 is as follows.

The following scenario demonstrates the impact of a 1% appreciation of the Japanese yen against the U.S. dollar on profit before income taxes, holding all variables other than the foreign currency exchange rate constant.

	Yen (millions)	
	2015	2016
Impact on profit before income taxes	¥(895)	¥(736)

2) Interest rate risk

Honda is exposed to market risk for changes in interest rates related primarily to its debt obligations and receivables from financial services. In addition to short-term financing such as commercial paper, Honda has long-term debt with both fixed and floating rates. Honda s receivables from financial services primarily use fixed rates. Interest rate swap agreements are mainly used to manage interest rate risk exposure of receivables from financial services and to match finance costs with finance income. Currency swap agreements used among different currencies,

also serve to hedge foreign currency exchange risk as well as interest rate risk.

(Interest rate risk sensitivity analysis)

Sensitivity analysis of Honda s interest rate risk associated with holding financial instruments as of March 31, 2015 and 2016 is as follows.

The following scenario demonstrates the impact of a 100 basis point rise in interest rates on profit before income taxes, holding all variables other than interest rates constant.

	Yen (millions)	
	2015	**2016**
Impact on profit before income taxes	¥ 3,781	¥ (4,879)

3) Equity price risk

Honda is exposed to equity price risk as a result of its holdings of marketable equity securities. Marketable equity securities are held for purposes other than trading, and are mainly classified into financial assets measured at fair value through other comprehensive income.

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(c) Credit Risk

Honda is exposed to the risk that one party to a financial instrument causes a financial loss for the other party by failing to discharge an obligation. Honda reduces the risk of financial assets other than derivatives in accordance with credit administration rules. Honda reduces the risk of derivatives by limiting the counterparties to major international banks and financial institutions that meet the internally established credit guidelines.

The credit risk is mainly in receivables from financial services. Credit risk of the portfolio of consumer finance receivables can be affected by general economic conditions. Adverse changes such as a rise in unemployment rates can increase the likelihood of defaults. Declines in used vehicle prices can reduce the amount of recoveries on repossessed collaterals. The finance subsidiaries of the Company manage exposures to credit risk in consumer finance receivables by monitoring and adjusting underwriting standards, which affect the level of credit risk that Honda assumes, pricing contracts for expected losses, and focusing collection efforts to minimize losses.

Credit risk on dealer finance receivables is affected primarily by the financial strength of the dealers within the portfolio, the value of collateral securing the financings, and economic and market factors that could affect the creditworthiness of dealers. The finance subsidiaries of the Company manage exposures to credit risk in dealer finance receivables by performing comprehensive reviews of dealers prior to establishing financing arrangements and continuously monitoring the payment performance and creditworthiness of these dealers.

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

1) Aging analysis of receivables from financial services

At the finance subsidiaries of the Company in North America, consumer finance receivables are considered delinquent if more than 10% of a monthly scheduled payment is contractually past due on a cumulative basis. Dealer finance receivables are considered delinquent when any principal payments are past due. At the finance subsidiaries of the Company in other areas except for North America, finance receivables are considered delinquent when any principal payments are past due.

The analysis of the age of receivables from financial services that are past due as of March 31, 2015 and 2016 is as follows:

	Yen (millions)				
As of March 31, 2015	**Less than 30 days past due**	**30-59 days past due**	**60-89 days past due**	**90 days and greater past due**	**Total**
Consumer finance receivables:					
Retail	¥ 182,205	¥ 26,100	¥ 3,717	¥ 4,433	¥ 216,455
Finance lease	3,402	1,039	183	340	4,964
Dealer finance receivables:					
Wholesale	17,776	61	39	236	18,112
Total	¥ 203,383	¥ 27,200	¥ 3,939	¥ 5,009	¥ 239,531

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	Yen (millions)				
As of March 31, 2016	**Less than 30 days past due**	**30-59 days past due**	**60-89 days past due**	**90 days and greater past due**	**Total**
Consumer finance receivables:					
Retail	¥ 187,568	¥ 30,246	¥ 5,269	¥ 4,428	¥ 227,511
Finance lease	2,657	713	148	144	3,662
Dealer finance receivables:					
Wholesale	16,437	170	42	475	17,124
Total	¥ 206,662	¥ 31,129	¥ 5,459	¥ 5,047	¥ 248,297

2) Credit quality indicators

The collection experience of consumer finance receivables provides an indication of the credit quality of consumer finance receivables. The likelihood of accounts being charged off becomes significantly higher once an account becomes 60 days delinquent. Accordingly, the finance subsidiaries of the Company classify their portfolios of consumer finance receivables into groups the finance subsidiaries of the Company consider to be performing and nonperforming. Accounts that are delinquent for 60 days or greater are included in the nonperforming group and all other accounts are considered to be performing.

A credit quality indicator for dealer finance receivables is the internal risk ratings for the dealerships. Dealerships are assigned an internal risk rating based primarily on their financial condition. At a minimum, risk ratings for dealerships are updated annually and more frequently for dealerships with weaker risk ratings.

3) Maximum exposure to credit risk

The maximum exposure to credit risk at the end of each reporting period, with the exception of the guarantees stated in note 28 is the carrying amount of Honda s financial assets.

(d) Liquidity Risk

Honda raises funds by commercial paper, bank loans, medium-term notes, corporate bonds and securitization of finance receivables. Honda is exposed to the liquidity risk that Honda would not be able to repay liabilities on the due date due to the deterioration of the financing

environment.

Exposure to liquidity risk is managed by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet. Honda meets its working capital targets primarily through cash generated by business operations and bank loans. Honda funds financial programs for customers and dealers primarily from commercial paper, bank loans, medium-term notes, corporate bonds and securitization of finance receivables.

The unused portions of the credit facility of Honda s commercial paper and medium-term note programs as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	**2016**
Commercial paper	¥ 730,641	¥ 801,487
Medium-term notes	2,320,077	1,692,548
Total	¥ 3,050,718	¥ 2,494,035

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Honda is authorized to obtain financing at prevailing interest rates under these programs.

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, Honda has sufficient committed lines of credit that serve as alternative liquidity for the commercial paper issued regularly to replace debt.

The unused portions of the committed lines of credit extended by financial institutions to Honda as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	**2016**
Commercial paper programs	¥ 1,166,509	¥ 1,100,840
Other	63,151	61,703
Total	¥ 1,229,660	¥ 1,162,543

Borrowings under those committed lines of credit generally are available at the prime interest rate.

Maturity analysis of financial liabilities

1) Non-derivative financial liabilities

Non-derivative financial liabilities by maturity as of March 31, 2015 and 2016 are as follows:

	Yen (millions)				
As of March 31, 2015	**Carrying amount**	**Within 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total contractual cash flows**
Trade payables	¥ 1,157,738	¥ 1,157,738	¥	¥	¥ 1,157,738
Financing liabilities	6,759,839	2,910,762	3,906,753	171,118	6,988,633
Accrued expenses	377,372	377,372			377,372
Other financial liabilities	123,334	68,198	41,926	15,154	125,278

Total	¥ 8,418,283	¥ 4,514,070	¥ 3,948,679	¥ 186,272	¥ 8,649,021

	Yen (millions)				
As of March 31, 2016	**Carrying amount**	**Within 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total contractual cash flows**
Trade payables	¥ 1,128,041	¥ 1,128,041	¥	¥	¥ 1,128,041
Financing liabilities	6,526,248	2,873,706	3,620,478	261,980	6,756,164
Accrued expenses	384,614	384,614			384,614
Other financial liabilities	105,226	57,828	35,619	12,317	105,764
Total	¥ 8,144,129	¥ 4,444,189	¥ 3,656,097	¥ 274,297	¥ 8,374,583

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2) Derivative financial liabilities

Derivative financial liabilities by maturity as of March 31, 2015 and 2016 are as follows:

	Yen (millions)			
As of March 31, 2015	**Within 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total contractual cash flows**
Derivative financial liabilities	¥ 29,581	¥ 26,547	¥ 1	¥ 56,129

	Yen (millions)			
As of March 31, 2016	**Within 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total contractual cash flows**
Derivative financial liabilities	¥ 16,664	¥ 21,895	¥ 2,252	¥ 40,811

(26) Fair Value

(a) Definition of Fair Value Hierarchy

Honda uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
Level 3	Unobservable inputs for the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety. Honda recognizes the transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(b) Method of Fair Value Measurement

The fair values of assets and liabilities are determined based on relevant market information and through the use of an appropriate valuation method.

The measurement methods and assumptions used in the measurement of assets and liabilities are as follows:

(Cash and cash equivalents, trade receivables and trade payables)

The fair values approximate their carrying amounts due to their short-term maturities.

(Receivables from financial services)

The fair value of receivables from financial services is measured primarily by discounting future cash flows using the current interest rates applicable for these receivables of similar remaining maturities. Fair value measurement for receivables from financial services is classified as Level 3.

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(Debt securities)

Debt securities consist mainly of mutual funds, corporate bonds, local bonds and auction rate securities.

The fair value of mutual funds with an active market is measured by using quoted market prices. Fair value measurement for mutual funds with an active market is classified as Level 1.

The fair values of corporate bonds and local bonds are measured based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair value measurements for corporate bonds and local bonds are classified as Level 2.

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

(Equity securities)

The fair value of equity securities with an active market is measured by using quoted market prices. Fair value measurement for equity securities with an active market is classified as Level 1.

The fair value of equity securities with no active market is measured mainly by using the comparable company valuation method and other appropriate valuation methods. Fair value measurement for equity securities with no active market is classified as Level 3.

Price book-value ratio (PBR) of a comparable company are used as a significant unobservable input in the fair value measurement of equity securities classified as Level 3. The fair value increases (decreases) as PBR of a comparable company rise (decline). Such fair value measurements are conducted in accordance with the group accounting policy approved by the appropriate person of authority and based upon valuation methods determined by a valuator.

(Derivatives)

Derivatives consist mainly of foreign currency forward exchange contracts, foreign currency option contracts, currency swap agreements and interest rate swap agreements.

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

The credit risk of the counterparties is considered in the valuation of derivatives.

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(Financing liabilities)

The fair value of financing liabilities is measured by discounting future cash flows using interest rates currently available for liabilities of similar terms and remaining maturities. Fair value measurement of financing liabilities is mainly classified as Level 2.

(c) Assets and Liabilities Measured at Fair Value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and 2016 consist of the following:

	Yen (millions)			
As of March 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥	¥ 6,199	¥	¥ 6,199
Interest rate instruments		28,399		28,399
Total		34,598		34,598
Debt securities	17,665	33,481	8,172	59,318
Financial assets measured at fair value through other comprehensive income:				
Equity securities	170,641		14,242	184,883
Total	¥ 188,306	¥ 68,079	¥ 22,414	¥ 278,799
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥	¥ 33,429	¥	¥ 33,429
Interest rate instruments		14,099		14,099
Total		47,528		47,528
Total	¥	¥ 47,528	¥	¥ 47,528

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2015.

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	Yen (millions)			
As of March 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥	¥ 19,390	¥	¥ 19,390
Interest rate instruments		30,632		30,632
Total		50,022		50,022
Debt securities	17,790	33,684	5,521	56,995
Financial assets measured at fair value through other comprehensive income:				
Equity securities	142,943		10,370	153,313
Total	¥ 160,733	¥ 83,706	¥ 15,891	¥ 260,330
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	¥	¥ 19,102	¥	¥ 19,102
Interest rate instruments		13,236		13,236
Total		32,338		32,338
Total	¥	¥ 32,338	¥	¥ 32,338

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2016.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2015 and 2016 are as follows:

	Yen (millions)	
For the year ended March 31, 2015	**Debt securities**	**Equity securities**
Balance as of April 1, 2014	¥ 6,999	¥ 13,156
Total gains or losses:		
Profit or loss	16	
Other comprehensive income		2,333
Purchases		1
Sales		(1,353)
Exchange differences on translating foreign operations	1,157	105

Balance as of March 31, 2015	¥ 8,172	¥ 14,242
Unrealized gains or losses included in profit or loss on assets held at March 31, 2015	¥ 16	¥

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	Yen (millions)	
For the year ended March 31, 2016	**Debt securities**	**Equity securities**
Balance as of April 1, 2015	¥ 8,172	¥ 14,242
Total gains or losses:		
Profit or loss	(120)	
Other comprehensive income		(1,957)
Purchases		
Sales	(2,163)	(1,530)
Exchange differences on translating foreign operations	(368)	(385)
Balance as of March 31, 2016	¥ 5,521	¥ 10,370
Unrealized gains or losses included in profit or loss on assets held at March 31, 2016	¥ (120)	¥

Explanatory notes:

1. Gains or losses included in profit or loss for the years ended March 31, 2015 and 2016 are included in other, net in finance income and finance costs in the consolidated statements of income.
2. Gains or losses included in other comprehensive income for the years ended March 31, 2015 and 2016 are included in net changes in revaluation of financial assets measured at fair value through other comprehensive income in the consolidated statements of comprehensive income.

(d) Financial Assets and Financial Liabilities measured at amortized cost

The carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost as of March 31, 2015 and 2016 are as follows:

	Yen (millions)			
	2015		**2016**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Receivables from financial services	¥ 5,683,605	¥ 5,714,504	¥ 5,008,068	¥ 5,007,065
Debt securities	18,231	18,235	40,670	40,670
Financing liabilities	6,759,839	6,825,427	6,526,248	6,579,620

The table does not include financial assets and financial liabilities measured at amortized cost whose fair values approximate their carrying amounts.

(e) Assets and Liabilities Measured at Fair Value on a non-recurring basis

Honda did not have significant assets and liabilities measured at fair value on a nonrecurring basis as of March 31, 2015. For the year ended March 31, 2016, the Company measured certain investments accounted for using the equity method at fair value on a nonrecurring basis due to the recognition of impairment losses (note 10). As of March 31, 2016, the carrying amounts of investments accounted for using the equity method measured at fair value on a nonrecurring basis are ¥62,706 million and are measured by using quoted market prices. Fair value measurements for the investments are classified as Level 1.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(27) Offsetting of Financial Assets and Financial Liabilities

The offsetting information regarding financial assets and financial liabilities as of March 31, 2015 and 2016 is as follows:

	Yen (millions)				
As of March 31, 2015	**Gross amounts of recognized financial assets and financial liabilities**	**Amounts offset in the consolidated statements of financial position**	**Net amounts presented in the consolidated statements of financial position**	**Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement**	**Net Amounts**
Other financial assets					
Derivatives	¥ 34,598	¥	¥ 34,598	¥ (11,603)	¥ 22,995
Other financial liabilities					
Derivatives	47,528		47,528	(11,603)	35,925

	Yen (millions)				
As of March 31, 2016	**Gross amounts of recognized financial assets and financial liabilities**	**Amounts offset in the consolidated statements of financial position**	**Net amounts presented in the consolidated statements of financial position**	**Amounts not offset due to not meeting offsetting criteria despite being subject to a master netting agreement or similar agreement**	**Net Amounts**
Other financial assets					
Derivatives	¥ 50,022	¥	¥ 50,022	¥ (14,423)	¥ 35,599
Other financial liabilities					
Derivatives	32,338		32,338	(14,423)	17,915

Generally, the set-off rights on financial instruments that do not meet the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfill its obligations due to bankruptcy and other reasons.

(28) Commitments and Contingent Liabilities

(a) Commitments

1) Purchase commitments

Commitments for purchases of property, plant and equipment and other commitments as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	**2016**
Commitments for purchases of property, plant and equipment and other commitments	¥ 131,843	¥ 98,584

2) Non-cancellable lease commitments

Honda is the lessee under several operating leases, primarily for office and other facilities, and certain office equipment.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Future minimum lease payments under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	2016
Within 1 year	¥ 21,178	¥ 18,263
Between 1 and 5 years	40,912	31,715
Later than 5 years	31,448	24,485
Total	¥ 93,538	¥ 74,463

Lease payments under operating leases recognized as expenses for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	2015	2016
Lease payments under operating leases recognized as expenses	¥ 33,681	¥ 37,163	¥ 32,934

(b) Guarantees

Honda has entered into various guarantee agreements, which mainly consist of loan commitments to dealers and guarantees of bank loans of employees for their housing costs. The undiscounted maximum amount of payment for Honda s major guarantee obligations as of March 31, 2015 and 2016 is as follows:

	Yen (millions)	
	2015	2016
Loan commitments	¥ 138,995	¥ 125,621
Guarantee of employee loans	¥ 22,157	¥ 19,125

1) Loan commitments

Honda maintains unused balances on committed lines to dealers based on loan commitment contracts. Although committed lines have been extended, they will not necessarily be withdrawn, as certain contracts contain terms and conditions of withdrawal that require screening of the obligor s credit standing.

2) Guarantee of employee loans

Honda guarantees the bank loans of employees for their housing costs. If an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. As of March 31, 2016, no amount has been accrued for any estimated losses under the obligations, as it is probable that the employees will be able to make all scheduled payments.

(c) Claims and Lawsuits

Honda is subject to potential liability under various lawsuits and claims. Honda recognizes a provision for loss contingencies when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Honda reviews these pending lawsuits and claims periodically and adjusts the amounts recognized 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.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

With respect to product liability, personal injury claims or lawsuits, Honda believes that any judgment that may be recovered by any plaintiff for general and special damages and court costs will be adequately covered by Honda s insurance and provision. Punitive damages are claimed in certain of these lawsuits.

After consultation with legal counsel, and taking into account all known factors pertaining to existing lawsuits and claims, Honda believes that the ultimate outcome of such lawsuits and pending claims should not result in liability to Honda that would be likely to have an adverse material effect on its consolidated financial position or results of operations.

Loss related to airbag inflators

Honda has been conducting market-based measures in relation to airbag inflators. Honda recognizes a provision for specific warranty costs when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. There is a possibility that Honda will need to recognize additional provisions when new evidence related to the product recalls arise, however, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report.

In the United States and Canada, various class action lawsuits and civil lawsuits related to the above mentioned market-based measures have been filed against Honda. The plaintiffs have claimed for properly functioning airbag inflators, compensation of economic losses including incurred costs and the decline in the value of vehicles, as well as punitive damages. Most of the class action lawsuits in the United States were transferred to the United States District Court for the Southern District of Florida and consolidated into a multidistrict litigation.

Honda did not recognize a provision for loss contingencies because the conditions for a provision have not been met as of the date of this report. Therefore, it is not possible for Honda to reasonably estimate the amount and timing of potential future losses as of the date of this report because there are some uncertainty, such as the period when these lawsuits will be concluded.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(29) Structured Entities

Honda considers whether its control over structured entities exists under IFRS 10 Consolidated Financial Statements . Honda consolidates structured entities over which it has control, by comprehensively determining whether its control over the entity exists based on any contractual arrangements with such entity as well as the percentage of its voting or similar rights in the entity.

The finance subsidiaries of the Company periodically securitize finance receivables for liquidity and funding purposes and transfer finance receivables to a trust which is newly established to issue asset-backed securities. The finance subsidiaries of the Company are deemed to have the power to direct the activities of these trusts that most significantly impact the trusts economic performance, as they retain servicing rights in all securitizations, and manage delinquencies and defaults of the underlying receivables. Furthermore, the finance subsidiaries of the Company are deemed to have the obligation to absorb losses of these trusts that could potentially be significant to these trusts, as they would absorb the majority of the expected losses of these trusts by retaining certain subordinated interests of these trusts. Therefore, the Company is deemed to have substantial control over these trusts and has consolidated them, as structured entities over which it has control.

The creditors of these trusts do not have recourse to the finance subsidiaries general credit with the exception of representations and warranties customary in the industry provided by the finance subsidiaries to these trusts.

There were no significant unconsolidated structured entities as of March 31, 2015 and 2016.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(30) Related Parties

(a) Related Party Transactions

Honda mainly purchases materials, supplies and services from affiliates and joint ventures, and sells finished goods, parts used in its products, equipment and services to them in the ordinary course of business. Transactions with affiliates and joint ventures are generally made at values that approximate arm s-length prices.

The balances of receivables and payables with affiliates and joint ventures as of March 31, 2015 and 2016 are as follows:

	Yen (millions)	
	2015	**2016**
Receivables:		
Affiliates	¥ 28,930	¥ 26,178
Joint ventures	198,818	220,429
Total	¥ 227,748	¥ 246,607
Payables:		
Affiliates	¥ 125,195	¥ 129,788
Joint ventures	26,874	28,801
Total	¥ 152,069	¥ 158,589

The amount of the transactions with affiliates and joint ventures for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	**2015**	**2016**
Sales revenue:			
Affiliates	¥ 150,832	¥ 142,029	¥ 140,274
Joint ventures	470,111	474,313	557,867
Total	¥ 620,943	¥ 616,342	¥ 698,141
Purchase:			

Affiliates	¥ 1,048,215	¥ 1,155,908	¥ 1,349,971
Joint ventures	118,973	133,774	122,529
Total	¥ 1,167,188	¥ 1,289,682	¥ 1,472,500

(b) Compensation to Key Management

Compensation paid to the directors of the Company for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (millions)		
	2014	**2015**	**2016**
Remuneration	¥ 712	¥ 653	¥ 724
Bonus	283	252	251
Total	¥ 995	¥ 905	¥ 975

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(c) Major Consolidated Subsidiaries

Major consolidated subsidiaries as of March 31, 2016 are as follows:

Company	Country of Incorporation	Function	Percentage Ownership and Voting Interest
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
Honda Finance Co., Ltd.	Japan	Finance	100.0
American Honda Motor Co., Inc.	U.S.A.	Sales	100.0
Honda Aero., Inc.	U.S.A.	Manufacturing	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 Aircraft Company, LLC	U.S.A.	Research & Development, Manufacturing and Sales	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 Bank GmbH	Germany	Finance	100.0
Honda Turkiye A.S	Turkey	Manufacturing and 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 Cars India Limited	India	Manufacturing and Sales	100.0
P.T. Honda Precision Parts Manufacturing	Indonesia	Manufacturing	100.0
P.T. Honda Prospect Motor	Indonesia	Manufacturing and Sales	51.0
Honda Malaysia Sdn Bhd	Malaysia	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	83.0
A.P. Honda Co., Ltd.	Thailand	Sales	61.0
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 MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(31) Approval of Release of Consolidated Financial Statements

The release of the consolidated financial statements was approved by Takahiro Hachigo, President, Chief Executive Officer and Representative Director and Kohei Takeuchi, Director and Chief Operating Officer for Business Management Operations on June 23, 2016.

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Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for the filing of Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

HONDA GIKEN KOGYO

KABUSHIKI KAISHA

(HONDA MOTOR CO., LTD.)

By: /s/ Takahiro Hachigo
Takahiro Hachigo

President, Chief Executive Officer and

Representative Director

Date: June 23, 2016
Tokyo, Japan

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INDEX OF 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 JPMorgan Chase Bank, N.A.), 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

(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.