

HONDA MOTOR CO LTD  
Form 6-K  
September 19, 2012  
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No.1-7628

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF August 2012

COMMISSION FILE NUMBER: 1-07628

## HONDA GIKEN KOGYO KABUSHIKI KAISHA

(Name of registrant)

## HONDA MOTOR CO., LTD.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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



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**Exhibit 1:**

Honda Motor Co., Ltd. filed its consolidated financial statements for the fiscal three months ended June 30, 2012 with Financial Services Agency in Japan.

**Exhibit 2:**

Honda Motor Co., Ltd. corrects the English language translation of its financial press release for the fiscal first quarter ended June 30, 2012.

EXPLANATORY NOTE

Exhibit 2 is hereby furnished by Honda Motor Co., Ltd. under this Form 6-K to amend its English language translation of its financial press release for the fiscal first quarter ended June 30, 2012, which was originally furnished to the Securities and Exchange Commission on August 7, 2012 as Exhibit 4 under the cover of Form 6-K.

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

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(HONDA MOTOR CO., LTD.)

/s/ Fumihiko Ike  
Fumihiko Ike  
Senior Managing Officer and Director  
Chief Financial Officer  
Honda Motor Co., Ltd.

Date: September 19, 2012

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2012

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

March 31, 2012 and June 30, 2012

| Assets   | Yen (millions)               |                               |
|--|------------------------------|-------------------------------|
|  | March 31,<br>2012<br>audited | June 30,<br>2012<br>unaudited |
| Current assets:  |                              |                               |
| Cash and cash equivalents  | ¥ 1,247,113                  | ¥ 1,133,944                   |
| Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥7,293 million at March 31, 2012 and ¥6,694 million at June 30, 2012 (note 3) | 812,155                      | 806,273                       |
| Finance subsidiaries-receivables, net (notes 2 and 3)  | 1,081,721                    | 1,064,673                     |
| Inventories (note 4)   | 1,035,779                    | 1,062,688                     |
| Deferred income taxes  | 188,755                      | 166,861                       |
| Other current assets (notes 3, 5 and 7)  | 373,563                      | 314,635                       |
| Total current assets   | 4,739,086                    | 4,549,074                     |
| Finance subsidiaries-receivables, net (notes 2 and 3)  | 2,364,393                    | 2,293,886                     |
| Investments and advances:  |                              |                               |
| Investments in and advances to affiliates  | 434,744                      | 455,925                       |
| Other, including marketable equity securities (notes 3 and 5)  | 188,863                      | 170,254                       |
| Total investments and advances   | 623,607                      | 626,179                       |
| Property on operating leases:  |                              |                               |
| Vehicles   | 1,773,375                    | 1,762,510                     |
| Less accumulated depreciation  | 300,618                      | 288,307                       |
| Net property on operating leases   | 1,472,757                    | 1,474,203                     |
| Property, plant and equipment, at cost:  |                              |                               |
| Land   | 488,265                      | 485,690                       |
| Buildings  | 1,492,823                    | 1,523,523                     |
| Machinery and equipment  | 3,300,727                    | 3,289,434                     |
| Construction in progress   | 191,107                      | 170,138                       |
|  | 5,472,922                    | 5,468,785                     |
| Less accumulated depreciation and amortization   | 3,499,464                    | 3,493,376                     |
| Net property, plant and equipment  | 1,973,458                    | 1,975,409                     |
| Other assets, net of allowance for doubtful accounts of ¥23,036 million at March 31, 2012 and ¥23,008 million at June 30, 2012 (notes 3 and 7)               | 607,458                      | 603,774                       |
| Total assets   | ¥ 11,780,759                 | ¥ 11,522,525                  |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

March 31, 2012 and June 30, 2012

| Liabilities and Equity   | Yen (millions)               |                               |
|--|------------------------------|-------------------------------|
|  | March 31,<br>2012<br>audited | June 30,<br>2012<br>unaudited |
| <b>Current liabilities:</b>  |                              |                               |
| Short-term debt  | ¥ 964,848                    | ¥ 1,023,616                   |
| Current portion of long-term debt  | 911,395                      | 825,471                       |
| Trade payables:  |                              |                               |
| Notes  | 26,499                       | 28,130                        |
| Accounts   | 942,444                      | 807,230                       |
| Accrued expenses (note 8)  | 489,110                      | 451,072                       |
| Income taxes payable   | 24,099                       | 39,229                        |
| Other current liabilities (note 7)   | 221,364                      | 232,689                       |
| <b>Total current liabilities</b>   | <b>3,579,759</b>             | <b>3,407,437</b>              |
| Long-term debt, excluding current portion  | 2,235,001                    | 2,140,007                     |
| Other liabilities (note 8)   | 1,437,709                    | 1,397,578                     |
| <b>Total liabilities</b>   | <b>7,252,469</b>             | <b>6,945,022</b>              |
| <b>Equity:</b>   |                              |                               |
| Honda Motor Co., Ltd. shareholders' equity:  |                              |                               |
| Common stock, authorized 7,086,000,000 shares at March 31, 2012 and at June 30, 2012; issued 1,811,428,430 shares at March 31, 2012 and at June 30, 2012 | 86,067                       | 86,067                        |
| Capital surplus  | 172,529                      | 172,529                       |
| Legal reserves   | 47,184                       | 47,326                        |
| Retained earnings (note 9(a))  | 5,769,029                    | 5,873,576                     |
| Accumulated other comprehensive income (loss), net (notes 5 and 7)   | (1,646,078)                  | (1,703,789)                   |
| Treasury stock, at cost 9,128,871 shares at March 31, 2012 and 9,128,996 shares at June 30, 2012   | (26,117)                     | (26,117)                      |
| <b>Total Honda Motor Co., Ltd. shareholders' equity</b>  | <b>4,402,614</b>             | <b>4,449,592</b>              |
| Noncontrolling interests   | 125,676                      | 127,911                       |
| <b>Total equity</b>  | <b>4,528,290</b>             | <b>4,577,503</b>              |
| <b>Commitments and contingent liabilities (note 8)</b>   |                              |                               |
| <b>Total liabilities and equity</b>  | <b>¥ 11,780,759</b>          | <b>¥ 11,522,525</b>           |

See accompanying notes to consolidated financial statements.





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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2011 and 2012

|   | Yen (millions)                |                               |
|---|-------------------------------|-------------------------------|
|   | June 30,<br>2011<br>unaudited | June 30,<br>2012<br>unaudited |
| Net income  | ¥ 34,031                      | ¥ 137,679                     |
| Other comprehensive income (loss), net of tax:                      |                               |                               |
| Adjustments from foreign currency translation                       | (36,590)                      | (50,448)                      |
| Unrealized gains (losses) on available-for-sale securities, net     | 3,305                         | (9,808)                       |
| Unrealized gains (losses) on derivative instruments, net            | 115                           | 139                           |
| Pension and other postretirement benefits adjustments               | 1,706                         | 2,363                         |
| Other comprehensive income (loss), net of tax                       | (31,464)                      | (57,754)                      |
| Comprehensive income  | 2,567                         | 79,925                        |
| Less: Comprehensive income attributable to noncontrolling interests | 2,151                         | 5,913                         |
| Comprehensive income attributable to Honda Motor Co., Ltd.          | ¥ 416                         | ¥ 74,012                      |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the three months ended June 30, 2011 and 2012

|   | Yen (millions)                |                               |
|---|-------------------------------|-------------------------------|
|   | June 30,<br>2011<br>unaudited | June 30,<br>2012<br>unaudited |
| Cash flows from operating activities:   |                               |                               |
| Net income  | ¥ 34,031                      | ¥ 137,679                     |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                               |                               |
| Depreciation excluding property on operating leases   | 77,459                        | 70,473                        |
| Depreciation of property on operating leases  | 51,679                        | 58,105                        |
| Deferred income taxes   | 1,428                         | 41,962                        |
| Equity in income of affiliates  | (28,638)                      | (20,732)                      |
| Dividends from affiliates   | 9,806                         | 11,416                        |
| Provision for credit and lease residual losses on finance subsidiaries-receivables          | 1,137                         | 1,884                         |
| Impairment loss on investments in securities  | 193                           |                               |
| Impairment loss on property on operating leases   |                               | 149                           |
| Loss (gain) on derivative instruments, net  | (10,434)                      | (29,166)                      |
| Decrease (increase) in assets:  |                               |                               |
| Trade accounts and notes receivable   | 144,351                       | (22,137)                      |
| Inventories   | 90,193                        | (52,945)                      |
| Other current assets  | 70,907                        | 67,630                        |
| Other assets  | 4,149                         | (14,114)                      |
| Increase (decrease) in liabilities:   |                               |                               |
| Trade accounts and notes payable  | (147,329)                     | (70,457)                      |
| Accrued expenses  | (61,496)                      | (23,605)                      |
| Income taxes payable  | (5,626)                       | 15,567                        |
| Other current liabilities   | (13,613)                      | 23,050                        |
| Other liabilities   | (2,014)                       | (1,668)                       |
| Other, net  | (14,485)                      | (16,638)                      |
| <b>Net cash provided by (used in) operating activities</b>                                  | <b>201,698</b>                | <b>176,453</b>                |
| Cash flows from investing activities:   |                               |                               |
| Increase in investments and advances  | (10,760)                      | (5,968)                       |
| Decrease in investments and advances  | 4,179                         | 5,911                         |
| Payments for purchases of held-to-maturity securities                                       | (9,867)                       | (1,002)                       |
| Proceeds from redemptions of held-to-maturity securities                                    | 25,366                        | 2,896                         |
| Capital expenditures  | (73,552)                      | (135,802)                     |
| Proceeds from sales of property, plant and equipment  | 8,668                         | 6,230                         |
| Acquisitions of finance subsidiaries-receivables (note 1(f))                                | (495,823)                     | (484,690)                     |
| Collections of finance subsidiaries-receivables (note 1(f))                                 | 451,749                       | 459,109                       |
| Purchases of operating lease assets   | (186,481)                     | (226,838)                     |
| Proceeds from sales of operating lease assets   | 106,680                       | 121,383                       |
| <b>Net cash provided by (used in) investing activities</b>                                  | <b>(179,841)</b>              | <b>(258,771)</b>              |
| Cash flows from financing activities:   |                               |                               |
| Increase (decrease) in short-term debt, net   | 50,500                        | 91,962                        |
| Proceeds from long-term debt  | 185,827                       | 255,113                       |
| Repayments of long-term debt  | (229,805)                     | (336,187)                     |
| Dividends paid (note 9(a))  | (27,034)                      | (27,034)                      |

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|  |             |             |
|--|-------------|-------------|
| Dividends paid to noncontrolling interests                   | (12,548)    | (3,678)     |
| Sales (purchases) of treasury stock, net                     | (2)         | (0)         |
| Net cash provided by (used in) financing activities          | (33,062)    | (19,824)    |
| Effect of exchange rate changes on cash and cash equivalents | (6,463)     | (11,027)    |
| Net change in cash and cash equivalents                      | (17,668)    | (113,169)   |
| Cash and cash equivalents at beginning of the period         | 1,279,024   | 1,247,113   |
| Cash and cash equivalents at end of the period               | ¥ 1,261,356 | ¥ 1,133,944 |

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

**(1) General and Summary of Significant Accounting Policies**

*(a) Financial Statements*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S.GAAP). In the opinion of management, all adjustments which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the year. For further information, refer to the March 31, 2012 consolidated financial statements and notes thereto included in Honda Motor Co., Ltd. and Subsidiaries Annual Report for the year ended March 31, 2012. Consolidated financial statements for the year ended March 31, 2012 are derived from the audited consolidated financial statements, while consolidated financial statements for the three months ended June 30, 2012 are unaudited.

*(b) Basis of Presenting Consolidated Financial Statements*

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

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

*(c) Changes in Accounting Procedures for Consolidated Quarterly Financial Results*

*Change in depreciation method*

Previously, Honda used principally the declining-balance method for calculating the depreciation of property, plant and equipment. In recent years, because sales of global strategic product models are increasing, Honda has been enhancing its production systems and the versatility of production equipment to have better flexibility to meet changes in global customer demand. Further, Honda has resumed more normalized capital expenditures which Honda had previously held down due to financial crisis beginning in the fiscal year ended March 31, 2009. Effective April 1, 2012, Honda changed to the straight line method of depreciation because management believes it better reflects the future economic benefit from the usage of property, plant and equipment under this more flexible and versatile production arrangement. The effect of the change in depreciation method is recognized prospectively as a change in accounting estimate in accordance with the FASB Accounting Standards Codification 250 Accounting Changes and Error Corrections .

As a result of the change in depreciation method, depreciation expense decreased by approximately ¥10,139 million for the three months ended June 30, 2012. Net income attributable to Honda Motor Co., Ltd. and Basic net income attributable to Honda Motor Co., Ltd. per common share increased by approximately ¥6,430 million and ¥3.57, respectively, for the three months ended June 30, 2012.

*(d) Adoption of New Accounting Pronouncements*

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In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05 Presentation of Comprehensive Income, which amends the FASB Accounting Standards Codification (ASC) 220 Comprehensive Income. This amendment requires reporting entities to report other comprehensive income as components of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements and is effective retrospectively.

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

In December 2011, the FASB issued ASU 2011-12 Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, which defers the effective date of pending amendments to current accounting guidance prescribed in ASU 2011-05.

Honda adopted ASU 2011-05 as amended by ASU 2011-12, effective April 1, 2012, and discloses consolidated statements of comprehensive income as two separate but consecutive statements.

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

Honda computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the three months ended June 30, 2012. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

*(f) Revisions of the prior year's Consolidated Statements of Cash Flow*

Revisions have been made to adjust overstatements in both acquisitions of finance subsidiaries-receivables and collections of finance subsidiaries-receivables in the consolidated statements of cash flows, that amounted to ¥11,290 million for the three months ended June 30, 2011.

The revisions have no impact on net cash used in investing activities.

*(g) Impairment loss on investments in affiliates*

For the three months ended June 30, 2012, Honda recognized impairment loss of ¥6,525 million, net of tax, on certain investments in affiliates which have quoted market values because of other-than-temporary decline in fair value below their carrying values. The fair values of the investments were based on quoted market price. The impairment loss is included in equity in income of affiliates in the accompanying consolidated statement of income.

**(2) Allowances for Finance Subsidiaries-receivables**

|                                  | Yen (millions)    |                  |
|----------------------------------|-------------------|------------------|
|                                  | March 31,<br>2012 | June 30,<br>2012 |
| Finance subsidiaries-receivables |                   |                  |
| Allowance for credit losses      | ¥ 20,616          | ¥ 19,901         |

|   |       |       |
|---|-------|-------|
| Allowance for losses on lease residual values | 5,366 | 4,248 |
|---|-------|-------|

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

Finance subsidiaries-receivables, net, consisted of the following at March 31, 2012 and June 30, 2012:

|  | Yen (millions)     |                    |
|--|--------------------|--------------------|
|  | March 31,<br>2012  | June 30,<br>2012   |
| Retail   | ¥ 3,328,140        | ¥ 3,262,664        |
| Direct financing lease   | 380,339            | 375,832            |
| Wholesale flooring   | 265,644            | 268,314            |
| Commercial loans   | 35,678             | 35,075             |
| <b>Total finance receivables</b>   | <b>4,009,801</b>   | <b>3,941,885</b>   |
| Less:  |                    |                    |
| Allowance for credit losses  | 23,049             | 22,340             |
| Allowance for losses on lease residual values                            | 5,366              | 4,248              |
| Unearned interest income and fees  | 16,951             | 16,723             |
|  | 3,964,435          | 3,898,574          |
| Less:  |                    |                    |
| Finance receivables included in trade accounts and notes receivable, net | 334,044            | 341,407            |
| Finance receivables included in other assets, net                        | 184,277            | 198,608            |
| <b>Finance subsidiaries-receivables, net</b>                             | <b>3,446,114</b>   | <b>3,358,559</b>   |
| Less current portion   | 1,081,721          | 1,064,673          |
| <b>Noncurrent finance subsidiaries-receivables, net</b>                  | <b>¥ 2,364,393</b> | <b>¥ 2,293,886</b> |



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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*Allowance for Credit Losses*

The majority of the credit risk is with consumer financing and to a lesser extent with dealer financing. Credit risk is affected by general economic conditions such as a rise in unemployment rates or declines in used vehicle prices. The finance subsidiaries of the Company estimate losses incurred on retail and direct financing lease receivables and recognize them in the allowance for credit losses. Consumer finance receivables consist of a large number of smaller-balance homogenous loans and leases. The finance subsidiaries of the Company segment these receivables into groups with common characteristics, and estimate collectively the allowance for credit losses on consumer finance receivables by the group. The finance subsidiaries of the Company take into consideration various methodologies when estimating the allowance including vintage loss rate analysis and delinquency roll rate analysis. When performing the vintage loss rate analysis, consumer finance receivables are segregated between retail and direct financing lease, and further segmented into groups with common risk characteristics including collateral type, credit grades and original terms. Loss rates are projected for these pools based on historical rates and adjusted for considerations of emerging trends and changing economic conditions. The roll rate analysis is used primarily by the finance subsidiaries of the Company in North America. This analysis tracks the migration of finance receivables through various stages of delinquency and ultimately to charge-offs. Roll rates are projected based on historical results while also taking into consideration trends and changing economic conditions.

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

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

The following tables present the changes in the allowance for credit losses on finance receivables for the three months ended June 30, 2011 and 2012.

**For the three months ended June 30, 2011**

|   | Yen (millions) |                              |           |          |
|---|----------------|------------------------------|-----------|----------|
|   | Retail         | Direct<br>financing<br>lease | Wholesale | Total    |
| Balance at beginning of the period            | ¥ 25,578       | ¥ 1,455                      | ¥ 1,404   | ¥ 28,437 |
| Provision (reversal)                          | 1,156          | 10                           | (132)     | 1,034    |
| Charge-offs                                   | (4,791)        | (195)                        | (25)      | (5,011)  |
| Recoveries                                    | 2,418          | 105                          | 23        | 2,546    |
| Adjustments from foreign currency translation | (277)          | (18)                         | (28)      | (323)    |
| Balance at end of the period                  | ¥ 24,084       | ¥ 1,357                      | ¥ 1,242   | ¥ 26,683 |



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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**For the three months ended June 30, 2012**

|   | Yen (millions) |                              |           |          |
|---|----------------|------------------------------|-----------|----------|
|   | Retail         | Direct<br>financing<br>lease | Wholesale | Total    |
| Balance at beginning of the period            | ¥ 20,497       | ¥ 1,151                      | ¥ 1,401   | ¥ 23,049 |
| Provision (reversal)                          | 1,904          | 84                           | 153       | 2,141    |
| Charge-offs                                   | (4,520)        | (100)                        | (54)      | (4,674)  |
| Recoveries                                    | 2,142          | 19                           | 9         | 2,170    |
| Adjustments from foreign currency translation | (230)          | (33)                         | (83)      | (346)    |
| Balance at end of the period                  | ¥ 19,793       | ¥ 1,121                      | ¥ 1,426   | ¥ 22,340 |

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

*Delinquencies*

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

The following tables present an age analysis of past due finance receivables at March 31, 2012 and June 30, 2012.

**As of March 31, 2012**

|                       | Yen (millions)         |                        |                                    |                   |             |                              |
|-----------------------|------------------------|------------------------|------------------------------------|-------------------|-------------|------------------------------|
|                       | 30-59 days<br>past due | 60-89 days<br>past due | 90 days and<br>greater<br>past due | Total past<br>due | Current*    | Total finance<br>receivables |
| Retail                |                        |                        |                                    |                   |             |                              |
| New auto              | ¥ 10,027               | ¥ 1,359                | ¥ 2,832                            | ¥ 14,218          | ¥ 2,752,386 | ¥ 2,766,604                  |
| Used & certified auto | 4,250                  | 553                    | 354                                | 5,157             | 414,365     | 419,522                      |
| Others                | 1,200                  | 474                    | 963                                | 2,637             | 139,377     | 142,014                      |

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|                           |          |         |         |          |             |             |
|---------------------------|----------|---------|---------|----------|-------------|-------------|
| Total retail              | 15,477   | 2,386   | 4,149   | 22,012   | 3,306,128   | 3,328,140   |
| Direct financing lease    | 1,050    | 171     | 893     | 2,114    | 378,225     | 380,339     |
| Wholesale                 |          |         |         |          |             |             |
| Wholesale flooring        | 15       | 15      | 253     | 283      | 265,361     | 265,644     |
| Commercial loans          |          |         |         |          | 35,678      | 35,678      |
| Total wholesale           | 15       | 15      | 253     | 283      | 301,039     | 301,322     |
| Total finance receivables | ¥ 16,542 | ¥ 2,572 | ¥ 5,295 | ¥ 24,409 | ¥ 3,985,392 | ¥ 4,009,801 |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

As of June 30, 2012

|                                  | Yen (millions)         |                        |                                       |                   |                    |                              |
|----------------------------------|------------------------|------------------------|---------------------------------------|-------------------|--------------------|------------------------------|
|                                  | 30-59 days<br>past due | 60-89 days<br>past due | 90 days<br>and<br>greater<br>past due | Total past<br>due | Current*           | Total finance<br>receivables |
| <b>Retail</b>                    |                        |                        |                                       |                   |                    |                              |
| New auto                         | ¥ 10,999               | ¥ 1,864                | ¥ 2,562                               | ¥ 15,425          | ¥ 2,703,571        | ¥ 2,718,996                  |
| Used & certified auto            | 5,076                  | 802                    | 387                                   | 6,265             | 391,821            | 398,086                      |
| Others                           | 1,321                  | 597                    | 1,044                                 | 2,962             | 142,620            | 145,582                      |
| <b>Total retail</b>              | <b>17,396</b>          | <b>3,263</b>           | <b>3,993</b>                          | <b>24,652</b>     | <b>3,238,012</b>   | <b>3,262,664</b>             |
| Direct financing lease           | 772                    | 172                    | 899                                   | 1,843             | 373,989            | 375,832                      |
| <b>Wholesale</b>                 |                        |                        |                                       |                   |                    |                              |
| Wholesale flooring               | 51                     | 14                     | 241                                   | 306               | 268,008            | 268,314                      |
| Commercial loans                 |                        |                        |                                       |                   | 35,075             | 35,075                       |
| <b>Total wholesale</b>           | <b>51</b>              | <b>14</b>              | <b>241</b>                            | <b>306</b>        | <b>303,083</b>     | <b>303,389</b>               |
| <b>Total finance receivables</b> | <b>¥ 18,219</b>        | <b>¥ 3,449</b>         | <b>¥ 5,133</b>                        | <b>¥ 26,801</b>   | <b>¥ 3,915,084</b> | <b>¥ 3,941,885</b>           |

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

*Credit Quality Indicators*

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

The following tables present the balances of consumer finance receivables by the credit quality indicators at March 31, 2012 and June 30, 2012.

As of March 31, 2012

|  | Yen (millions) |               |
|--|----------------|---------------|
|  | Performing     | Nonperforming |

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|                        |                    |                | <b>Total consumer<br/>finance receivables</b> |
|------------------------|--------------------|----------------|---|
| <b>Retail</b>          |                    |                |   |
| New auto               | ¥ 2,762,413        | ¥ 4,191        | ¥ 2,766,604                                   |
| Used & certified auto  | 418,615            | 907            | 419,522                                       |
| Others                 | 140,577            | 1,437          | 142,014                                       |
| <b>Total retail</b>    | <b>3,321,605</b>   | <b>6,535</b>   | <b>3,328,140</b>                              |
| Direct financing lease | 379,275            | 1,064          | 380,339                                       |
| <b>Total</b>           | <b>¥ 3,700,880</b> | <b>¥ 7,599</b> | <b>¥ 3,708,479</b>                            |

As of June 30, 2012

|                        | Yen (millions)     |                      | <b>Total consumer<br/>finance<br/>receivables</b> |
|------------------------|--------------------|----------------------|---|
|                        | <b>Performing</b>  | <b>Nonperforming</b> |   |
| <b>Retail</b>          |                    |                      |   |
| New auto               | ¥ 2,714,570        | ¥ 4,426              | ¥ 2,718,996                                       |
| Used & certified auto  | 396,897            | 1,189                | 398,086   |
| Others                 | 143,941            | 1,641                | 145,582   |
| <b>Total retail</b>    | <b>3,255,408</b>   | <b>7,256</b>         | <b>3,262,664</b>                                  |
| Direct financing lease | 374,761            | 1,071                | 375,832   |
| <b>Total</b>           | <b>¥ 3,630,169</b> | <b>¥ 8,327</b>       | <b>¥ 3,638,496</b>                                |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

The following tables present the balances of wholesale receivables by the credit quality indicators at March 31, 2012 and June 30, 2012.

**As of March 31, 2012**

|                    | Yen (millions) |           |           |
|--------------------|----------------|-----------|-----------|
|                    | Group A        | Group B   | Total     |
| Wholesale          |                |           |           |
| Wholesale flooring | ¥ 150,473      | ¥ 115,171 | ¥ 265,644 |
| Commercial loans   | 18,306         | 17,372    | 35,678    |
| Total              | ¥ 168,779      | ¥ 132,543 | ¥ 301,322 |

**As of June 30, 2012**

|                    | Yen (millions) |           |           |
|--------------------|----------------|-----------|-----------|
|                    | Group A        | Group B   | Total     |
| Wholesale          |                |           |           |
| Wholesale flooring | ¥ 150,395      | ¥ 117,919 | ¥ 268,314 |
| Commercial loans   | 20,824         | 14,251    | 35,075    |
| Total              | ¥ 171,219      | ¥ 132,170 | ¥ 303,389 |

*Other Finance Receivables*

Except for the finance subsidiaries-receivables, the other finance receivables about which credit quality information and the allowance for credit losses are required to be disclosed by the FASB Accounting Standards Codification (ASC) 310 Receivables of ¥48,544 million and ¥48,978 million were included in other current assets, investments and advances-other and other assets in the consolidated balance sheets at March 31, 2012 and June 30, 2012, respectively. Honda estimates individually the collectibility of the other finance receivables based on the financial condition of the debtor. The impaired finance receivables amounted to ¥20,320 million and ¥20,310 million at March 31, 2012 and June 30, 2012, respectively, for which the allowance for credit losses were ¥20,299 million and ¥20,289 million at March 31, 2012 and June 30,

2012, respectively.

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



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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**(4) Inventories**

Inventories at March 31, 2012 and June 30, 2012 are summarized as follows:

|                 | Yen (millions)    |                  |
|-----------------|-------------------|------------------|
|                 | March 31,<br>2012 | June 30,<br>2012 |
| Finished goods  | ¥ 603,721         | ¥ 643,373        |
| Work in process | 44,891            | 55,071           |
| Raw materials   | 387,167           | 364,244          |
|                 | ¥ 1,035,779       | ¥ 1,062,688      |

**(5) Investments and Advances-Other**

Investments and advances at March 31, 2012 and June 30, 2012 consist of the following:

|  | Yen (millions)    |                  |
|--|-------------------|------------------|
|  | March 31,<br>2012 | June 30,<br>2012 |
| Current                                |                   |                  |
| Corporate debt securities              | ¥ 1,404           | ¥ 2,389          |
| U.S. government agency debt securities | 822               |                  |
| Advances                               | 824               | 1,211            |
| Certificates of deposit                | 1,509             | 1,533            |
|  | ¥ 4,559           | ¥ 5,133          |

Investments and advances due within one year are included in other current assets.

Yen (millions)

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|  | March 31,<br>2012 | June 30,<br>2012 |
|--|-------------------|------------------|
| Noncurrent   |                   |                  |
| Auction rate securities  | ¥ 6,651           | ¥ 6,410          |
| Marketable equity securities   | 100,829           | 84,916           |
| Government bonds   | 1,999             | 1,999            |
| U.S. government agency debt securities                               | 10,913            | 8,548            |
| Non-marketable equity securities accounted for under the cost method |                   |                  |
| Non-marketable preferred stocks                                      | 969               | 969              |
| Other  | 11,697            | 11,077           |
| Guaranty deposits  | 21,679            | 21,779           |
| Advances   | 1,276             | 1,129            |
| Other  | 32,850            | 33,427           |
|  | ¥ 188,863         | ¥ 170,254        |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Certain information with respect to available-for-sale securities and held-to-maturity securities at March 31, 2012 and June 30, 2012 is summarized below:

|                         | Yen (millions)    |                  |
|-------------------------|-------------------|------------------|
|                         | March 31,<br>2012 | June 30,<br>2012 |
| Available-for-sale      |                   |                  |
| Cost                    | ¥ 44,818          | ¥ 44,494         |
| Fair value              | 107,480           | 91,326           |
| Gross unrealized gains  | 64,704            | 49,765           |
| Gross unrealized losses | 2,042             | 2,933            |
| Held-to-maturity*       |                   |                  |
| Amortized cost          | ¥ 26,693          | ¥ 24,158         |
| Fair value              | 26,757            | 24,249           |
| Gross unrealized gains  | 84                | 91               |
| Gross unrealized losses | 20                |                  |

\* The amounts of Amortized cost and Fair value related to held-to-maturity securities at March 31, 2012 have been revised from the amounts previously disclosed.

Maturities of debt securities classified as held-to-maturity at June 30, 2012 are as follows:

|  | Yen (millions) |
|--|----------------|
| Due within one year                    | ¥ 3,922        |
| Due after one year through five years  | 10,596         |
| Due after five years through ten years | 7,932          |
| Due after ten years                    | 1,708          |
| Total                                  | ¥ 24,158       |

There was no significant realized gains and losses from available-for-sale securities included in other income (expenses) other, net for the three months ended June 30, 2011 and 2012.

Gross unrealized losses on available-for-sale securities and held-to-maturity securities, and fair value of the related securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at March 31, 2012 and June 30, 2012 are as follows:

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|                           | Yen (millions) |                   |               |                   |
|---------------------------|----------------|-------------------|---------------|-------------------|
|                           | March 31, 2012 |                   | June 30, 2012 |                   |
|                           | Fair value     | Unrealized losses | Fair value    | Unrealized losses |
| <b>Available-for-sale</b> |                |                   |               |                   |
| Less than 12 months       | ¥ 2,971        | ¥ 317             | ¥ 4,514       | ¥ 678             |
| 12 months or longer       | 12,302         | 1,725             | 11,317        | 2,255             |
|                           | ¥ 15,273       | ¥ 2,042           | ¥ 15,831      | ¥ 2,933           |
| <b>Held-to-maturity</b>   |                |                   |               |                   |
| Less than 12 months       | ¥ 5,734        | ¥ 20              | ¥             | ¥                 |
| 12 months or longer       |                |                   |               |                   |
|                           | ¥ 5,734        | ¥ 20              | ¥             | ¥                 |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

**(6) Fair Value Measurement**

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

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3** Unobservable inputs for the assets or liabilities
- The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and June 30, 2012.

**As of March 31, 2012**

|  | Yen (millions) |          |         |                     |                       |               |
|--|----------------|----------|---------|---------------------|-----------------------|---------------|
|  | Level 1        | Level 2  | Level 3 | Gross<br>fair value | Netting<br>adjustment | Net<br>amount |
| <b>Assets:</b>                             |                |          |         |                     |                       |               |
| Derivative instruments                     |                |          |         |                     |                       |               |
| Foreign exchange instruments (note 7)      | ¥              | ¥ 33,566 | ¥       | ¥ 33,566            | ¥                     | ¥             |
| Interest rate instruments (note 7)         |                | 31,834   |         | 31,834              |                       |               |
| <b>Total derivative instruments</b>        |                | 65,400   |         | 65,400              | (21,988)              | 43,412        |
| Available-for-sale securities              |                |          |         |                     |                       |               |
| Marketable equity securities               | 100,829        |          |         | 100,829             |                       | 100,829       |
| Auction rate securities                    |                |          | 6,651   | 6,651               |                       | 6,651         |
| <b>Total available-for-sale securities</b> | 100,829        |          | 6,651   | 107,480             |                       | 107,480       |
| <b>Total</b>                               | ¥ 100,829      | ¥ 65,400 | ¥ 6,651 | ¥ 172,880           | ¥ (21,988)            | ¥ 150,892     |

| Liabilities:                          |   |            |   |            |          |            |
|---------------------------------------|---|------------|---|------------|----------|------------|
| Derivative instruments                |   |            |   |            |          |            |
| Foreign exchange instruments (note 7) | ¥ | ¥ (30,820) | ¥ | ¥ (30,820) | ¥        | ¥          |
| Interest rate instruments (note 7)    |   | (20,099)   |   | (20,099)   |          |            |
| Total derivative instruments          |   | (50,919)   |   | (50,919)   | 21,988   | (28,931)   |
| Total                                 | ¥ | ¥ (50,919) | ¥ | ¥ (50,919) | ¥ 21,988 | ¥ (28,931) |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

As of June 30, 2012

|  | Yen (millions) |            |         |                     |                       |               |
|--|----------------|------------|---------|---------------------|-----------------------|---------------|
|  | Level 1        | Level 2    | Level 3 | Gross<br>fair value | Netting<br>adjustment | Net<br>amount |
| <b>Assets:</b>                             |                |            |         |                     |                       |               |
| Derivative instruments                     |                |            |         |                     |                       |               |
| Foreign exchange instruments (note 7)      | ¥              | ¥ 30,252   | ¥       | ¥ 30,252            | ¥                     | ¥             |
| Interest rate instruments (note 7)         |                | 35,152     |         | 35,152              |                       |               |
| <b>Total derivative instruments</b>        |                | 65,404     |         | 65,404              | (25,254)              | 40,150        |
| Available-for-sale securities              |                |            |         |                     |                       |               |
| Marketable equity securities               | 84,916         |            |         | 84,916              |                       | 84,916        |
| Auction rate securities                    |                |            | 6,410   | 6,410               |                       | 6,410         |
| <b>Total available-for-sale securities</b> | 84,916         |            | 6,410   | 91,326              |                       | 91,326        |
| <b>Total</b>                               | ¥ 84,916       | ¥ 65,404   | ¥ 6,410 | ¥ 156,730           | ¥ (25,254)            | ¥ 131,476     |
| <b>Liabilities:</b>                        |                |            |         |                     |                       |               |
| Derivative instruments                     |                |            |         |                     |                       |               |
| Foreign exchange instruments (note 7)      | ¥              | ¥ (23,846) | ¥       | ¥ (23,846)          | ¥                     | ¥             |
| Interest rate instruments (note 7)         |                | (17,904)   |         | (17,904)            |                       |               |
| <b>Total derivative instruments</b>        |                | (41,750)   |         | (41,750)            | 25,254                | (16,496)      |
| <b>Total</b>                               | ¥              | ¥ (41,750) | ¥       | ¥ (41,750)          | ¥ 25,254              | ¥ (16,496)    |

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

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The following tables present a reconciliation during the three months ended June 30, 2011 and 2012 for all Level 3 assets and liabilities measured at fair value on a recurring basis.

**For the three months ended June 30, 2011**

|   | Interest rate<br>instruments<br>(note<br>7) | Yen (millions)                |         |
|---|---|-------------------------------|---------|
|   |   | Auction<br>rate<br>securities | Total   |
| Balance at beginning of the period            | ¥ (1)                                       | ¥ 6,948                       | ¥ 6,947 |
| Total realized/unrealized gains or losses     |   |                               |         |
| Included in earnings                          |   |                               |         |
| Included in other comprehensive income (loss) |   |                               |         |
| Purchases, issuances, settlements and sales   |   |                               |         |
| Purchases                                     |   |                               |         |
| Issuances                                     |   |                               |         |
| Settlements                                   |   |                               |         |
| Sales   |   | (33)                          | (33)    |
| Foreign currency translation                  | 1   | (201)                         | (200)   |
| Balance at end of the period                  | ¥   | ¥ 6,714                       | ¥ 6,714 |

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

|   |   |   |   |
|---|---|---|---|
| Included in earnings                          | ¥ | ¥ | ¥ |
| Included in other comprehensive income (loss) |   |   |   |



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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**For the three months ended June 30, 2012**

|   | Yen (millions)                |         |
|---|-------------------------------|---------|
|   | Auction<br>rate<br>securities | Total   |
| Balance at beginning of the period            | ¥ 6,651                       | ¥ 6,651 |
| Total realized/unrealized gains or losses     |                               |         |
| Included in earnings                          |                               |         |
| Included in other comprehensive income (loss) |                               |         |
| Purchases, issuances, settlements and sales   |                               |         |
| Purchases                                     |                               |         |
| Issuances                                     |                               |         |
| Settlements                                   |                               |         |
| Sales   | (8)                           | (8)     |
| Foreign currency translation                  | (233)                         | (233)   |
| Balance at end of the period                  | ¥ 6,410                       | ¥ 6,410 |

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

|   |   |   |
|---|---|---|
| Included in earnings                          | ¥ | ¥ |
| Included in other comprehensive income (loss) |   |   |

Total realized/unrealized gains or losses related to interest rate instruments, including those held at the reporting date, are included in other income (expenses) other, net, in the consolidated statements of income.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

**Foreign exchange and interest rate instruments (see note 7)**

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

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

**Marketable equity securities**

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

**Auction rate securities**

The subsidiary's auction rate securities (ARS) holdings were AAA rated and are insured by qualified guarantee agencies, and reinsured by the Secretary of Education and United States Government, and are guaranteed about 95% by the United States Government. To estimate fair value of auction rate securities, Honda uses 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.

Honda did not have significant assets and liabilities measured at fair value on a nonrecurring basis as of and for the year ended March 31, 2012. For the three months ended June 30, 2012, Honda measured certain investments in affiliates which have quoted market values at fair value on a nonrecurring basis due to the recognition of impairment loss (see note 1(g)). The fair value of the investments was ¥29,956 million and estimated by using quoted market price. Fair value measurement for the investment is classified as Level 1.

Honda has not elected the fair value option for the year ended March 31, 2012 and the three months ended June 30, 2012.

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The estimated fair values of significant financial instruments at March 31, 2012 and June 30, 2012 are as follows:

|  | Yen (millions)  |                      |                 |                      |
|--|-----------------|----------------------|-----------------|----------------------|
|  | March 31, 2012  |                      | June 30, 2012   |                      |
|  | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Finance subsidiaries-receivables <sup>*1</sup> | ¥ 3,607,127     | ¥ 3,653,850          | ¥ 3,544,392     | ¥ 3,578,744          |
| Held-to-maturity securities <sup>*2</sup>      | 26,693          | 26,757               | 24,158          | 24,249               |
| Debt   | (4,111,244)     | (4,176,361)          | (3,989,094)     | (4,050,276)          |

<sup>\*1</sup> The carrying amounts of finance subsidiaries-receivables at March 31, 2012 and June 30, 2012 in the table exclude ¥357,308 million and ¥354,182 million, respectively, of direct financing leases, net, classified as finance subsidiaries-receivables in the consolidated balance sheets. The carrying amounts of finance subsidiaries-receivables at March 31, 2012 and June 30, 2012 in the table also include ¥518,321 million and ¥540,015 million of finance receivables classified as trade accounts and notes receivable and other assets in the consolidated balance sheets, respectively.

<sup>\*2</sup> The carrying amounts and the estimated fair value related to held-to-maturity securities at March 31, 2012 have been revised from the amounts previously disclosed.

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

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

*Cash and cash equivalents, trade receivables and trade payables*

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

*Finance subsidiaries-receivables*

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

*Held-to-maturity securities*

The fair value of Government bonds is estimated by using quoted market prices. Fair value measurement of those Government bonds is classified as Level 1. The fair value of U.S. government agency debt securities is estimated based on proprietary pricing models provided by specialists and/or market makers and the models obtain a wide array of market observable inputs such as credit ratings and discount rates. Fair

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value measurement for those securities is classified as Level 2.

### *Debt*

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

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**(7) Risk Management Activities and Derivative Financial Instruments**

Honda uses derivative financial instruments in the normal course of business to reduce their exposure to fluctuations in foreign exchange rates and interest rates (see note 6). Currency swap agreements are used to manage currency risk exposure on foreign currency denominated debt. Foreign currency forward exchange contracts and purchased option contracts are used to hedge currency risk of sale commitments denominated in foreign currencies (principally U.S. dollars). Foreign currency written option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts. Interest rate swap agreements are mainly used to manage interest rate risk exposure and to convert floating rate financing, such as commercial paper, to (normally three-five years) fixed rate financing in order to match financing costs with income from finance receivables. These instruments involve, to varying degrees, elements of credit, exchange rate and interest rate risks in excess of the amount recognized in the consolidated balance sheets.

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

Contract amounts outstanding for foreign currency forward exchange contracts, foreign currency option contracts and currency swap agreements and the notional principal amounts of interest rate swap agreements at March 31, 2012 and June 30, 2012 are as follows:

Derivatives designated as hedging instruments:

|   | Yen (millions)    |                  |
|---|-------------------|------------------|
|   | March 31,<br>2012 | June 30,<br>2012 |
| Foreign currency forward exchange contracts | ¥ 16,191          | ¥ 14,971         |
| Foreign exchange instruments                | ¥ 16,191          | ¥ 14,971         |

Derivatives not designated as hedging instruments:

|   | Yen (millions)    |                  |
|---|-------------------|------------------|
|   | March 31,<br>2012 | June 30,<br>2012 |
| Foreign currency forward exchange contracts | ¥ 607,458         | ¥ 547,884        |
| Foreign currency option contracts           | 79,090            | 97,895           |
| Currency swap agreements                    | 450,093           | 412,642          |
| Foreign exchange instruments                | ¥ 1,136,641       | ¥ 1,058,421      |

|                               |             |             |
|-------------------------------|-------------|-------------|
| Interest rate swap agreements | ¥ 3,823,639 | ¥ 3,617,800 |
| Interest rate instruments     | ¥ 3,823,639 | ¥ 3,617,800 |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*Cash flow hedge*

The Company applies hedge accounting for certain foreign currency forward exchange contracts related to forecasted foreign currency transactions between the Company and its subsidiaries. Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognized in other comprehensive income (loss). The amounts are reclassified into earnings in the same period when forecasted hedged transactions affect earnings. The amounts recognized in accumulated other comprehensive income (loss) at March 31, 2012 and June 30, 2012 were ¥185 million loss and ¥46 million loss, respectively. All amounts recorded in accumulated other comprehensive income (loss) as of June 30, 2012 are expected to be recognized in earnings within the next twelve months.

The period that hedges the changes in cash flows related to the risk of foreign currency rate is at most around two months. There are no derivative financial instruments where hedge accounting has been discontinued due to the forecasted transaction no longer being probable. The Company excludes financial instruments' time value component from the assessment of hedge effectiveness. There is no portion of hedging instruments that has been assessed as hedge ineffectiveness.

*Derivative financial instruments not designated as accounting hedges*

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

The estimated fair values of derivative instruments at March 31, 2012 and June 30, 2012 are as follows.

**As of March 31, 2012***Derivatives designated as hedging instruments:*

|                              | Gross fair value  |                       | Yen (millions)       |              |                           |
|------------------------------|-------------------|-----------------------|----------------------|--------------|---------------------------|
|                              | Asset derivatives | Liability derivatives | Other current assets | Other assets | Other current liabilities |
| Foreign exchange instruments | ¥                 | ¥ (753)               | ¥                    | ¥            | ¥ (753)                   |

*Derivatives not designated as hedging instruments:*

|                              | Gross fair value  |                       | Yen (millions)       |              |                           |
|------------------------------|-------------------|-----------------------|----------------------|--------------|---------------------------|
|                              | Asset derivatives | Liability derivatives | Other current assets | Other assets | Other current liabilities |
| Foreign exchange instruments | ¥ 33,566          | ¥ (30,067)            | ¥ 22,692             | ¥ 2,316      | ¥ (21,509)                |
| Interest rate instruments    | 31,834            | (20,099)              | (943)                | 19,347       | (6,669)                   |
| Total                        | ¥ 65,400          | ¥ (50,166)            | ¥ 21,749             | ¥ 21,663     | ¥ (28,178)                |

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|                    |          |            |
|--------------------|----------|------------|
| Netting adjustment | (21,988) | 21,988     |
| Net amount         | ¥ 43,412 | ¥ (28,178) |



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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**As of June 30, 2012**Derivatives designated as hedging instruments:

|                              | Gross fair value     |                          | Yen (millions)             |   |   |
|------------------------------|----------------------|--------------------------|----------------------------|---|---|
|                              | Asset<br>derivatives | Liability<br>derivatives | Other<br>current<br>assets | Balance sheet location<br>Other<br>assets |   |
| Foreign exchange instruments | ¥ 72                 | ¥                        | ¥ 72                       | ¥   | ¥ |

Derivatives not designated as hedging instruments:

|                              | Gross fair value     |                          | Yen (millions)             |   |            |
|------------------------------|----------------------|--------------------------|----------------------------|---|------------|
|                              | Asset<br>derivatives | Liability<br>derivatives | Other<br>current<br>assets | Balance sheet location<br>Other<br>assets |            |
| Foreign exchange instruments | ¥ 30,180             | ¥ (23,846)               | ¥ 21,172                   | ¥ (2,087)                                 | ¥ (12,751) |
| Interest rate instruments    | 35,152               | (17,904)                 | 1,243                      | 19,750                                    | (3,745)    |
| Total                        | ¥ 65,332             | ¥ (41,750)               | ¥ 22,415                   | ¥ 17,663                                  | ¥ (16,496) |
| Netting adjustment           | (25,254)             | 25,254                   |                            |   |            |
| Net amount                   | ¥ 40,078             | ¥ (16,496)               |                            |   |            |

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

The pre-tax effects of derivative instruments on the Company's results of operations for the three months ended June 30, 2011 and 2012 are as follows:

**For the three months ended June 30, 2011**Derivatives designated as hedging instruments

Cash flow hedge:

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|                               | Yen (millions)   |   |         |   |        |
|-------------------------------|--|---|---------|---|--------|
|                               | Gain<br>(Loss)<br>recognized in other<br>comprehensive<br>income<br>(loss)<br>(effective<br>portion)<br>Amount | Gain (Loss) reclassified<br>from accumulated other<br>comprehensive income<br>(loss) into earnings<br>(effective portion)<br>Location | Amount  | Gain (Loss) recognized in<br>earnings (financial instruments<br>time value component excluded<br>from the assessment of hedge<br>effectiveness)<br>Location | Amount |
| Foreign exchange instruments: | ¥ (68)   | Other income<br>(expenses) -<br>Other, net  | ¥ (260) | Other income<br>(expenses) -<br>Other, net  | ¥ 24   |

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Derivatives not designated as hedging instruments

|                              | Yen (millions)                       |  | Amount          |
|------------------------------|--------------------------------------|--|-----------------|
|                              | Gain (Loss) recognized in earnings   |  |                 |
|                              | Location                             |  |                 |
| Foreign exchange instruments | Other income (expenses) - Other, net |  | ¥ 24,711        |
| Interest rate instruments    | Other income (expenses) - Other, net |  | (4,327)         |
| <b>Total</b>                 |                                      |  | <b>¥ 20,384</b> |

**For the three months ended June 30, 2012**Derivatives designated as hedging instruments

Cash flow hedge:

|                               | Yen (millions)   |   |         |   |         |
|-------------------------------|--|---|---------|---|---------|
|                               | Gain<br>(Loss)<br>recognized in other<br>comprehensive<br>income<br>(loss)<br>(effective<br>portion)<br>Amount | Gain (Loss) reclassified<br>from accumulated other<br>comprehensive income<br>(loss) into earnings<br>(effective portion) |         | Gain (Loss) recognized in<br>earnings (financial instruments<br>time value component excluded<br>from the assessment of hedge<br>effectiveness) |         |
|                               |  | Location  | Amount  | Location  | Amount  |
|                               |  |   |         |   |         |
| Foreign exchange instruments: | ¥ (72)   | Other income<br>(expenses) -<br>Other, net  | ¥ (297) | Other income<br>(expenses) -<br>Other, net  | ¥ (292) |

Derivatives not designated as hedging instruments

|                              | Yen (millions)                       |  | Amount          |
|------------------------------|--------------------------------------|--|-----------------|
|                              | Gain (Loss) recognized in earnings   |  |                 |
|                              | Location                             |  |                 |
| Foreign exchange instruments | Other income (expenses) - Other, net |  | ¥ 12,945        |
| Interest rate instruments    | Other income (expenses) - Other, net |  | 4,414           |
| <b>Total</b>                 |                                      |  | <b>¥ 17,359</b> |

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

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**(8) Contingent Liabilities**

Honda has entered into various guarantee and indemnification agreements. At March 31, 2012 and June 30, 2012, Honda has guaranteed ¥28,165 million and ¥27,362 million of bank loans of employees for their housing costs, respectively. If an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. The undiscounted maximum amount of Honda's obligation to make future payments in the event of defaults is ¥28,165 million and ¥27,362 million, respectively, at March 31, 2012 and June 30, 2012. At June 30, 2012, no amount has been accrued for any estimated losses under the obligations, as it is probable that the employees will be able to make all scheduled payments.

Honda warrants its products for specific periods of time. Product warranties vary depending upon the nature of the product, the geographic location of its sale and other factors.

The changes in provisions for those product warranties for the year ended March 31, 2012 and the three months ended June 30, 2012 are as follows:

|  | Yen (millions)    |                  |
|--|-------------------|------------------|
|  | March 31,<br>2012 | June 30,<br>2012 |
| Balance at beginning of the period                                   | ¥ 213,943         | ¥ 170,562        |
| Warranty claims paid during the period                               | (82,547)          | (17,217)         |
| Liabilities accrued for warranties issued during the period          | 60,004            | 28,440           |
| Changes in liabilities for pre-existing warranties during the period | (17,697)          | (615)            |
| Foreign currency translation   | (3,141)           | (4,116)          |
| Balance at end of the period   | ¥ 170,562         | ¥ 177,054        |

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

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**(9) Information Related to Honda Motor Co., Ltd. Shareholders' Equity****For the three months ended June 30, 2011***(a) Information concerning dividends**1. Dividend payout*

|  |   |
|--|---|
| Resolution                               | The ordinary general meeting of shareholders on June 23, 2011 |
| Type of shares                           | Common stock  |
| Total amount of dividends (million yen)  | 27,034  |
| Dividend per share of common stock (yen) | 15.00   |
| Record date                              | March 31, 2011  |
| Effective date                           | June 24, 2011   |
| Resource for dividend                    | Retained earnings   |

*2. Dividends payable of which record date was in the three months ended June 30, 2011, effective after the period*

|  |  |
|--|--|
| Resolution                               | The board of directors meeting on August 1, 2011 |
| Type of shares                           | Common stock                                     |
| Total amount of dividends (million yen)  | 27,034   |
| Dividend per share of common stock (yen) | 15.00  |
| Record date                              | June 30, 2011                                    |
| Effective date                           | August 24, 2011                                  |
| Resource for dividend                    | Retained earnings                                |

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

None

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## HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**For the three months ended June 30, 2012***(a) Information concerning dividends**1. Dividend payout*

|  |   |
|--|---|
| Resolution                               | The ordinary general meeting of shareholders on June 21, 2012 |
| Type of shares                           | Common stock  |
| Total amount of dividends (million yen)  | 27,034  |
| Dividend per share of common stock (yen) | 15.00   |
| Record date                              | March 31, 2012  |
| Effective date                           | June 22, 2012   |
| Resource for dividend                    | Retained earnings   |

*2. Dividends payable of which record date was in the three months ended June 30, 2012, effective after the period*

|  |   |
|--|---|
| Resolution                               | The board of directors meeting on July 31, 2012 |
| Type of shares                           | Common stock                                    |
| Total amount of dividends (million yen)  | 34,243  |
| Dividend per share of common stock (yen) | 19.00   |