

HONDA MOTOR CO LTD
Form 6-K
November 20, 2018
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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 NOVEMBER 2018

COMMISSION FILE NUMBER: 1-07628

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(Name of registrant)

HONDA MOTOR CO., LTD.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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Exhibit 1:

On November 5, 2018, Honda Motor Co., Ltd. filed its consolidated interim financial statements for the fiscal second quarter ended September 30, 2018 with Financial Services Agency in Japan.

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

HONDA GIKEN KOGYO KABUSHIKI
KAISHA

(HONDA MOTOR CO., LTD.)

/s/ Eiji Fujimura
Eiji Fujimura
General Manager
Finance Division
Honda Motor Co., Ltd.

Date: November 20, 2018

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

September 30, 2018

Table of Contents**HONDA MOTOR CO., LTD. AND SUBSIDIARIES****Consolidated Financial Results****Overview of Operating Performance**

Honda's consolidated sales revenue for the six months ended September 30, 2018 increased by 5.0%, to ¥7,865.8 billion from the same period last year, due mainly to increased sales revenue in all business operations. Operating profit increased by 21.7%, to ¥513.8 billion from the same period last year, due mainly to an increase in profit attributable to increased sales revenue and model mix as well as the loss related to the settlement of multidistrict class action litigation in the same period last year. Profit before income taxes increased by 11.0%, to ¥641.3 billion from the same period last year. Profit for the period attributable to owners of the parent increased by 19.3%, to ¥455.1 billion from the same period last year.

Business Segments*Motorcycle Business*

For the six months ended September 30, 2017 and 2018

| | Units (thousands) | | | | | | | |
|----------------------------|-------------------------|---------------|------------|------------|--------------------------|---------------|------------|------------|
| | Honda Group Unit Sales* | | | | Consolidated Unit Sales* | | | |
| | Six months ended | | Change | % | Six months ended | | Change | % |
| | Sep. 30, 2017 | Sep. 30, 2018 | | | Sep. 30, 2017 | Sep. 30, 2018 | | |
| Motorcycle Business | 9,937 | 10,667 | 730 | 7.3 | 6,691 | 7,148 | 457 | 6.8 |
| Japan | 84 | 104 | 20 | 23.8 | 84 | 104 | 20 | 23.8 |
| North America | 163 | 150 | (13) | (8.0) | 163 | 150 | (13) | (8.0) |
| Europe | 134 | 141 | 7 | 5.2 | 134 | 141 | 7 | 5.2 |
| Asia | 9,023 | 9,664 | 641 | 7.1 | 5,777 | 6,145 | 368 | 6.4 |
| Other Regions | 533 | 608 | 75 | 14.1 | 533 | 608 | 75 | 14.1 |

* Honda Group Unit Sales is the total unit sales of completed motorcycle, ATV and side-by-side 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.

Sales revenue from external customers increased by 7.4%, to ¥1,094.2 billion from the same period last year, due mainly to increased consolidated unit sales. Operating profit increased by 20.2%, to ¥177.1 billion from the same period last year, due mainly to an increase in profit attributable to increased sales volume and model mix.

Table of Contents*Automobile Business*

For the six months ended September 30, 2017 and 2018

| | Units (thousands) | | | | | | | |
|----------------------------|-------------------------|---------------|------------------|--------------|--------------------------|---------------|------------------|------------|
| | Honda Group Unit Sales* | | | | Consolidated Unit Sales* | | | |
| | Six months ended | | Six months ended | | Six months ended | | Six months ended | |
| | Sep. 30, 2017 | Sep. 30, 2018 | Change | % | Sep. 30, 2017 | Sep. 30, 2018 | Change | % |
| Automobile Business | 2,559 | 2,551 | (8) | (0.3) | 1,807 | 1,827 | 20 | 1.1 |
| Japan | 324 | 332 | 8 | 2.5 | 295 | 299 | 4 | 1.4 |
| North America | 933 | 946 | 13 | 1.4 | 933 | 946 | 13 | 1.4 |
| Europe | 85 | 80 | (5) | (5.9) | 85 | 80 | (5) | (5.9) |
| Asia | 1,093 | 1,071 | (22) | (2.0) | 370 | 380 | 10 | 2.7 |
| Other Regions | 124 | 122 | (2) | (1.6) | 124 | 122 | (2) | (1.6) |

* 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. Sales revenue from external customers increased by 3.5%, to ¥5,421.9 billion from the same period last year, due mainly to increased consolidated unit sales. Operating profit increased by 23.4%, to ¥221.5 billion from the same period last year, due mainly to an increase in profit attributable to increased sales volume and model mix as well as the loss related to the settlement of multidistrict class action litigation in the same period last year.

Financial Services Business

Sales revenue from external customers increased by 10.6%, to ¥1,185.9 billion from the same period last year, due mainly to an increase in revenues on disposition of lease vehicles and operating lease revenues. Operating profit increased by 19.8%, to ¥116.3 billion from the same period last year, due mainly to an increase in profit attributable to increased sales revenue.

Power Product and Other Businesses

For the six months ended September 30, 2017 and 2018

Units (thousands)
Honda Group Unit Sales/ Consolidated Unit Sales*

| | Six months ended Sep. 30, 2017 | Six months ended Sep. 30, 2018 | Change | % |
|-------------------------------|--------------------------------------|--------------------------------------|-----------|------------|
| Power Product Business | 2,589 | 2,603 | 14 | 0.5 |
| Japan | 138 | 161 | 23 | 16.7 |
| North America | 1,141 | 1,123 | (18) | (1.6) |
| Europe | 406 | 402 | (4) | (1.0) |
| Asia | 741 | 771 | 30 | 4.0 |
| Other Regions | 163 | 146 | (17) | (10.4) |

* 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 were involved in the sale of Honda power products. Sales revenue from external customers increased by 1.9%, to ¥163.6 billion from the same period last year, due mainly to increased consolidated unit sales in Power Product business. Operating loss was ¥1.1 billion, a decrease of ¥0.6 billion from the same period last year, due mainly to decreased operating costs in Other businesses. In addition, operating loss of aircraft and aircraft engines included in the Power Product and other businesses was ¥19.3 billion, a decrease of ¥2.8 billion from the same period last year.

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Cash Flows

Consolidated cash and cash equivalents on September 30, 2018 decreased by ¥5.6 billion from March 31, 2018, to ¥2,250.8 billion. The reasons for the increases or decreases for each cash flow activity, when compared with the same period last year, are as follows:

Net cash provided by operating activities amounted to ¥397.1 billion of cash inflows. Cash inflows from operating activities decreased by ¥93.9 billion from the same period last year, due mainly to increased payments for parts and raw materials, which was partially offset by increased cash received from customers.

Net cash used in investing activities amounted to ¥376.8 billion of cash outflows. Cash outflows from investing activities increased by ¥68.2 billion from the same period last year, due mainly to increased payments for acquisitions of other financial assets.

Net cash used in financing activities amounted to ¥63.9 billion of cash outflows. Cash outflows from financing activities decreased by ¥50.4 billion from the same period last year, due mainly to a decrease in repayments of financing liabilities, which was partially offset by purchases of treasury stock.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Position

March 31, 2018 and September 30, 2018

| Assets | Note | Yen (millions) | |
|---|------|--------------------------------|------------------------------------|
| | | March 31, 2018 unaudited | September 30, 2018 unaudited |
| Current assets: | | | |
| Cash and cash equivalents | ¥ | 2,256,488 | ¥ 2,250,879 |
| Trade receivables | | 800,463 | 745,835 |
| Receivables from financial services | | 1,840,699 | 1,894,428 |
| Other financial assets | | 213,177 | 212,253 |
| Inventories | | 1,523,455 | 1,604,121 |
| Other current assets | | 291,006 | 363,476 |
| Total current assets | | 6,925,288 | 7,070,992 |
| Non-current assets: | | | |
| Investments accounted for using the equity method | | 679,517 | 774,314 |
| Receivables from financial services | | 3,117,364 | 3,462,999 |
| Other financial assets | | 436,555 | 454,823 |
| Equipment on operating leases | 6 | 4,088,133 | 4,418,596 |
| Property, plant and equipment | 7 | 3,062,433 | 3,041,703 |
| Intangible assets | | 741,514 | 747,992 |
| Deferred tax assets | | 129,338 | 136,148 |
| Other non-current assets | | 169,022 | 160,174 |
| Total non-current assets | | 12,423,876 | 13,196,749 |
| Total assets | ¥ | 19,349,164 | ¥ 20,267,741 |

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| Liabilities and Equity | Note | Yen (millions) | |
|--|------|--------------------------------|------------------------------------|
| | | March 31, 2018 unaudited | September 30, 2018 unaudited |
| Current liabilities: | | | |
| Trade payables | | ¥ 1,224,627 | ¥ 1,102,927 |
| Financing liabilities | | 2,917,261 | 3,166,869 |
| Accrued expenses | | 404,719 | 402,147 |
| Other financial liabilities | | 115,405 | 161,797 |
| Income taxes payable | | 53,595 | 59,364 |
| Provisions | 8 | 305,994 | 308,206 |
| Other current liabilities | | 602,498 | 592,743 |
| Total current liabilities | | 5,624,099 | 5,794,053 |
| Non-current liabilities: | | | |
| Financing liabilities | | 3,881,749 | 4,118,490 |
| Other financial liabilities | | 60,005 | 67,773 |
| Retirement benefit liabilities | | 404,401 | 444,267 |
| Provisions | 8 | 220,625 | 205,814 |
| Deferred tax liabilities | | 629,722 | 679,406 |
| Other non-current liabilities | | 294,468 | 309,274 |
| Total non-current liabilities | | 5,490,970 | 5,825,024 |
| Total liabilities | | 11,115,069 | 11,619,077 |
| Equity: | | | |
| Common stock | | 86,067 | 86,067 |
| Capital surplus | | 171,118 | 171,228 |
| Treasury stock | | (113,271) | (177,822) |
| Retained earnings | | 7,611,332 | 7,908,774 |
| Other components of equity | | 178,292 | 374,800 |
| Equity attributable to owners of the parent | | 7,933,538 | 8,363,047 |
| Non-controlling interests | | 300,557 | 285,617 |
| Total equity | | 8,234,095 | 8,648,664 |
| Total liabilities and equity | | ¥ 19,349,164 | ¥ 20,267,741 |

See accompanying notes to condensed consolidated interim financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

For the six months ended September 30, 2017 and 2018

| | | Yen (millions) | |
|--|-------------|---|---|
| | Note | September 30, 2017 unaudited | September 30, 2018 unaudited |
| Sales revenue | 9 | ¥ 7,489,295 | ¥ 7,865,845 |
| Operating costs and expenses: | | | |
| Cost of sales | | (5,863,643) | (6,167,404) |
| Selling, general and administrative | | (857,272) | (809,945) |
| Research and development | | (346,224) | (374,638) |
| Total operating costs and expenses | | (7,067,139) | (7,351,987) |
| Operating profit | | 422,156 | 513,858 |
| Share of profit of investments accounted for using the equity method | 5 | 135,211 | 118,228 |
| Finance income and finance costs: | | | |
| Interest income | | 18,813 | 23,324 |
| Interest expense | | (6,151) | (5,957) |
| Other, net | | 7,599 | (8,129) |
| Total finance income and finance costs | | 20,261 | 9,238 |
| Profit before income taxes | | 577,628 | 641,324 |
| Income tax expense | | (160,475) | (145,377) |
| Profit for the period | | ¥ 417,153 | ¥ 495,947 |
| Profit for the period attributable to: | | | |
| Owners of the parent | | 381,341 | 455,101 |
| Non-controlling interests | | 35,812 | 40,846 |

| | | Yen | |
|---|----|-------------------------------|-------------------------------|
| | | September 30, 2017 | September 30, 2018 |
| Earnings per share attributable to owners of the parent | | | |
| Basic and diluted | 12 | ¥ 211.59 | ¥ 257.44 |

See accompanying notes to condensed consolidated interim financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2017 and 2018

| | Yen (millions) | |
|--|-----------------------|-----------------------|
| | September 30, 2017 | September 30, 2018 |
| | Note | |
| | unaudited | unaudited |
| Profit for the period | ¥ 417,153 | ¥ 495,947 |
| Other comprehensive income, net of tax: | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | | |
| Net changes in revaluation of financial assets measured at fair value through other comprehensive income | 12,057 | 434 |
| Share of other comprehensive income of investments accounted for using the equity method | (98) | (745) |
| Items that may be reclassified subsequently to profit or loss | | |
| Net changes in revaluation of financial assets measured at fair value through other comprehensive income | | (41) |
| Exchange differences on translating foreign operations | 86,134 | 199,376 |
| Share of other comprehensive income of investments accounted for using the equity method | 11,281 | (17,750) |
| Total other comprehensive income, net of tax | 109,374 | 181,274 |
| Comprehensive income for the period | ¥ 526,527 | ¥ 677,221 |
| Comprehensive income for the period attributable to: | | |
| Owners of the parent | 484,686 | 635,015 |
| Non-controlling interests | 41,841 | 42,206 |

See accompanying notes to condensed consolidated interim financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the three months ended September 30, 2017 and 2018

| | Note | Yen (millions) | |
|--|------|------------------------------------|------------------------------------|
| | | September 30, 2017 unaudited | September 30, 2018 unaudited |
| Profit for the period | ¥ | 191,645 | ¥ 229,225 |
| Other comprehensive income, net of tax: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit plans | | | |
| Net changes in revaluation of financial assets measured at fair value through other comprehensive income | | 6,240 | 310 |
| Share of other comprehensive income of investments accounted for using the equity method | | 1,084 | 539 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Net changes in revaluation of financial assets measured at fair value through other comprehensive income | | | (40) |
| Exchange differences on translating foreign operations | | 79,642 | 127,842 |
| Share of other comprehensive income of investments accounted for using the equity method | | 7,932 | (3,909) |
| Total other comprehensive income, net of tax | | 94,898 | 124,742 |
| Comprehensive income for the period | ¥ | 286,543 | ¥ 353,967 |
| Comprehensive income for the period attributable to: | | | |
| Owners of the parent | | 264,831 | 332,427 |
| Non-controlling interests | | 21,712 | 21,540 |

See accompanying notes to condensed consolidated interim financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity

For the six months ended September 30, 2017 and 2018

| | Yen (millions) | | | | | | | | |
|---|----------------|--------------|-----------------|----------------|-------------------|----------------------------|-------------|---------------------------|--------------|
| | Note | Common stock | Capital surplus | Treasury stock | Retained earnings | Other components of equity | Total | Non-controlling interests | Total equity |
| Balance as of April 1, 2017 (unaudited) | | ¥ 86,067 | ¥ 171,118 | ¥ (26,189) | ¥ 6,712,894 | ¥ 351,406 | ¥ 7,295,296 | ¥ 274,330 | ¥ 7,569,626 |
| Comprehensive income for the period | | | | | | | | | |
| Profit for the period | | | | | 381,341 | | 381,341 | 35,812 | 417,153 |
| Other comprehensive income, net of tax | | | | | | 103,345 | 103,345 | 6,029 | 109,374 |
| Total comprehensive income for the period | | | | | 381,341 | 103,345 | 484,686 | 41,841 | 526,527 |
| Reclassification to retained earnings | | | | | 739 | (739) | | | |
| Transactions with owners and other | | | | | | | | | |
| Dividends paid | 13 | | | | (86,509) | | (86,509) | (37,309) | (123,818) |
| Purchases of treasury stock | | | | (4) | | | (4) | | (4) |
| Total transactions with owners and other | | | | (4) | (86,509) | | (86,513) | (37,309) | (123,822) |
| Balance as of September 30, | | ¥ 86,067 | ¥ 171,118 | ¥ (26,193) | ¥ 7,008,465 | ¥ 454,012 | ¥ 7,693,469 | ¥ 278,862 | ¥ 7,972,331 |

2017
(unaudited)

| | Yen (millions) | | | | | | | | |
|---|----------------|---|----------------|-------------------|----------------------------|-----------|-------------|---------------------------|--------------|
| | | Equity attributable to owners of the parent | | | | | Total | Non-controlling interests | Total equity |
| | Common stock | Capital surplus | Treasury stock | Retained earnings | Other components of equity | | | | |
| | Note | | | | | | | | |
| Balance as of April 1, 2018 (unaudited) | | ¥ 86,067 | ¥ 171,118 | ¥ (113,271) | ¥ 7,611,332 | ¥ 178,292 | ¥ 7,933,538 | ¥ 300,557 | ¥ 8,234,095 |
| Effect of changes in accounting policy | 3 | | | | (46,833) | (208) | (47,041) | 6 | (47,035) |
| Effect of hyperinflation | | | | | (9,454) | 14,896 | 5,442 | | 5,442 |
| Adjusted balance as of April 1, 2018 | | 86,067 | 171,118 | (113,271) | 7,555,045 | 192,980 | 7,891,939 | 300,563 | 8,192,502 |
| Comprehensive income for the period | | | | | | | | | |
| Profit for the period | | | | | 455,101 | | 455,101 | 40,846 | 495,947 |
| Other comprehensive income, net of tax | | | | | | 179,914 | 179,914 | 1,360 | 181,274 |
| Total comprehensive income for the period | | | | | 455,101 | 179,914 | 635,015 | 42,206 | 677,221 |
| Reclassification to retained earnings | | | | | (1,906) | 1,906 | | | |
| Transactions with owners and other | | | | | | | | | |
| Dividends paid | 13 | | | | (95,696) | | (95,696) | (57,152) | (152,848) |
| Purchases of treasury stock | | | | | (64,552) | | (64,552) | | (64,552) |
| Disposal of treasury stock | | | | | 1 | | 1 | | 1 |
| Share-based payment transactions | | | | | | | | 110 | 110 |

| | | | | | | | |
|--|----------|-----------|-------------|-------------|-----------|-------------|-------------|
| Total transactions with owners and other | 110 | (64,551) | (95,696) | | (160,137) | (57,152) | (217,289) |
| Other changes | | | (3,770) | | (3,770) | | (3,770) |
| Balance as of September 30, 2018 (unaudited) | ¥ 86,067 | ¥ 171,228 | ¥ (177,822) | ¥ 7,908,774 | ¥ 374,800 | ¥ 8,363,047 | ¥ 285,617 |
| | | | | | | | ¥ 8,648,664 |

See accompanying notes to condensed consolidated interim financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the six months ended September 30, 2017 and 2018

| | Yen (millions) | |
|--|------------------------------------|------------------------------------|
| Note | September 30, 2017 unaudited | September 30, 2018 unaudited |
| Cash flows from operating activities: | | |
| Profit before income taxes | ¥ 577,628 | ¥ 641,324 |
| Depreciation, amortization and impairment losses excluding equipment on operating leases | 351,815 | 352,269 |
| Share of profit of investments accounted for using the equity method | (135,211) | (118,228) |
| Finance income and finance costs, net | 18,208 | (51,523) |
| Interest income and interest costs from financial services, net | (62,832) | (60,705) |
| Changes in assets and liabilities | | |
| Trade receivables | 19,816 | 30,775 |
| Inventories | (38,027) | (45,257) |
| Trade payables | (63,482) | (58,246) |
| Accrued expenses | 8,035 | (68,534) |
| Provisions and retirement benefit liabilities | (50,983) | 1,389 |
| Receivables from financial services | (11,620) | (106,677) |
| Equipment on operating leases | (108,962) | (94,718) |
| Other assets and liabilities | (7,709) | (30,181) |
| Other, net | (2,690) | 2,343 |
| Dividends received | 62,090 | 84,022 |
| Interest received | 117,546 | 130,371 |
| Interest paid | (54,613) | (67,779) |
| Income taxes paid, net of refunds | (127,905) | (143,450) |
| Net cash provided by operating activities | 491,104 | 397,195 |
| Cash flows from investing activities: | | |
| Payments for additions to property, plant and equipment | (236,063) | (224,775) |
| Payments for additions to and internally developed intangible assets | (72,710) | (89,682) |
| Proceeds from sales of property, plant and equipment and intangible assets | 10,293 | 13,882 |
| Payments for acquisitions of investments accounted for using the equity method | (2,450) | (2,401) |
| Payments for acquisitions of other financial assets | (92,946) | (311,231) |
| Proceeds from sales and redemptions of other financial assets | 84,498 | 237,321 |
| Other, net | 719 | |
| Net cash used in investing activities | (308,659) | (376,886) |
| Cash flows from financing activities: | | |

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| | | |
|--|-------------|-------------|
| Proceeds from short-term financing liabilities | 3,921,076 | 3,803,313 |
| Repayments of short-term financing liabilities | (3,804,854) | (3,778,832) |
| Proceeds from long-term financing liabilities | 695,549 | 851,623 |
| Repayments of long-term financing liabilities | (784,848) | (706,970) |
| Dividends paid to owners of the parent | (86,509) | (95,696) |
| Dividends paid to non-controlling interests | (32,118) | (47,423) |
| Purchases and sales of treasury stock, net | (4) | (64,551) |
| Other, net | (22,691) | (25,380) |
| Net cash used in financing activities | (114,399) | (63,916) |
| Effect of exchange rate changes on cash and cash equivalents | 33,803 | 37,998 |
| Net change in cash and cash equivalents | 101,849 | (5,609) |
| Cash and cash equivalents at beginning of year | 2,105,976 | 2,256,488 |
| Cash and cash equivalents at end of period | ¥ 2,207,825 | ¥ 2,250,879 |

See accompanying notes to condensed consolidated interim financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim 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 Interim Financial Reporting Standards

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended March 31, 2018, since the condensed consolidated interim financial statements do not include all the information required in the annual consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Functional Currency and Presentation Currency

The condensed consolidated interim 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.

(c) Use of Estimates and Judgments

The preparation of condensed consolidated interim financial statements 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.

The condensed consolidated interim financial statements are prepared based on the same judgments and estimations as those applied and described in the Company's consolidated financial statements for the fiscal year ended March 31, 2018.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

(3) Summary of Significant Accounting Policies

The condensed consolidated interim financial statements are prepared based on the same accounting policies as those applied and described in the Company's consolidated financial statements for the fiscal year ended March 31, 2018, except for the changes below.

(a) IFRS 9 Financial Instruments

Honda was an early adopter of IFRS 9 Financial Instruments issued in November 2009, amended in October 2010 and November 2013 (IFRS 9 (2013)) prior to the year ended March 31, 2018 and has adopted IFRS 9 issued in July 2014 (IFRS 9 (2014)) with a date of initial application of April 1, 2018. The adoption of IFRS 9 (2014) resulted in changes in accounting policies primarily for classification and impairment of financial assets. IFRS 9 (2014) has an exemption allowing comparative information for prior periods not to be restated with respect to classification and measurement (including impairment) changes. Therefore, the comparative information has not been restated and continues to be reported under IFRS 9 (2013). Instead, the cumulative effect of adopting IFRS 9 (2014) was recognized in the opening balance of equity as of the date of initial application on April 1, 2018. The following are primary changes and corresponding impacts of adopting IFRS 9 (2014).

Classification of financial assets

Debt securities other than those classified into financial assets measured at amortized cost were classified into financial assets measured at fair value through profit or loss under IFRS 9 (2013). IFRS 9 (2014) newly established a classification in which financial assets are measured at fair value through other comprehensive income. Under IFRS 9 (2014), a financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: 1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Honda has evaluated the business models within which financial assets are held and contractual terms of financial assets. As a result, Honda has reclassified debt securities such as government bonds and municipal bonds held by certain subsidiaries from the financial assets measured at fair value through profit or loss to financial assets measured at fair value through other comprehensive income as of April 1, 2018.

The impact of this reclassification is as follows:

| | Yen (millions) | | |
|---|---|------------------|---|
| | Carrying amounts as of March 31, 2018 under IFRS 9 (2013) | Reclassification | Carrying amounts as of April 1, 2018 under IFRS 9 (2014) |
| Other financial assets: | | | |
| Financial assets measured at fair value through profit or loss: | | | |
| Debt securities | ¥ 69,829 | ¥ (14,376) | ¥ 55,453 |
| Financial assets measured at fair value through other comprehensive income: | | | |
| Debt securities | | 14,376 | 14,376 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

Impairment of financial assets

IFRS 9 (2014) replaced the incurred loss model under IAS 39 with the expected credit loss (ECL) model. The ECL model requires the allowance for credit losses to be measured at amounts equal to either lifetime ECL for those financial assets which have experienced a significant increase in credit risk (SICR) since initial recognition or 12-month ECL for financial assets which have not experienced a SICR. Lifetime ECL represents ECL that results from all possible default events over the expected life of a financial asset. 12-month ECL is the portion of lifetime ECL that results from default events that are possible within 12 months after the reporting date. ECL is a probability-weighted estimate of the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rates.

When determining whether credit risk has increased significantly, Honda assesses financial assets either individually based primarily on delinquencies or collectively for groups of financial assets with shared risk characteristics such as the period of initial recognition, collateral type, original term and credit score considering relative changes in expected default rates since initial recognition.

The application of the ECL model resulted in an increase in the allowance for credit losses of ¥4,599 million as of April 1, 2018, which is on receivables from financial services.

(b) IFRS 15 Revenue from Contracts with Customers

Honda has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of April 1, 2018 by recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity at the date of initial application. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policy.

Honda's contracts with customers include promises to transfer goods or services without charges such as free inspections. Such promised goods or services are generally considered performance obligations and related sales revenue is deferred under IFRS 15, if it is deemed material, while such sales was recognized at contract inception under the previous accounting policy.

Further, under IFRS 15, dealer incentives are considered variable consideration when determining the transaction price and sales revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved, which results in higher deductions from sales revenue recognized when products are sold to dealers.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements**

The impacts of adopting IFRS 15 on Honda's condensed consolidated financial statements as of and for the six months and the three months ended September 30, 2018 are as follows:

(Condensed Consolidated Statements of Financial Position)

As of September 30, 2018

| Assets | Yen (millions) | | |
|---|--------------------------------------|--------------|-------------------|
| | Balances without adoption of IFRS 15 | Adjustments | As reported |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 2,250,879 | ¥ | ¥ 2,250,879 |
| Trade receivables | 747,596 | (1,761) | 745,835 |
| Receivables from financial services | 1,894,428 | | 1,894,428 |
| Other financial assets | 212,253 | | 212,253 |
| Inventories | 1,604,121 | | 1,604,121 |
| Other current assets | 362,670 | 806 | 363,476 |
| Total current assets | 7,071,947 | (955) | 7,070,992 |
| Non-current assets: | | | |
| Investments accounted for using the equity method | 774,303 | 11 | 774,314 |
| Receivables from financial services | 3,462,999 | | 3,462,999 |
| Other financial assets | 454,823 | | 454,823 |
| Equipment on operating leases | 4,418,596 | | 4,418,596 |
| Property, plant and equipment | 3,041,703 | | 3,041,703 |
| Intangible assets | 747,992 | | 747,992 |
| Deferred tax assets | 135,864 | 284 | 136,148 |
| Other non-current assets | 159,368 | 806 | 160,174 |
| Total non-current assets | 13,195,648 | 1,101 | 13,196,749 |

| | | | |
|--------------|------------|-----|------------|
| Total assets | 20,267,595 | 146 | 20,267,741 |
|--------------|------------|-----|------------|

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

| Liabilities and Equity | Yen (millions) | | |
|--|--|-----------------|-------------------|
| | Balances without adoption of IFRS 15 | Adjustments | As reported |
| Current liabilities: | | | |
| Trade payables | ¥ 1,102,927 | ¥ | ¥ 1,102,927 |
| Financing liabilities | 3,166,869 | | 3,166,869 |
| Accrued expenses | 384,249 | 17,898 | 402,147 |
| Other financial liabilities | 161,797 | | 161,797 |
| Income taxes payable | 59,364 | | 59,364 |
| Provisions | 312,122 | (3,916) | 308,206 |
| Other current liabilities | 577,312 | 15,431 | 592,743 |
| Total current liabilities | 5,764,640 | 29,413 | 5,794,053 |
| Non-current liabilities: | | | |
| Financing liabilities | 4,118,490 | | 4,118,490 |
| Other financial liabilities | 67,773 | | 67,773 |
| Retirement benefit liabilities | 444,267 | | 444,267 |
| Provisions | 206,817 | (1,003) | 205,814 |
| Deferred tax liabilities | 686,050 | (6,644) | 679,406 |
| Other non-current liabilities | 308,090 | 1,184 | 309,274 |
| Total non-current liabilities | 5,831,487 | (6,463) | 5,825,024 |
| Total liabilities | 11,596,127 | 22,950 | 11,619,077 |
| Equity: | | | |
| Common stock | 86,067 | | 86,067 |
| Capital surplus | 171,228 | | 171,228 |
| Treasury stock | (177,822) | | (177,822) |
| Retained earnings | 7,929,606 | (20,832) | 7,908,774 |
| Other components of equity | 376,711 | (1,911) | 374,800 |
| Equity attributable to owners of the parent | 8,385,790 | (22,743) | 8,363,047 |

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| | | | |
|------------------------------|------------|----------|------------|
| Non-controlling interests | 285,678 | (61) | 285,617 |
| Total equity | 8,671,468 | (22,804) | 8,648,664 |
| Total liabilities and equity | 20,267,595 | 146 | 20,267,741 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements***(Condensed Consolidated Statements of Income)***For the six months ended September 30, 2018**

| | Yen (millions) | | |
|--|---|--------------------|--------------------|
| | Balances without adoption of IFRS 15 | Adjustments | As reported |
| Sales revenue | ¥ 7,833,991 | ¥ 31,854 | ¥ 7,865,845 |
| Operating costs and expenses: | | | |
| Cost of sales | (6,168,841) | 1,437 | (6,167,404) |
| Selling, general and administrative | (810,760) | 815 | (809,945) |
| Research and development | (374,638) | | (374,638) |
| Total operating costs and expenses | (7,354,239) | 2,252 | (7,351,987) |
| Operating profit | 479,752 | 34,106 | 513,858 |
| Share of profit of investments accounted for using the equity method | 118,227 | 1 | 118,228 |
| Finance income and finance costs: | | | |
| Interest income | 23,324 | | 23,324 |
| Interest expense | (5,957) | | (5,957) |
| Other, net | (8,129) | | (8,129) |
| Total finance income and finance costs | 9,238 | | 9,238 |
| Profit before income taxes | 607,217 | 34,107 | 641,324 |
| Income tax expense | (136,604) | (8,773) | (145,377) |
| Profit for the period | 470,613 | 25,334 | 495,947 |
| Profit for the period attributable to: | | | |

| | | | |
|---------------------------|---------|--------|---------|
| Owners of the parent | 429,291 | 25,810 | 455,101 |
| Non-controlling interests | 41,322 | (476) | 40,846 |

For the three months ended September 30, 2018

| | Yen (millions) | | |
|--|--|-------------|-------------|
| | Balances without adoption of IFRS 15 | Adjustments | As reported |
| Sales revenue | ¥ 3,828,310 | ¥ 13,402 | ¥ 3,841,712 |
| Operating costs and expenses: | | | |
| Cost of sales | (3,005,377) | 669 | (3,004,708) |
| Selling, general and administrative | (438,646) | 357 | (438,289) |
| Research and development | (184,240) | | (184,240) |
| Total operating costs and expenses | (3,628,263) | 1,026 | (3,627,237) |
| Operating profit | 200,047 | 14,428 | 214,475 |
| Share of profit of investments accounted for using the equity method | 63,925 | 1 | 63,926 |
| Finance income and finance costs: | | | |
| Interest income | 11,411 | | 11,411 |
| Interest expense | (2,994) | | (2,994) |
| Other, net | (3,776) | | (3,776) |
| Total finance income and finance costs | 4,641 | | 4,641 |
| Profit before income taxes | 268,613 | 14,429 | 283,042 |
| Income tax expense | (49,859) | (3,958) | (53,817) |
| Profit for the period | 218,754 | 10,471 | 229,225 |
| Profit for the period attributable to: | | | |
| Owners of the parent | 199,849 | 10,922 | 210,771 |
| Non-controlling interests | 18,905 | (451) | 18,454 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements****(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 condensed consolidated interim 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), side-by-sides (SxS) 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 six months ended September 30, 2017 and 2018 is as follows:

As of and for the six months ended September 30, 2017

| | Yen (millions) | | | | | | |
|-------------------------------|------------------------|------------------------|-----------------------------------|---|------------------|----------------------|--------------|
| | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
| Sales revenue: | | | | | | | |
| External customers | ¥ 1,018,649 | ¥ 5,237,800 | ¥ 1,072,192 | ¥ 160,654 | ¥ 7,489,295 | ¥ | ¥ 7,489,295 |
| Intersegment | | 79,854 | 7,061 | 10,263 | 97,178 | (97,178) | |
| Total | 1,018,649 | 5,317,654 | 1,079,253 | 170,917 | 7,586,473 | (97,178) | 7,489,295 |
| Segment profit (loss) | ¥ 147,362 | ¥ 179,567 | ¥ 97,115 | ¥ (1,888) | ¥ 422,156 | ¥ | ¥ 422,156 |
| Segment assets | ¥ 1,456,075 | ¥ 7,845,059 | ¥ 9,688,731 | ¥ 314,363 | ¥ 19,304,228 | ¥ 222,851 | ¥ 19,527,079 |
| Depreciation and amortization | 37,138 | 304,915 | 367,541 | 7,610 | 717,204 | | 717,204 |
| Capital expenditures | 22,047 | 251,843 | 938,163 | 4,445 | 1,216,498 | | 1,216,498 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements****As of and for the six months ended September 30, 2018**

| | Yen (millions) | | | | | | |
|-------------------------------|------------------------|------------------------|-----------------------------------|---|------------------|----------------------|--------------|
| | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
| Sales revenue: | | | | | | | |
| External customers | ¥ 1,094,226 | ¥ 5,421,971 | ¥ 1,185,980 | ¥ 163,668 | ¥ 7,865,845 | ¥ | ¥ 7,865,845 |
| Intersegment | | 93,384 | 7,486 | 11,136 | 112,006 | (112,006) | |
| Total | 1,094,226 | 5,515,355 | 1,193,466 | 174,804 | 7,977,851 | (112,006) | 7,865,845 |
| Segment profit (loss) | ¥ 177,174 | ¥ 221,506 | ¥ 116,372 | ¥ (1,194) | ¥ 513,858 | ¥ | ¥ 513,858 |
| Segment assets | ¥ 1,458,540 | ¥ 7,984,546 | ¥ 10,153,832 | ¥ 316,353 | ¥ 19,913,271 | ¥ 354,470 | ¥ 20,267,741 |
| Depreciation and amortization | 33,942 | 309,249 | 384,060 | 7,227 | 734,478 | | 734,478 |
| Capital expenditures | 23,957 | 238,173 | 1,000,337 | 5,493 | 1,267,960 | | 1,267,960 |

Segment information for the three months ended September 30, 2017 and 2018 is as follows:

For the three months ended September 30, 2017

| | Yen (millions) | | | | | | |
|--|------------------------|------------------------|-----------------------------------|---|------------------|----------------------|--------------|
| | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |

| | | | | | | | | | | | | | | | | | | | | |
|-----------------------|---|---------|---|-----------|---|---------|---|--------|---|-----------|---|-----------|-----------|--------|---|---------|---|---------|---|---------|
| Sales revenue: | | | | | | | | | | | | | | | | | | | | |
| External customers | ¥ | 510,109 | ¥ | 2,647,865 | ¥ | 535,235 | ¥ | 82,990 | ¥ | 3,776,199 | ¥ | 3,776,199 | | | | | | | | |
| Intersegment | | | | 45,219 | | 4,329 | | 4,814 | | 54,362 | | (54,362) | | | | | | | | |
| Total | | 510,109 | | 2,693,084 | | 539,564 | | 87,804 | | 3,830,561 | | (54,362) | 3,776,199 | | | | | | | |
| Segment profit (loss) | | | | | | | | | ¥ | 68,520 | ¥ | 39,223 | ¥ | 47,251 | ¥ | (2,049) | ¥ | 152,945 | ¥ | 152,945 |

For the three months ended September 30, 2018

| | | Yen (millions) | | | | | | | | | | | | | | | | | | |
|-----------------------|---|---------------------|---------------------|-----------------------------|------------------------------------|---------------|-------------------|--------------|---|-----------|---|-----------|-----------|--------|---|-----|---|---------|---|---------|
| | | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated | | | | | | | | | | | | |
| Sales revenue: | | | | | | | | | | | | | | | | | | | | |
| External customers | ¥ | 539,319 | ¥ | 2,624,635 | ¥ | 596,085 | ¥ | 81,673 | ¥ | 3,841,712 | ¥ | 3,841,712 | | | | | | | | |
| Intersegment | | | | 45,529 | | 4,196 | | 5,289 | | 55,014 | | (55,014) | | | | | | | | |
| Total | | 539,319 | | 2,670,164 | | 600,281 | | 86,962 | | 3,896,726 | | (55,014) | 3,841,712 | | | | | | | |
| Segment profit (loss) | | | | | | | | | ¥ | 85,044 | ¥ | 69,825 | ¥ | 59,193 | ¥ | 413 | ¥ | 214,475 | ¥ | 214,475 |

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 September 30, 2017 and 2018 amounted to ¥581,929 million and ¥633,623 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements***(b) Supplemental Geographical Information*

In addition to the disclosure required by IFRS, Honda provides the following supplemental information for the financial statements users:

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

As of and for the six months ended September 30, 2017

| | Yen (millions) | | | | | | | |
|---|----------------|---------------|-----------|-------------|---------------|--------------|-------------------|--------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | Reconciling Items | Consolidated |
| Sales revenue: | | | | | | | | |
| External customers | ¥ 1,055,330 | ¥ 3,945,541 | ¥ 324,829 | ¥ 1,760,360 | ¥ 403,235 | ¥ 7,489,295 | ¥ | ¥ 7,489,295 |
| Inter-geographic areas | 1,027,958 | 252,567 | 97,404 | 315,556 | 3,268 | 1,696,753 | (1,696,753) | |
| Total | 2,083,288 | 4,198,108 | 422,233 | 2,075,916 | 406,503 | 9,186,048 | (1,696,753) | 7,489,295 |
| Operating profit (loss) | ¥ 55,860 | ¥ 100,929 | ¥ 9,182 | ¥ 208,146 | ¥ 26,731 | ¥ 400,848 | ¥ 21,308 | ¥ 422,156 |
| Assets | ¥ 4,175,437 | ¥ 10,988,524 | ¥ 685,662 | ¥ 2,901,384 | ¥ 677,984 | ¥ 19,428,991 | ¥ 98,088 | ¥ 19,527,079 |
| Non-current assets other than financial instruments and deferred tax assets | ¥ 2,482,510 | ¥ 4,914,567 | ¥ 108,873 | ¥ 701,566 | ¥ 178,159 | ¥ 8,385,675 | ¥ | ¥ 8,385,675 |

As of and for the six months ended September 30, 2018

| | Yen (millions) | | | | | | Reconciling | Consolidated |
|---|------------------|------------------|----------------|------------------|----------------|------------------|--------------------|------------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | Items | |
| Sales revenue: | | | | | | | | |
| External customers | ¥ 1,129,949 | ¥ 4,192,771 | ¥ 318,832 | ¥ 1,848,097 | ¥ 376,196 | ¥ 7,865,845 | ¥ | ¥ 7,865,845 |
| Inter-geographic areas | 1,215,912 | 251,798 | 129,199 | 361,264 | 3,602 | 1,961,775 | (1,961,775) | |
| Total | 2,345,861 | 4,444,569 | 448,031 | 2,209,361 | 379,798 | 9,827,620 | (1,961,775) | 7,865,845 |
| Operating profit (loss) | | | | | | | | |
| | ¥ 42,114 | ¥ 163,843 | ¥ 7,271 | ¥ 250,109 | ¥ 30,625 | ¥ 493,962 | ¥ 19,896 | ¥ 513,858 |
| Assets | | | | | | | | |
| Non-current assets other than financial instruments and deferred tax assets | ¥ 4,373,170 | ¥ 11,496,432 | ¥ 683,043 | ¥ 3,039,075 | ¥ 620,567 | ¥ 20,212,287 | ¥ 55,454 | ¥ 20,267,741 |
| | ¥ 2,596,051 | ¥ 4,857,844 | ¥ 97,064 | ¥ 671,714 | ¥ 145,792 | ¥ 8,368,465 | ¥ | ¥ 8,368,465 |

For the three months ended September 30, 2017

| | Yen (millions) | | | | | | Reconciling | Consolidated |
|--------------------------------|------------------|------------------|----------------|------------------|----------------|------------------|------------------|------------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | Items | |
| Sales revenue: | | | | | | | | |
| External customers | ¥ 547,386 | ¥ 1,936,664 | ¥ 158,081 | ¥ 933,264 | ¥ 200,804 | ¥ 3,776,199 | ¥ | ¥ 3,776,199 |
| Inter-geographic areas | 510,878 | 131,319 | 50,885 | 160,950 | 1,837 | 855,869 | (855,869) | |
| Total | 1,058,264 | 2,067,983 | 208,966 | 1,094,214 | 202,641 | 4,632,068 | (855,869) | 3,776,199 |
| Operating profit (loss) | | | | | | | | |
| | ¥ 34,324 | ¥ (660) | ¥ 2,529 | ¥ 110,313 | ¥ 12,001 | ¥ 158,507 | ¥ (5,562) | ¥ 152,945 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements****For the three months ended September 30, 2018**

| | Yen (millions) | | | | | | | |
|-------------------------|----------------|---------------|-----------|-----------|---------------|-------------|-------------------|--------------|
| | Japan | North America | Europe | Asia | Other Regions | Total | Reconciling Items | Consolidated |
| Sales revenue: | | | | | | | | |
| External customers | ¥ 575,806 | ¥ 2,015,472 | ¥ 145,853 | ¥ 929,374 | ¥ 175,207 | ¥ 3,841,712 | ¥ | ¥ 3,841,712 |
| Inter-geographic areas | 629,840 | 115,747 | 64,937 | 184,275 | 1,256 | 996,055 | (996,055) | |
| Total | 1,205,646 | 2,131,219 | 210,790 | 1,113,649 | 176,463 | 4,837,767 | (996,055) | 3,841,712 |
| Operating profit (loss) | ¥ 27,402 | ¥ 53,483 | ¥ 236 | ¥ 127,595 | ¥ 7,990 | ¥ 216,706 | ¥ (2,231) | ¥ 214,475 |

Explanatory notes:

1. Major countries or regions in each geographic area:

| | |
|---------------|---|
| North America | United States, Canada, Mexico |
| Europe | United Kingdom, Germany, Belgium, Turkey, Italy |
| 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 September 30, 2017 and 2018 amounted to ¥581,929 million and ¥633,623 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) Reversal of impairment loss on investments accounted for using the equity method

For the six months ended September 30, 2017, the Company recognized reversal of impairment losses of ¥15,782 million, which had been previously recognized, on certain investments accounted for using the equity method mainly due to the recovery of quoted market values. The reversal of impairment losses is included in share of profit of investments accounted for using the equity method in the condensed consolidated statement of income. For the six months ended September 30, 2018, the Company did not recognize any significant reversal of impairment losses.

(6) Equipment on Operating Leases

The additions to equipment on operating leases for the six months ended September 30, 2017 and 2018 are ¥937,033 million and ¥999,096 million, respectively.

The sales or disposals of equipment on operating leases for the six months ended September 30, 2017 and 2018 are ¥454,485 million and ¥514,878 million, respectively.

(7) Property, Plant and Equipment

The additions to property, plant and equipment for the six months ended September 30, 2017 and 2018 are ¥225,581 million and ¥206,631 million, respectively.

The sales or disposals of property, plant and equipment for the six months ended September 30, 2017 and 2018 are ¥22,493 million and ¥24,778 million, respectively.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements****(8) Provisions**

The components of and changes in provisions for the six months ended September 30, 2018 are as follows:

| | Yen (millions) | | |
|--|------------------------|----------|-----------|
| | Product warranties* | Other | Total |
| Balance as of March 31, 2018 | ¥ 457,596 | ¥ 69,023 | ¥ 526,619 |
| Effect of changes in accounting policy | (4,536) | | (4,536) |
| Balance as of April 1, 2018 | 453,060 | 69,023 | 522,083 |
| Provision | ¥ 91,228 | ¥ 13,687 | ¥ 104,915 |
| Charge-offs | (101,528) | (12,190) | (113,718) |
| Reversal | (5,906) | (7,976) | (13,882) |
| Exchange differences on translating foreign operations | 12,479 | 2,143 | 14,622 |
| Balance as of September 30, 2018 | ¥ 449,333 | ¥ 64,687 | ¥ 514,020 |

Current liabilities and non-current liabilities of provisions as of March 31, 2018 and September 30, 2018 are as follows:

| | Yen (millions) | |
|-------------------------|-------------------------|-----------------------------|
| | As of March 31, 2018 | As of September 30, 2018 |
| Current liabilities | ¥ 305,994 | ¥ 308,206 |
| Non-current liabilities | 220,625 | 205,814 |
| Total | ¥ 526,619 | ¥ 514,020 |

Explanatory notes:

- * 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 Condensed Consolidated Interim Financial Statements****(9) Sales Revenue**

As stated in Note 4, Honda has four reportable segments: Motorcycle business, Automobile business, Financial services business and Power Product and other businesses.

The sales revenue disaggregated by geographical markets based on the location of the customer and the reconciliation of the disaggregated revenue with the four reportable segments for the six months and the three months ended September 30, 2018 are as follows:

For the six months ended September 30, 2018

| | Yen (millions) | | | | |
|---|------------------------|------------------------|-----------------------------------|---|--------------------|
| | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Total |
| Revenue arising from Contracts with Customers | | | | | |
| Japan | ¥ 40,375 | ¥ 746,098 | ¥ 43,934 | ¥ 40,269 | ¥ 870,676 |
| North America | 97,735 | 3,005,779 | 527,833 | 62,934 | 3,694,281 |
| Europe | 89,407 | 200,553 | | 27,569 | 317,529 |
| Asia | 719,692 | 1,208,405 | 31 | 24,304 | 1,952,432 |
| Other Regions | 147,016 | 253,882 | | 8,592 | 409,490 |
| Total | ¥ 1,094,225 | ¥ 5,414,717 | ¥ 571,798 | ¥ 163,668 | ¥ 7,244,408 |
| Revenue arising from the other sources* | 1 | 7,254 | 614,182 | | 621,437 |
| Total | ¥ 1,094,226 | ¥ 5,421,971 | ¥ 1,185,980 | ¥ 163,668 | ¥ 7,865,845 |

For the three months ended September 30, 2018

Yen (millions)

| | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Total |
|---|--------------------------------|--------------------------------|--|---|--------------------|
| Revenue arising from Contracts with Customers | | | | | |
| Japan | ¥ 20,749 | ¥ 381,321 | ¥ 20,028 | ¥ 22,674 | ¥ 444,772 |
| North America | 53,182 | 1,413,802 | 262,972 | 30,498 | 1,760,454 |
| Europe | 37,676 | 95,817 | | 12,088 | 145,581 |
| Asia | 359,176 | 614,406 | 5 | 12,248 | 985,835 |
| Other Regions | 68,535 | 117,699 | | 4,165 | 190,399 |
| Total | ¥ 539,318 | ¥ 2,623,045 | ¥ 283,005 | ¥ 81,673 | ¥ 3,527,041 |
| Revenue arising from the other sources* | 1 | 1,590 | 313,080 | | 314,671 |
| Total | ¥ 539,319 | ¥ 2,624,635 | ¥ 596,085 | ¥ 81,673 | ¥ 3,841,712 |

Explanatory notes:

- * Revenue arising from the other sources primarily includes lease revenues recognized under IAS 17 and interest recognized under IFRS 9.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

(10) 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.

(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.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

The subsidiary's auction rate securities are A to 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 such as personnel in accounting divisions of Honda.

(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.

(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.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements***(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, 2018 and September 30, 2018 consist of the following:

| As of March 31, 2018 | Yen (millions) | | | Total |
|---|-----------------------|------------------|-----------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| Other financial assets: | | | | |
| Financial assets measured at fair value through profit or loss: | | | | |
| Derivatives | | | | |
| Foreign exchange instruments | ¥ | ¥ 38,926 | ¥ | ¥ 38,926 |
| Interest rate instruments | | 49,419 | | 49,419 |
| Total | | 88,345 | | 88,345 |
| Debt securities | | | | |
| | 26,763 | 37,860 | 5,206 | 69,829 |
| Financial assets measured at fair value through other comprehensive income: | | | | |
| Debt securities | | | | |
| Equity securities | 198,011 | | 12,671 | 210,682 |
| Total | ¥ 224,774 | ¥ 126,205 | ¥ 17,877 | ¥ 368,856 |
| Other financial liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss: | | | | |
| Derivatives | | | | |
| Foreign exchange instruments | ¥ | ¥ 16,417 | ¥ | ¥ 16,417 |
| Interest rate instruments | | 36,369 | | 36,369 |
| Total | | 52,786 | | 52,786 |
| Total | ¥ | ¥ 52,786 | ¥ | ¥ 52,786 |

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2018.

| As of September 30, 2018 | Yen (millions) | | | Total |
|---|----------------|-----------|----------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| Other financial assets: | | | | |
| Financial assets measured at fair value through profit or loss: | | | | |
| Derivatives | | | | |
| Foreign exchange instruments | ¥ | ¥ 22,762 | ¥ | ¥ 22,762 |
| Interest rate instruments | | 56,127 | | 56,127 |
| Total | | 78,889 | | 78,889 |
| Debt securities | | | | |
| | 25,918 | 28,715 | 5,565 | 60,198 |
| Financial assets measured at fair value through other comprehensive income: | | | | |
| Debt securities | | | | |
| | | 12,727 | | 12,727 |
| Equity securities | 203,254 | | 10,723 | 213,977 |
| Total | ¥ 229,172 | ¥ 120,331 | ¥ 16,288 | ¥ 365,791 |
| Other financial liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss: | | | | |
| Derivatives | | | | |
| Foreign exchange instruments | ¥ | ¥ 31,845 | ¥ | ¥ 31,845 |
| Interest rate instruments | | 45,473 | | 45,473 |
| Total | | 77,318 | | 77,318 |
| Total | ¥ | ¥ 77,318 | ¥ | ¥ 77,318 |

There were no transfers between Level 1 and Level 2 for the six months ended September 30, 2018.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

There were no significant changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended September 30, 2018.

(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, 2018 and September 30, 2018 are as follows:

| | Yen (millions) | | | |
|-------------------------------------|-------------------------|------------|-----------------------------|------------|
| | As of March 31, 2018 | | As of September 30, 2018 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Receivables from financial services | ¥4,958,063 | ¥4,935,772 | ¥5,357,427 | ¥5,324,502 |
| Debt securities | 104,286 | 104,284 | 175,355 | 175,351 |
| Financing liabilities | 6,799,010 | 6,795,675 | 7,285,359 | 7,266,588 |

The table does not include financial assets and financial liabilities measured at amortized cost whose fair values approximate their carrying amounts.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

(11) Contingent Liabilities

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.

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 was filed against Honda. The plaintiffs 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 class action litigation. For the three months ended September 30, 2017, Honda has reached a settlement with the plaintiffs of the multidistrict class action litigation in the

United States. Honda recognized the settlement of ¥53,739 million as selling, general and administrative expenses, which includes funds contributed to enhance airbag inflator recall activities. The final approval of the settlement from court was completed as July 31, 2018(U.S. local time).

For the class action lawsuits and civil lawsuits other than the above, 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 uncertainties, such as the period when these lawsuits will be concluded.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements

(12) Earnings Per Share

Earnings per share attributable to owners of the parent for the six months ended September 30, 2017 and 2018 are calculated based on the following information. There were no dilutive potential common shares outstanding for the six months ended September 30, 2017 and 2018.

| | 2017 | 2018 |
|--|---------------|---------------|
| Profit for the period attributable to owners of the parent (millions of yen) | ¥ 381,341 | ¥ 455,101 |
| Weighted average number of common shares outstanding, basic (shares) | 1,802,279,583 | 1,767,772,938 |
| Basic earnings per share attributable to owners of the parent (yen) | ¥ 211.59 | ¥ 257.44 |

Earnings per share attributable to owners of the parent for the three months ended September 30, 2017 and 2018 are calculated based on the following information. There were no dilutive potential common shares outstanding for the three months ended September 30, 2017 and 2018.

| | 2017 | 2018 |
|--|---------------|---------------|
| Profit for the period attributable to owners of the parent (millions of yen) | ¥ 174,006 | ¥ 210,771 |
| Weighted average number of common shares outstanding, basic (shares) | 1,802,279,187 | 1,761,356,098 |
| Basic earnings per share attributable to owners of the parent (yen) | ¥ 96.55 | ¥ 119.66 |

(13) Dividend*(a) Dividend payout***For the six months ended September 30, 2017**

| | |
|---|---|
| Resolution | The Ordinary General Meeting of Shareholders on June 15, 2017 |
| Type of shares | Common shares |
| Total amount of dividends (millions of yen) | 43,254 |
| Dividend per share (yen) | 24.00 |
| Record date | March 31, 2017 |
| Effective date | June 16, 2017 |

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| | |
|---|--|
| Resolution | The Board of Directors Meeting on August 1, 2017 |
| Type of shares | Common shares |
| Total amount of dividends (millions of yen) | 43,254 |
| Dividend per share (yen) | 24.00 |
| Record date | June 30, 2017 |
| Effective date | August 25, 2017 |

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES**Notes to Condensed Consolidated Interim Financial Statements****For the six months ended September 30, 2018**

| | |
|---|--|
| Resolution | The Board of Directors Meeting on April 27, 2018 |
| Type of shares | Common shares |
| Total amount of dividends (millions of yen) | 48,013 |
| Dividend per share (yen) | 27.00 |
| Record date | March 31, 2018 |
| Effective date | May 30, 2018 |

| | |
|---|---|
| Resolution | The Board of Directors Meeting on July 31, 2018 |
| Type of shares | Common shares |
| Total amount of dividends (millions of yen) | 47,682 |
| Dividend per share (yen) | 27.00 |
| Record date | June 30, 2018 |
| Effective date | August 28, 2018 |

(b) Dividends payable of which record date was in the six months ended September 30, 2018, effective after the period

| | |
|---|--|
| Resolution | The Board of Directors Meeting on October 30, 2018 |
| Type of shares | Common shares |
| Resource for dividend | Retained earnings |
| Total amount of dividends (millions of yen) | 49,287 |
| Dividend per share (yen) | 28.00 |
| Record date | September 30, 2018 |
| Effective date | November 28, 2018 |

(14) Approval of Release of Condensed Consolidated Interim Financial Statements

The release of the condensed consolidated interim financial statements was approved by Takahiro Hachigo, President and Representative Director, Chief Executive Officer and Kohei Takeuchi, Senior Managing Director and Chief Financial Officer on November 5, 2018.