

[Translation]
May 21, 2021

To: Shareholders of Honda Motor Co., Ltd.
From: Honda Motor Co., Ltd.
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Minato-ku, Tokyo, 107-8556
Toshihiro Mibe
President and Representative Director

Notice of acquiring Honda Kaihatsu as a wholly-owned subsidiary through a simplified share exchange

Honda Motor Co., Ltd. (head office: Minato-ku, Tokyo, Japan; hereinafter referred to as “Honda”) hereby announces that, subject to the approval of the competition authorities concerning the business combination and approvals of the Ordinary General Meeting of Shareholders (“OGM”) of Honda Kaihatsu Co., Ltd. (“Honda Kaihatsu”, and together with “Honda”, the “Parties” or individually as a “Party”), Honda has decided at the meeting of the Board of Directors held on May 21, 2021 to carry out a share exchange between Honda and Honda Kaihatsu whereby Honda Kaihatsu will become a wholly-owned subsidiary of Honda (“Share Exchange”).

Honda plans to carry out the Share Exchange by virtue of a simplified share exchange pursuant to Article 796(2) of the Companies Act of Japan, and as a result of which, a resolution of the OGM of Honda is not required to undertake the Share Exchange. In addition, as the Share Exchange is a simplified share exchange changing a consolidated subsidiary into a wholly-owned subsidiary, some items and matters that would otherwise need to be disclosed are omitted from the disclosure.

1. The purpose of acquiring Honda Kaihatsu as a wholly-owned subsidiary through the Share Exchange

Honda currently owns shares in Honda Kaihatsu, which provides employee welfare services, such as the operation of staff cafeterias, to the employees of Honda and its group companies (“Honda Group Companies”) for the purpose of efficiently providing such employee welfare services to the Honda Group Companies. Honda decided to make Honda Kaihatsu its wholly-owned subsidiary in order to strengthen the corporate functions of the Honda Group Companies by enhancing and utilizing Honda Kaihatsu’s business expertise and to reinforce Honda Kaihatsu’s management base and enable it to be more agile in its business operations with the view to helping Honda Kaihatsu to evolve into a company capable of providing higher added value.

2. Summary of the Share Exchange

(1) Method and Date of the Share Exchange

(i) Share Exchange

The Share Exchange will be carried out to turn Honda into the wholly-owning parent company and Honda Kaihatsu into its wholly-owned subsidiary. Honda intends to carry out the Share Exchange through a simplified share exchange pursuant to Article 796(2) of the Companies Act of Japan, without obtaining a resolution of its OGM. Honda Kaihatsu intends to carry out the Share Exchange subject to the resolution approving the Share Exchange at its OGM scheduled on June 18, 2021 and setting the effective date of the Share Exchange as August 1, 2021.

Resolution at the Board meeting of Honda approving the share exchange agreement	May 21, 2021
Resolution at the Board meeting of Honda Kaihatsu approving the share exchange agreement (scheduled)	May 31, 2021 (scheduled)
Execution of the Share Exchange Agreement by the Parties (scheduled)	June 1, 2021 (scheduled)
Resolution approving the share exchange agreement at the OGM of Honda Kaihatsu (scheduled)	June 18, 2021 (scheduled)
Effective date of the Share Exchange (scheduled)	August 1, 2021 (scheduled)

Notes:

(1) The dates above may be changed by an agreement between the Parties in the event that there is a procedural need to change the date for the Share Exchange or for any other reason.

(2) The effective date of the Share Exchange has been fixed based on the assumption that the relevant approvals will be obtained from the competition authorities for the business combination by such date.

(ii) Share dividends

Prior to the effective date of the Share Exchange and subject to approvals of the OGMs of the following subsidiaries, Honda plans to ask the following subsidiaries, Rainbow Motor School Co., Ltd. (“RMS”), Honda Finance Co., Ltd (“HFC”), and Mobilityland Corporation (“ML”), to distribute dividends in kind to Honda in the total amount of 1,680,000 ordinary shares in Honda Kaihatsu (560,000 ordinary shares from each of RMS, HFC and ML) (“Share Dividends”).

Date of resolution approving the Share Dividends at the OGM of RMS	June 8, 2021 (scheduled)
Date of resolution approving the Share Dividends at the OGM of HFC	June 17, 2021 (scheduled)
Date of resolution approving the Share Dividends at the OGM of ML	June 25, 2021 (scheduled)
Effective date of the Share Dividends	June 30, 2021 (scheduled)

(2) Details of allotment of shares in relation to the Share Exchange

	Honda (wholly-owning parent company after the Share Exchange)	Honda Kaihatsu (wholly-owned subsidiary after the Share Exchange)
Share Exchange Ratio	1	0.30
Number of shares in Honda to be issued as a result of the Share Exchange	Ordinary shares in Honda: 2,370,000 shares (scheduled)	

Notes:

- (1) Allotment ratio of shares:
0.30 ordinary shares in Honda are scheduled to be allotted for one share in Honda Kaihatsu. However, no shares will be allotted as a result of the Share Exchange for the ordinary shares in Honda Kaihatsu held by Honda (6,120,000 shares as of today). Honda may change the allotment ratio of the Share Exchange (“Share Exchange Ratio”) subject to discussions between the Parties where there is any material change to the terms and conditions of the Share Exchange which were used as the basis for calculating the allotment ratio.
- (2) Number of shares in Honda to be issued by the Share Exchange:
Honda plans to deliver 2,370,000 ordinary shares of its treasury shares in lieu of the issuance of new shares in connection with the Share Exchange.
- (3) Treatment of shares constituting less than one whole unit:
Honda does not expect that there will be any new shareholders with shares constituting less than one whole unit as a result of the Share Exchange.
- (4) Treatment of a fraction less than one whole share:
Honda does not expect that there will be any new shareholders who will own a fraction of less than one whole share as a result of the Share Exchange.

(3) The treatment of share acquisition rights and bonds with share acquisition rights in connection with the corporate reorganization

This section is not applicable, since Honda Kaihatsu has not issued any share acquisition rights or bonds with share acquisition rights.

3. Results of the calculation, the calculation method, and the basis for the calculation by a third party valuation organization

(1) Rationale and reasons for the allocation

In calculating the Share Exchange Ratio as prescribed in Section 2(2) above (“Details of allotment in relation to the Share Exchange”) with respect to the Share Exchange, in order to ensure the fairness and appropriateness of the Share Exchange Ratio, Honda

and Honda Kaihatsu decided to engage a third party valuation organization to calculate the Share Exchange Ratio and retained EY Strategy and Consulting Co., Ltd. (“EYSC”).

Honda and Honda Kaihatsu discussed and fixed the Share Exchange Ratio after taking into account the overall factors related to the Share Exchange, which include the financial situations, assets and the future business prospects of the Parties while making reference to the calculation results of the Share Exchange Ratio submitted by EYSC. As a result, Honda and Honda Kaihatsu decided to carry out the Share Exchange in accordance with the Share Exchange Ratio as both Parties determined that the Share Exchange Ratio is reasonable for their respective shareholders and would not be detrimental to their shareholders.

Where there is a material change in the terms and conditions on which the calculation of the Share Exchange Ratio is based, the Share Exchange Ratio may be subject to change by a mutual agreement between the Parties in accordance with the share exchange agreement.

(2) Matters concerning the calculation

- (i) Name of the valuation organization and its relationship to Honda and Honda Kaihatsu

The third party valuation organization is EYSC, which is independent of Honda and Honda Kaihatsu, is not an associate of Honda or Honda Kaihatsu and does not hold any disclosable material interest in the Share Exchange.

- (ii) Summary of calculation

EYSC analyzed the financial information of Honda and Honda Kaihatsu and the terms and conditions of the Share Exchange. EYSC, then, adopted the market price method for the shares in Honda as they are listed on the financial instruments exchange and their market share price is available. EYSC adopted the discounted cashflow method (“DCF method”) for the shares in Honda Kaihatsu as there are no comparable listed companies and reflected the future business activities of Honda Kaihatsu in calculating its share prices.

The results of the calculation to determine the number of ordinary shares in Honda to be allotted for one ordinary share in Honda Kaihatsu by using the calculation methods set forth above are as follows.

Calculation Method		Calculation results of the Share Exchange Ratio
Honda	Honda Kaihatsu	
Market price method	DCF method	0.26–0.36

The market price method uses December 30, 2020 (“Calculation Reference Date”) as the reference date and applies the closing share price on the Calculation Reference Date and the simple average value of the closing share price for the six

(6) months prior to the Calculation Reference Date.

In preparing its calculation of the Share Exchange Ratio above, EYSC made the following assumptions: all of the information disclosed by both Parties to EYSC and any other information including financial information discussed with EYSC, which played a substantial role in the formation of the basis for its calculation of the Share Exchange Ratio, were accurate and complete. Furthermore, EYSC has not independently assessed the accuracy and completeness of the foregoing information. In addition, EYSC did not calculate, appraise or assess independently or commission any third party to appraise or assess the assets or liabilities (including derivative transactions, off-book assets or liabilities, or any other contingent liabilities) of Honda, Honda Kaihatsu or their affiliated companies.

The calculation of the Share Exchange Ratio by EYSC reflects the information available and the economic conditions up to the Calculation Reference Date. In addition, the financial forecasts (including profit plan and other information) of Honda Kaihatsu have been reasonably reviewed or prepared based on the best currently available estimates and judgements by the management of Honda Kaihatsu.

In the business plan of Honda Kaihatsu which is used by EYSC for the calculation by the DCF method, no significant increase or decrease in profit is forecast in any business year. In addition, the business plan is not contingent on the implementation of the Share Exchange.

(3) Details of the Share Dividends

Companies conferring shares and company acquiring shares	Companies conferring shares: HFC, ML and RMS Company acquiring shares: Honda
Number of shares to be transferred	1,680,000 shares (560,000 shares from each of HFC, ML and RMS) * number of voting rights: 1,680,000 (560,000 for each of HFC, ML and RMS) * voting right ratio (rounded off to two decimal places): 10.70% (3.57% for each of HFC, ML and RMS)
Appraised value of the shares to be transferred	JPY 212 million (JPY 71 million each for the shares transferred from HFC, ML and RMS)

4. Overview of the companies involved in the Share Exchange

	Wholly-owning parent company resulting from the Share Exchange	Wholly-owned subsidiary resulting from the Share Exchange
(1) Name of the company:	Honda Motor Co., Ltd.	Honda Kaihatsu Co., Ltd.
(2) Address	2-1-1 Minami Aoyama, Minato-ku, Tokyo, Japan	5-39 Hon-cho Wako-shi, Saitama, Japan
(3) Name and title of representative	Toshihiro Mibe, President and Representative Director	Naoji Ono, President and Representative Director
(4) Nature of the business	Manufacture and sale of transport machinery and equipment	Catering service business, real estate business, etc.
(5) Share capital	JPY 86,067 million	JPY 785 million
(6) Date established	September 24, 1948	April 1, 1959
(7) Number of shares issued	1,811,428,430 shares	15,700,000 shares
(8) Fiscal year end	March 31	March 31
(9) Major shareholders and shareholding ratios as of March 31, 2021	<p>The Master Trust Bank of Japan, Ltd. (Trust Account): 9.5%</p> <p>Japan Trustee Services Bank, Ltd. (Trust Account): 6.8%</p> <p>Moxley & Co. LLC: 4.1%</p> <p>SSBTC CLIENT OMNIBUS ACCOUNT: 3.3%</p> <p>Meiji Yasuda Life Insurance Company: 3.0%</p> <p>Tokio Marine & Nichido Fire Insurance Co., Ltd.: 2.1%</p> <p>Nippon Life Insurance Company: 1.7%</p> <p>Mitsubishi UFJ Bank: 1.5%</p> <p>State Street Bank West Client</p>	<p>International Association of Traffic and Safety Sciences: 49.68%</p> <p>Honda Motor Co., Ltd.: 38.98%</p> <p>Four other corporate shareholders</p>

	Treaty505234 1.5%	
	Japan Trustee Services Bank, Ltd. (Trust Account 5): 1.4%	

(10) Financial position and Operating results for the most recent fiscal year		
	Honda Motor Co., Ltd. (Consolidated: International Financial Reporting Standards (IFRS))	Honda Kaihatsu Co., Ltd. (Non-consolidated: Japanese standards)
Fiscal year ended	March 31, 2021	March 31, 2021
Equity attributable to owners of the parent company/Net assets	9,082,306 JPY millions	42,613 JPY millions
Total assets	21,921,030 JPY millions	46,200JPY millions
Equity attributable to owners of the parent company per share/Net assets per share	5,260.06 JPY	2,714.20 JPY
Sales Revenue	13,170,519 JPY millions	16,825 JPY millions
Operating profit	660,208 JPY millions	1,101 JPY millions
Profit before income taxes/Net profit before tax	914,053 JPY millions	1,196 JPY millions
Profit for the year attributable to owners of the parent / Net profit	657,425 JPY millions	829 JPY millions
Basic earnings per share attributable to owners of the parent / Net profit per share	380.75 JPY	52.79 JPY

Note: Honda has adopted IFRS for its consolidated financial results. As IFRS does not include a line for “Net assets per share”, the “Equity attributable to owners of the parent per share” line is used as a substitute. The figures in the other lines above correspond to the respective items in the statements based on IFRS.

5. Status after the Share Exchange

Honda, as the wholly-owning parent company, will not experience any changes with respect to its name, address, title and name of its representative, business activities, capital amount and financial period as a result of the Share Exchange.

6. Forecasts

The effect of this Share Exchange on the consolidated results of Honda is expected to be immaterial. If any matter arises which may have a disclosable impact, it shall be promptly disclosed.

(For reference) Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (as of May 14, 2021) and the Results of the Fiscal Year Ended March 31, 2021

(Unit: JPY millions)

	Consolidated sales revenue	Consolidated operating profit	Consolidated profit for the year	Profit attributable to owners of the parent
Consolidated forecast for the fiscal year ending March 31, 2022	15,200,000	660,000	630,000	590,000
Consolidated results for the fiscal year ended March 31, 2021	13,170,519	660,208	695,444	657,425

For further inquiries, please contact:
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