

HONDA MOTOR CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Interim Financial Statements  
December 31, 2020

# HONDA MOTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Financial Results

### Overview of Operating Performance

While the global economy which had slowed down due to the spread of coronavirus disease 2019 (COVID-19) has been on a recovery track, it has still affected Honda's consolidated financial results for the nine months ended December 31, 2020.

Resulting from travel restriction measures by government, Honda's production bases in Japan and overseas were also affected by suspended or reduced production mainly due to restrictions on employees' commute to the workplaces and delays in the supply of parts within the supply chain. Some dealers in Japan and overseas were obliged to suspend business, shorten business hours, or reduce services such as inspections and repairs. As of the date of this report, Honda has been largely resuming its business activities and there is no significant impact on its businesses in major countries or regions.

Honda's consolidated sales revenue for the nine months ended December 31, 2020 decreased by 16.8%, to ¥9,546.7 billion from the same period last year, due mainly to decreased sales revenue in all business operations. Operating profit decreased by 30.1%, to ¥447.0 billion from the same period last year, due mainly to a decrease in profit attributable to decreased sales revenue and model mix, which was partially offset by decreased selling, general and administrative expenses as well as continuing cost reduction. Profit before income taxes decreased by 16.2%, to ¥658.7 billion from the same period last year. Profit for the period attributable to owners of the parent decreased by 8.5%, to ¥444.1 billion from the same period last year.

### Business Segments

#### Motorcycle Business

For the nine months ended December 31, 2019 and 2020

	Units (thousands)							
	Honda Group Unit Sales*				Consolidated Unit Sales*			
	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020	Change	%	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020	Change	%
<b>Motorcycle Business</b>	<b>15,038</b>	<b>10,591</b>	<b>(4,447)</b>	<b>(29.6)</b>	<b>9,732</b>	<b>7,263</b>	<b>(2,469)</b>	<b>(25.4)</b>
Japan	154	155	1	0.6	154	155	1	0.6
North America	221	240	19	8.6	221	240	19	8.6
Europe	186	159	(27)	(14.5)	186	159	(27)	(14.5)
Asia	13,453	9,257	(4,196)	(31.2)	8,147	5,929	(2,218)	(27.2)
Other Regions	1,024	780	(244)	(23.8)	1,024	780	(244)	(23.8)

\* 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 decreased by 20.7%, to ¥1,258.1 billion from the same period last year, due mainly to decreased consolidated unit sales. Operating profit decreased by 31.4%, to ¥152.3 billion from the same period last year, due mainly to a decrease in profit attributable to decreased sales volume and model mix, which was partially offset by decreased selling, general and administrative expenses as well as continuing cost reduction.

## Automobile Business

For the nine months ended December 31, 2019 and 2020

	Units (thousands)							
	Honda Group Unit Sales*				Consolidated Unit Sales*			
	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020	Change	%	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020	Change	%
<b>Automobile Business</b>	<b>3,809</b>	<b>3,425</b>	<b>(384)</b>	<b>(10.1)</b>	<b>2,541</b>	<b>1,899</b>	<b>(642)</b>	<b>(25.3)</b>
Japan	489	418	(71)	(14.5)	431	366	(65)	(15.1)
North America	1,402	1,098	(304)	(21.7)	1,402	1,098	(304)	(21.7)
Europe	103	77	(26)	(25.2)	103	77	(26)	(25.2)
Asia	1,655	1,741	86	5.2	445	267	(178)	(40.0)
Other Regions	160	91	(69)	(43.1)	160	91	(69)	(43.1)

\* 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 decreased by 19.3%, to ¥6,207.7 billion from the same period last year, due mainly to decreased consolidated unit sales. Operating profit decreased by 77.0%, to ¥52.6 billion from the same period last year, due mainly to a decrease in profit attributable to decreased sales volume and model mix, which was partially offset by continuing cost reduction as well as decreased selling, general and administrative expenses.

## Financial Services Business

Sales revenue from external customers decreased by 5.5%, to ¥1,853.6 billion from the same period last year, due mainly to a decrease in revenues on disposition of lease vehicles. Operating profit increased by 27.4%, to ¥250.5 billion from the same period last year, due mainly to decreased selling, general and administrative expenses.

## Life Creation and Other Businesses

For the nine months ended December 31, 2019 and 2020

	Units (thousands)			
	Honda Group Unit Sales / Consolidated Unit Sales*			
	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020	Change	%
<b>Life Creation Business</b>	<b>3,630</b>	<b>3,855</b>	<b>225</b>	<b>6.2</b>
Japan	218	233	15	6.9
North America	1,661	1,815	154	9.3
Europe	502	567	65	12.9
Asia	1,038	1,012	(26)	(2.5)
Other Regions	211	228	17	8.1

\* 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 Life creation 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 decreased by 3.0%, to ¥227.1 billion from the same period last year, due mainly to decreased sales revenue in Other businesses. Operating loss was ¥8.5 billion, an improvement of ¥0.1 billion from the same period last year, due mainly to decreased selling, general and administrative expenses as well as continuing cost reduction, which was partially offset by a decrease in profit attributable to decreased sales volume and model mix. In addition, operating loss of aircraft and aircraft engines included in the Life creation and other businesses was ¥24.5 billion, an improvement of ¥3.8 billion from the same period last year.

## **Cash Flows**

Consolidated cash and cash equivalents on December 31, 2020 increased by ¥200.9 billion from March 31, 2020, to ¥2,873.2 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 ¥826.1 billion of cash inflows. Cash inflows from operating activities increased by ¥220.7 billion from the same period last year, due mainly to decreased payments for parts and raw materials, which was partially offset by decreased cash received from customers.

Net cash used in investing activities amounted to ¥663.6 billion of cash outflows. Cash outflows from investing activities increased by ¥227.6 billion from the same period last year, due mainly to increased payments for acquisitions of investments accounted for using the equity method as well as decreased proceeds from sales and redemptions of other financial assets.

Net cash provided by financing activities amounted to ¥81.5 billion of cash inflows. Cash inflows from financing activities increased by ¥281.6 billion from the same period last year, due mainly to increased proceeds from financing liabilities.

## **Research and Development**

The changes in research and development activities by Honda and its subsidiaries for the nine months ended December 31, 2020 are as follows:

Honda and the automobile product development division excluding the design function etc. of Honda R&D Co., Ltd. were integrated and Honda merged with Honda Engineering Co., Ltd., with an aim to transition from the current structure where sales, manufacturing, development and procurement divisions operate independently to a new structure where each process of planning and concept making, development, launch and mass-production of a new product are coordinated closely. In addition, the Innovative Research Excellence - Power Unit & Energy center and the Design center were newly established in Honda R&D Co., Ltd. In the area of power unit technologies, which is a source of Honda's competitive strength, the Innovative Research Excellence - Power Unit & Energy center will fully demonstrate the strengths of Honda as a company that has a broad range of technologies and strive to increase the value of its product for the future with integration of research and development functions for power unit and energy technologies for motorcycles, automobiles, power products and business jets. The Design center will strengthen the consistent Honda brand across products with integration of design functions for products of motorcycles, automobiles and life creation as well.

## **Employees**

The number of employees of Honda as of December 31, 2020 increased by 10,683, to 36,062 from March 31, 2020, due mainly to the integration of Honda and the automobile product development division excluding the design function etc. of Honda R&D Co., Ltd. and the merger with Honda Engineering Co., Ltd. by Honda in Automobile business. There was no significant changes in the total number of employees of Honda and its subsidiaries for the nine months ended December 31, 2020.

## **Plans for Capital Expenditures for Fiscal Year 2021**

There is no decision relating to plans for significant capital expenditures for the nine months ended December 31, 2020.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Position

March 31, 2020 and December 31, 2020

Assets	Note	Yen (millions)	
		March 31,	December 31,
		2020	2020
		unaudited	unaudited
Current assets:			
Cash and cash equivalents		¥ 2,672,353	¥ 2,873,289
Trade receivables		633,909	639,755
Receivables from financial services		1,878,358	1,684,526
Other financial assets		190,053	352,123
Inventories		1,560,568	1,448,639
Other current assets		365,769	361,229
Total current assets		7,301,010	7,359,561
Non-current assets:			
Investments accounted for using the equity method		655,475	804,181
Receivables from financial services		3,282,807	3,340,466
Other financial assets		441,724	626,746
Equipment on operating leases	6	4,626,063	4,603,672
Property, plant and equipment	7	3,051,704	2,921,098
Intangible assets		760,434	807,739
Deferred tax assets		132,553	86,318
Other non-current assets		209,695	230,422
Total non-current assets		13,160,455	13,420,642
Total assets		¥ 20,461,465	¥ 20,780,203

Liabilities and Equity	Note	Yen (millions)	
		March 31,	December 31,
		2020	2020
		unaudited	unaudited
Current liabilities:			
Trade payables		¥ 958,469	¥ 959,136
Financing liabilities		3,248,457	3,323,459
Accrued expenses		449,716	369,960
Other financial liabilities		209,065	169,775
Income taxes payable		43,759	45,945
Provisions	8	287,175	311,461
Other current liabilities		593,447	545,940
Total current liabilities		5,790,088	5,725,676
Non-current liabilities:			
Financing liabilities		4,221,229	4,305,653
Other financial liabilities		303,570	286,330
Retirement benefit liabilities		578,909	570,174
Provisions	8	238,439	264,109
Deferred tax liabilities		698,868	712,612
Other non-current liabilities		344,339	339,597
Total non-current liabilities		6,385,354	6,478,475
Total liabilities		12,175,442	12,204,151
Equity:			
Common stock		86,067	86,067
Capital surplus		171,823	172,026
Treasury stock		(273,940)	(273,820)
Retained earnings		8,142,948	8,487,222
Other components of equity		(114,639)	(164,892)
Equity attributable to owners of the parent		8,012,259	8,306,603
Non-controlling interests		273,764	269,449
Total equity		8,286,023	8,576,052
Total liabilities and equity		¥ 20,461,465	¥ 20,780,203

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

For the nine months ended December 31, 2019 and 2020

	Note	Yen (millions)	
		December 31,	December 31,
		2019	2020
		unaudited	unaudited
Sales revenue	9	¥ 11,472,949	¥ 9,546,713
Operating costs and expenses:			
Cost of sales		(9,090,126)	(7,594,521)
Selling, general and administrative		(1,163,591)	(1,004,211)
Research and development		(579,978)	(500,981)
Total operating costs and expenses		(10,833,695)	(9,099,713)
Operating profit		639,254	447,000
Share of profit of investments accounted for using the equity method	5	149,731	204,570
Finance income and finance costs:			
Interest income		38,565	13,572
Interest expense		(15,125)	(8,563)
Other, net		(26,257)	2,128
Total finance income and finance costs		(2,817)	7,137
Profit before income taxes		786,168	658,707
Income tax expense		(254,713)	(186,809)
Profit for the period		¥ 531,455	¥ 471,898
Profit for the period attributable to:			
Owners of the parent		485,288	444,102
Non-controlling interests		46,167	27,796
Earnings per share attributable to owners of the parent			
Basic and diluted	12	¥ 276.13	¥ 257.21

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2019 and 2020

	Note	Yen (millions)	
		December 31,	December 31,
		2019	2020
		unaudited	unaudited
Profit for the period		¥ 531,455	¥ 471,898
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		3,337	64,000
Share of other comprehensive income of investments accounted for using the equity method		704	613
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		99	127
Exchange differences on translating foreign operations		(90,608)	(114,008)
Share of other comprehensive income of investments accounted for using the equity method		(23,331)	5,772
Total other comprehensive income, net of tax		(109,799)	(43,496)
Comprehensive income for the period		¥ 421,656	¥ 428,402
Comprehensive income for the period attributable to:			
Owners of the parent		378,667	394,202
Non-controlling interests		42,989	34,200

See accompanying notes to condensed consolidated interim financial statements.



HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

For the three months ended December 31, 2019 and 2020

	Note	Yen (millions)	
		December 31,	December 31,
		2019	2020
		unaudited	unaudited
Sales revenue	9	¥ 3,747,593	¥ 3,771,569
Operating costs and expenses:			
Cost of sales		(2,966,552)	(2,940,964)
Selling, general and administrative		(379,648)	(381,019)
Research and development		(234,744)	(171,851)
Total operating costs and expenses		(3,580,944)	(3,493,834)
Operating profit		166,649	277,735
Share of profit of investments accounted for using the equity method		41,552	102,274
Finance income and finance costs:			
Interest income		12,305	4,695
Interest expense		(7,530)	(2,014)
Other, net		(6,243)	3,733
Total finance income and finance costs		(1,468)	6,414
Profit before income taxes		206,733	386,423
Income tax expense		(75,043)	(87,094)
Profit for the period		¥ 131,690	¥ 299,329
Profit for the period attributable to:			
Owners of the parent		116,432	284,051
Non-controlling interests		15,258	15,278
Earnings per share attributable to owners of the parent			
Basic and diluted	12	¥ 66.37	¥ 164.51

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the three months ended December 31, 2019 and 2020

	Note	Yen (millions)	
		December 31,	December 31,
		2019	2020
		unaudited	unaudited
Profit for the period		¥ 131,690	¥ 299,329
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		8,030	45,754
Share of other comprehensive income of investments accounted for using the equity method		1,308	1,040
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		(65)	13
Exchange differences on translating foreign operations		77,102	(36,418)
Share of other comprehensive income of investments accounted for using the equity method		8,240	5,297
Total other comprehensive income, net of tax		94,615	15,686
Comprehensive income for the period		¥ 226,305	¥ 315,015
Comprehensive income for the period attributable to:			
Owners of the parent		205,575	296,866
Non-controlling interests		20,730	18,149

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity

For the nine months ended December 31, 2019 and 2020

		Yen (millions)							
		Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
Note		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
	Balance as of April 1, 2019 (unaudited)	¥ 86,067	¥ 171,460	¥ (177,827)	¥ 7,973,637	¥ 214,383	¥ 8,267,720	¥ 298,070	¥ 8,565,790
	Comprehensive income for the period								
	Profit for the period				485,288		485,288	46,167	531,455
	Other comprehensive income, net of tax					(106,621)	(106,621)	(3,178)	(109,799)
	Total comprehensive income for the period				485,288	(106,621)	378,667	42,989	421,656
	Reclassification to retained earnings				(40)	40	—		—
	Transactions with owners and other								
	Dividends paid	13			(147,863)		(147,863)	(54,987)	(202,850)
	Purchases of treasury stock			(39,475)			(39,475)		(39,475)
	Disposal of treasury stock			79			79		79
	Share-based payment transactions		330				330		330
	Equity transactions and others							(3,049)	(3,049)
	Total transactions with owners and other		330	(39,396)	(147,863)		(186,929)	(58,036)	(244,965)
	Other changes				1,775		1,775		1,775
	Balance as of December 31, 2019 (unaudited)	¥ 86,067	¥ 171,790	¥ (217,223)	¥ 8,312,797	¥ 107,802	¥ 8,461,233	¥ 283,023	¥ 8,744,256

		Yen (millions)							
		Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
Note		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
	Balance as of April 1, 2020 (unaudited)	¥ 86,067	¥ 171,823	¥ (273,940)	¥ 8,142,948	¥ (114,639)	¥ 8,012,259	¥ 273,764	¥ 8,286,023
	Comprehensive income for the period								
	Profit for the period				444,102		444,102	27,796	471,898
	Other comprehensive income, net of tax					(49,900)	(49,900)	6,404	(43,496)
	Total comprehensive income for the period				444,102	(49,900)	394,202	34,200	428,402
	Reclassification to retained earnings				353	(353)	—		—
	Transactions with owners and other								
	Dividends paid	13			(100,181)		(100,181)	(40,766)	(140,947)
	Purchases of treasury stock			(4)			(4)		(4)
	Disposal of treasury stock			124			124		124
	Share-based payment transactions		203				203		203
	Equity transactions and others							2,251	2,251
	Total transactions with owners and other		203	120	(100,181)		(99,858)	(38,515)	(138,373)
	Balance as of December 31, 2020 (unaudited)	¥ 86,067	¥ 172,026	¥ (273,820)	¥ 8,487,222	¥ (164,892)	¥ 8,306,603	¥ 269,449	¥ 8,576,052

See accompanying notes to condensed consolidated interim financial statements.

HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the nine months ended December 31, 2019 and 2020

	Note	Yen (millions)	
		December 31,	December 31,
		2019	2020
		unaudited	unaudited
Cash flows from operating activities:			
Profit before income taxes	¥	786,168	¥ 658,707
Depreciation, amortization and impairment losses excluding equipment on operating leases		529,727	444,545
Share of profit of investments accounted for using the equity method		(149,731)	(204,570)
Finance income and finance costs, net		(36,878)	52,741
Interest income and interest costs from financial services, net		(98,250)	(99,425)
Changes in assets and liabilities			
Trade receivables		144,006	6,927
Inventories		(14,088)	88,067
Trade payables		(208,556)	78,928
Accrued expenses		(56,143)	(72,394)
Provisions and retirement benefit liabilities		(34,155)	86,077
Receivables from financial services		30,472	(11,553)
Equipment on operating leases		(248,773)	(118,989)
Other assets and liabilities		(104,211)	(151,391)
Other, net		3,782	(608)
Dividends received		104,657	119,642
Interest received		218,353	177,097
Interest paid		(113,631)	(83,502)
Income taxes paid, net of refunds		(147,350)	(144,107)
Net cash provided by operating activities		605,399	826,192
Cash flows from investing activities:			
Payments for additions to property, plant and equipment		(250,995)	(227,151)
Payments for additions to and internally developed intangible assets		(159,851)	(165,830)
Proceeds from sales of property, plant and equipment and intangible assets		10,307	4,680
Payments for acquisitions of subsidiaries, net of cash and cash equivalents acquired		(3,047)	2,230
Payments for acquisitions of investments accounted for using the equity method		(4,802)	(110,747)
Proceeds from sales of investments accounted for using the equity method		—	10,376
Payments for acquisitions of other financial assets		(240,295)	(311,873)
Proceeds from sales and redemptions of other financial assets		214,102	134,639
Other, net		(1,404)	—
Net cash used in investing activities		(435,985)	(663,676)
Cash flows from financing activities:			
Proceeds from short-term financing liabilities		6,226,745	6,992,681
Repayments of short-term financing liabilities		(6,348,745)	(6,781,179)
Proceeds from long-term financing liabilities		1,398,797	1,356,619
Repayments of long-term financing liabilities		(1,182,699)	(1,304,276)
Dividends paid to owners of the parent		(147,863)	(100,181)
Dividends paid to non-controlling interests		(47,043)	(34,134)

Purchases and sales of treasury stock, net	(39,396)	120
Repayments of lease liabilities	(55,689)	(47,584)
Other, net	<u>(4,237)</u>	<u>(555)</u>
Net cash provided by (used in) financing activities	(200,130)	81,511
Effect of exchange rate changes on cash and cash equivalents	<u>(21,581)</u>	<u>(43,091)</u>
Net change in cash and cash equivalents	(52,297)	200,936
Cash and cash equivalents at beginning of year	<u>2,494,121</u>	<u>2,672,353</u>
Cash and cash equivalents at end of period	¥ <u>2,441,824</u>	¥ <u>2,873,289</u>

See accompanying notes to condensed consolidated interim financial statements.

# 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, 2020, 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, 2020.

### (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, 2020.

#### (4) Segment Information

Honda has four reportable segments: Motorcycle business, Automobile business, Financial services business and Life creation 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
Life Creation 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 nine months ended December 31, 2019 and 2020 is as follows:

#### As of and for the nine months ended December 31, 2019

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers .....	¥ 1,585,770	¥ 7,691,119	¥ 1,961,952	¥ 234,108	¥ 11,472,949	¥ —	¥ 11,472,949
Intersegment .....	—	164,786	10,626	19,317	194,729	(194,729)	—
Total .....	1,585,770	7,855,905	1,972,578	253,425	11,667,678	(194,729)	11,472,949
Segment profit (loss) .....	¥ 222,182	¥ 229,000	¥ 196,761	¥ (8,689)	¥ 639,254	¥ —	¥ 639,254
Segment assets	¥ 1,519,250	¥ 7,837,663	¥ 10,373,083	¥ 362,483	¥ 20,092,479	¥ 396,227	¥ 20,488,706
Depreciation and amortization ....	50,147	417,950	615,663	10,777	1,094,537	—	1,094,537
Capital expenditures .....	52,849	328,282	1,730,700	10,574	2,122,405	—	2,122,405

## As of and for the nine months ended December 31, 2020

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers .....	¥ 1,258,173	¥ 6,207,728	¥ 1,853,641	¥ 227,171	¥ 9,546,713	¥ —	¥ 9,546,713
Intersegment .....	—	153,209	9,520	14,270	176,999	(176,999)	—
Total .....	1,258,173	6,360,937	1,863,161	241,441	9,723,712	(176,999)	9,546,713
Segment profit (loss) .....	¥ 152,379	¥ 52,624	¥ 250,581	¥ (8,584)	¥ 447,000	¥ —	¥ 447,000
Segment assets	¥ 1,382,083	¥ 8,061,407	¥ 10,280,529	¥ 360,515	¥ 20,084,534	¥ 695,669	¥ 20,780,203
Depreciation and amortization ....	50,324	378,524	617,238	11,484	1,057,570	—	1,057,570
Capital expenditures .....	28,358	348,446	1,485,375	7,004	1,869,183	—	1,869,183

Segment information for the three months ended December 31, 2019 and 2020 is as follows:

### For the three months ended December 31, 2019

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers .....	¥ 530,227	¥ 2,523,149	¥ 616,318	¥ 77,899	¥ 3,747,593	¥ —	¥ 3,747,593
Intersegment .....	—	51,736	3,470	8,471	63,677	(63,677)	—
Total .....	530,227	2,574,885	619,788	86,370	3,811,270	(63,677)	3,747,593
Segment profit (loss) .....	¥ 74,527	¥ 33,707	¥ 64,599	¥ (6,184)	¥ 166,649	¥ —	¥ 166,649

### For the three months ended December 31, 2020

	Yen (millions)						
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Segment Total	Reconciling Items	Consolidated
Sales revenue:							
External customers .....	¥ 490,857	¥ 2,585,190	¥ 614,549	¥ 80,973	¥ 3,771,569	¥ —	¥ 3,771,569
Intersegment .....	—	52,925	3,097	5,434	61,456	(61,456)	—
Total .....	490,857	2,638,115	617,646	86,407	3,833,025	(61,456)	3,771,569
Segment profit (loss) .....	¥ 72,715	¥ 123,127	¥ 85,715	¥ (3,822)	¥ 277,735	¥ —	¥ 277,735

#### 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 December 31, 2019 and 2020 amounted to ¥650,927 million and ¥931,069 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.



*(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 nine months ended December 31, 2019**

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers ..	¥ 1,714,572	¥ 6,259,055	¥ 426,596	¥ 2,532,782	¥ 539,944	¥ 11,472,949	¥ —	¥ 11,472,949
Inter-geographic areas	1,623,743	285,634	156,462	500,784	5,239	2,571,862	(2,571,862)	—
Total .....	3,338,315	6,544,689	583,058	3,033,566	545,183	14,044,811	(2,571,862)	11,472,949
Operating profit (loss) ....	¥ 38,066	¥ 280,736	¥ 11,004	¥ 274,911	¥ 35,555	¥ 640,272	¥ (1,018)	¥ 639,254
Assets .....	¥ 4,812,390	¥ 11,366,463	¥ 652,222	¥ 2,966,416	¥ 625,857	¥ 20,423,348	¥ 65,358	¥ 20,488,706
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets ...	¥ 2,936,823	¥ 4,816,100	¥ 59,005	¥ 687,869	¥ 133,830	¥ 8,633,627	¥ —	¥ 8,633,627

**As of and for the nine months ended December 31, 2020**

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers ..	¥ 1,559,844	¥ 5,200,322	¥ 350,963	¥ 2,124,773	¥ 310,811	¥ 9,546,713	¥ —	¥ 9,546,713
Inter-geographic areas	1,189,865	270,594	121,711	329,638	4,509	1,916,317	(1,916,317)	—
Total .....	2,749,709	5,470,916	472,674	2,454,411	315,320	11,463,030	(1,916,317)	9,546,713
Operating profit (loss) ....	¥ (31,386)	¥ 269,236	¥ 18,352	¥ 170,069	¥ 421	¥ 426,692	¥ 20,308	¥ 447,000
Assets .....	¥ 5,048,475	¥ 11,271,264	¥ 666,494	¥ 2,996,726	¥ 484,914	¥ 20,467,873	¥ 312,330	¥ 20,780,203
Non-current assets other than financial instruments, deferred tax assets and net defined benefit assets ...	¥ 3,038,243	¥ 4,637,887	¥ 58,660	¥ 643,185	¥ 114,368	¥ 8,492,343	¥ —	¥ 8,492,343

**For the three months ended December 31, 2019**

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers ..	¥ 502,173	¥ 2,074,816	¥ 135,220	¥ 855,119	¥ 180,265	¥ 3,747,593	¥ —	¥ 3,747,593
Inter-geographic areas	542,748	88,038	55,104	161,475	1,589	848,954	(848,954)	—
Total .....	1,044,921	2,162,854	190,324	1,016,594	181,854	4,596,547	(848,954)	3,747,593
Operating profit (loss) ....	¥ (43,134)	¥ 101,755	¥ 1,201	¥ 88,633	¥ 27,130	¥ 175,585	¥ (8,936)	¥ 166,649

## For the three months ended December 31, 2020

	Yen (millions)							
	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
Sales revenue:								
External customers ..	¥ 559,587	¥ 2,068,582	¥ 114,672	¥ 892,829	¥ 135,899	¥ 3,771,569	¥ —	¥ 3,771,569
Inter-geographic areas	518,693	99,268	58,881	136,149	1,887	814,878	(814,878)	—
Total ....	1,078,280	2,167,850	173,553	1,028,978	137,786	4,586,447	(814,878)	3,771,569
Operating profit (loss) ....	¥ 43,691	¥ 149,920	¥ 7,114	¥ 79,132	¥ (1,653)	¥ 278,204	¥ (469)	¥ 277,735

Explanatory notes:

1. Major countries in each geographic area:

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

- 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.
- Assets of each geographical region are defined as total assets including investments accounted for using the equity method, derivatives, and deferred tax assets.
- Sales revenues between geographic areas are generally made at values that approximate arm's-length prices.
- 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 December 31, 2019 and 2020 amounted to ¥650,927 million and ¥931,069 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 nine months ended December 31, 2020, upon the successful completion of the tender offers targeting our affiliates which are Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. (collectively, the "Target Companies"), the Company recognized reversal of impairment losses of ¥56,849 million which had been previously recognized on the investments in certain Target Companies accounted for using the equity method, based on quoted market values which had increased since the announcement of the tender offers. 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.

### (6) Equipment on Operating Leases

The additions to equipment on operating leases for the nine months ended December 31, 2019 and 2020 are ¥1,728,200 million and ¥1,482,193 million, respectively.

The sales or disposals of equipment on operating leases for the nine months ended December 31, 2019 and 2020 are ¥854,013 million and ¥764,146 million, respectively.

### (7) Property, Plant and Equipment

The additions to property, plant and equipment for the nine months ended December 31, 2019 and 2020 are ¥278,168 million and ¥251,576 million, respectively.

The sales or disposals of property, plant and equipment for the nine months ended December 31, 2019 and 2020 are ¥27,970 million and ¥29,340 million, respectively.

## (8) Provisions

The components of and changes in provisions for the nine months ended December 31, 2020 are as follows:

	Yen (millions)		
	Product warranties*	Other	Total
Balance as of April 1, 2020 .....	¥ 380,689	¥ 144,925	¥ 525,614
Provision .....	¥ 211,662	¥ 15,862	¥ 227,524
Write-offs .....	(126,559)	(32,941)	(159,500)
Reversal .....	(9,989)	(3,352)	(13,341)
Exchange differences on translating foreign operations .....	(5,650)	923	(4,727)
Balance as of December 31, 2020 .....	¥ 450,153	¥ 125,417	¥ 575,570

Current liabilities and non-current liabilities of provisions as of March 31, 2020 and December 31, 2020 are as follows:

	Yen (millions)	
	As of March 31, 2020	As of December 31, 2020
Current liabilities .....	¥ 287,175	¥ 311,461
Non-current liabilities .....	238,439	264,109
Total .....	¥ 525,614	¥ 575,570

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.

## (9) Sales Revenue

As stated in Note 4, Honda has four reportable segments: Motorcycle business, Automobile business, Financial services business and Life creation 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 nine months ended December 31, 2019 and 2020 are as follows:

### For the nine months ended December 31, 2019

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Total
Revenue arising from Contracts with Customers.....					
Japan.....	¥ 57,997	¥ 1,087,118	¥ 92,262	¥ 60,831	¥ 1,298,208
North America.....	147,413	4,348,702	862,848	96,105	5,455,068
Europe.....	111,561	276,983	—	33,956	422,500
Asia.....	1,034,494	1,646,400	11	31,654	2,712,559
Other Regions.....	233,052	329,760	—	11,216	574,028
Total.....	¥ 1,584,517	¥ 7,688,963	¥ 955,121	¥ 233,762	¥ 10,462,363
Revenue arising from the other sources*	1,253	2,156	1,006,831	346	1,010,586
Total.....	¥ 1,585,770	¥ 7,691,119	¥ 1,961,952	¥ 234,108	¥ 11,472,949

### For the nine months ended December 31, 2020

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Total
Revenue arising from Contracts with Customers.....					
Japan.....	¥ 63,671	¥ 936,043	¥ 91,615	¥ 41,826	¥ 1,133,155
North America.....	143,742	3,408,131	778,483	98,425	4,428,781
Europe.....	93,641	213,196	—	39,724	346,561
Asia.....	802,575	1,472,728	1	34,844	2,310,148
Other Regions.....	152,863	167,147	—	12,079	332,089
Total.....	¥ 1,256,492	¥ 6,197,245	¥ 870,099	¥ 226,898	¥ 8,550,734
Revenue arising from the other sources*	1,681	10,483	983,542	273	995,979
Total.....	¥ 1,258,173	¥ 6,207,728	¥ 1,853,641	¥ 227,171	¥ 9,546,713

Explanatory notes:

\* Revenue arising from the other sources primarily includes lease revenues recognized under IFRS 16 and interest recognized under IFRS 9.

## For the three months ended December 31, 2019

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Total
Revenue arising from Contracts with Customers.....					
Japan.....	¥ 16,659	¥ 284,519	¥ 33,001	¥ 21,394	¥ 355,573
North America.....	48,655	1,479,388	243,960	31,054	1,803,057
Europe.....	30,790	93,825	—	9,847	134,462
Asia.....	355,430	556,876	2	11,390	923,698
Other Regions.....	78,689	107,602	—	4,153	190,444
Total.....	¥ 530,223	¥ 2,522,210	¥ 276,963	¥ 77,838	¥ 3,407,234
Revenue arising from the other sources*	4	939	339,355	61	340,359
Total.....	¥ 530,227	¥ 2,523,149	¥ 616,318	¥ 77,899	¥ 3,747,593

## For the three months ended December 31, 2020

	Yen (millions)				
	Motorcycle Business	Automobile Business	Financial Services Business	Life Creation and Other Businesses	Total
Revenue arising from Contracts with Customers.....					
Japan.....	¥ 19,699	¥ 334,622	¥ 30,291	¥ 17,483	¥ 402,095
North America.....	48,628	1,478,347	257,062	32,093	1,816,130
Europe.....	22,540	76,339	—	14,022	112,901
Asia.....	335,336	621,458	—	12,376	969,170
Other Regions.....	64,525	72,275	—	4,851	141,651
Total.....	¥ 490,728	¥ 2,583,041	¥ 287,353	¥ 80,825	¥ 3,441,947
Revenue arising from the other sources*	129	2,149	327,196	148	329,622
Total.....	¥ 490,857	¥ 2,585,190	¥ 614,549	¥ 80,973	¥ 3,771,569

Explanatory notes:

\* Revenue arising from the other sources primarily includes lease revenues recognized under IFRS 16 and interest recognized under IFRS 9.

## **(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.

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. In addition, in the case that cost represents the best estimate of fair value, fair value for the equity securities with no active market is measured at cost.

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 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.

(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, 2020 and December 31, 2020 consist of the following:

As of March 31, 2020	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments .....	¥ —	¥ 19,215	¥ —	¥ 19,215
Interest rate instruments .....	—	76,589	—	76,589
Total .....	—	95,804	—	95,804
Debt securities .....	18,175	34,949	5,224	58,348
Financial assets measured at fair value through other comprehensive income:				
Debt securities .....	—	9,069	—	9,069
Equity securities .....	78,493	—	99,508	178,001
Total .....	¥ 96,668	¥ 139,822	¥ 104,732	¥ 341,222
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments .....	¥ —	¥ 24,834	¥ —	¥ 24,834
Interest rate instruments .....	—	90,334	—	90,334
Total .....	—	115,168	—	115,168
Total .....	¥ —	¥ 115,168	¥ —	¥ 115,168

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2020.

As of December 31, 2020	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments .....	¥ —	¥ 64,146	¥ —	¥ 64,146
Interest rate instruments .....	—	70,411	—	70,411
Other .....	—	—	4,743	4,743
Total .....	—	134,557	4,743	139,300
Debt securities .....	23,926	33,708	4,950	62,584
Financial assets measured at fair value through other comprehensive income:				
Debt securities .....	—	10,210	—	10,210
Equity securities .....	227,360	—	97,209	324,569
Total .....	¥ 251,286	¥ 178,475	¥ 106,902	¥ 536,663
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments .....	¥ —	¥ 16,106	¥ —	¥ 16,106
Interest rate instruments .....	—	66,089	—	66,089
Total .....	—	82,195	—	82,195
Total .....	¥ —	¥ 82,195	¥ —	¥ 82,195

There were no transfers between Level 1 and Level 2 for the nine months ended December 31, 2020.



There were no significant effects of the measurements on profit or loss or other comprehensive income in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended December 31, 2020.

*(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, 2020 and December 31, 2020 are as follows:

	<b>Yen (millions)</b>			
	<b>As of March 31, 2020</b>		<b>As of December 31, 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Receivables from financial services .....	¥ 5,161,165	¥ 5,173,553	¥ 5,024,992	¥ 5,108,915
Debt securities .....	62,204	62,210	193,973	193,973
Financing liabilities .....	7,469,686	7,408,800	7,629,112	7,748,656

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

## **(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.

## (12) Earnings Per Share

Earnings per share attributable to owners of the parent for the nine months ended December 31, 2019 and 2020 are calculated based on the following information. There were no significant dilutive potential common shares outstanding for the nine months ended December 31, 2019 and 2020.

	<b>2019</b>	<b>2020</b>
Profit for the period attributable to owners of the parent (millions of yen) .....	¥ 485,288	¥ 444,102
Weighted average number of common shares outstanding, basic (shares) .....	1,757,434,612	1,726,634,998
Basic earnings per share attributable to owners of the parent (yen) .....	¥ 276.13	¥ 257.21

Earnings per share attributable to owners of the parent for the three months ended December 31, 2019 and 2020 are calculated based on the following information. There were no significant dilutive potential common shares outstanding for the three months ended December 31, 2019 and 2020.

	<b>2019</b>	<b>2020</b>
Profit for the period attributable to owners of the parent (millions of yen) .....	¥ 116,432	¥ 284,051
Weighted average number of common shares outstanding, basic (shares) .....	1,754,227,903	1,726,645,596
Basic earnings per share attributable to owners of the parent (yen) .....	¥ 66.37	¥ 164.51

## (13) Dividend

### *(a) Dividend payout*

#### **For the nine months ended December 31, 2019**

Resolution	The Board of Directors Meeting on May 8, 2019
Type of shares	Common shares
Total amount of dividends (millions of yen)	49,287
Dividend per share (yen)	28.00
Record date	March 31, 2019
Effective date	June 3, 2019

Resolution	The Board of Directors Meeting on August 2, 2019
Type of shares	Common shares
Total amount of dividends (millions of yen)	49,287
Dividend per share (yen)	28.00
Record date	June 30, 2019
Effective date	August 30, 2019

Resolution	The Board of Directors Meeting on November 8, 2019
Type of shares	Common shares
Total amount of dividends (millions of yen)	49,287
Dividend per share (yen)	28.00
Record date	September 30, 2019
Effective date	November 29, 2019

**For the nine months ended December 31, 2020**

Resolution	The Board of Directors Meeting on May 12, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	48,363
Dividend per share (yen)	28.00
Record date	March 31, 2020
Effective date	June 3, 2020

Resolution	The Board of Directors Meeting on August 5, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	18,999
Dividend per share (yen)	11.00
Record date	June 30, 2020
Effective date	September 4, 2020

Resolution	The Board of Directors Meeting on November 6, 2020
Type of shares	Common shares
Total amount of dividends (millions of yen)	32,818
Dividend per share (yen)	19.00
Record date	September 30, 2020
Effective date	December 2, 2020

*(b) Dividends payable of which record date was in the nine months ended December 31, 2020, effective after the period*

Resolution	The Board of Directors Meeting on February 9, 2021
Type of shares	Common shares
Resource for dividend	Retained earnings
Total amount of dividends (millions of yen)	44,909
Dividend per share (yen)	26.00
Record date	December 31, 2020
Effective date	March 8, 2021

## **(14) Subsequent Event**

### *Absorption-type merger*

Through tender offers (the “Tender Offers” ) targeting our affiliates accounted for using the equity method which are Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. (collectively, the “Target Companies” ) conducted by Honda from September 2, 2020 to October 15, 2020 and the subsequent procedures for demand for sale of shares pursuant to the provisions of Article 179 of the Company Law of Japan, Honda has obtained all of the common shares of the Target Companies (excluding the common shares of the Target Companies owned by Honda and treasury shares owned by the Target Companies) for the nine months ended December 31, 2020.

In accordance with the basic contract agreed between Hitachi, Ltd., Hitachi Automotive Systems, Ltd. ( “Hitachi Automotive Systems” ) which is a consolidated subsidiary of Hitachi, Ltd., the Target Companies and Honda on October 30, 2019 to conduct a management integration, agreements of absorption-type merger in which Hitachi Automotive Systems will be the surviving company, and the Target Companies will be the disappearing companies (the “Absorption-type Merger” ) were respectively concluded between each of the Target Companies and Hitachi Automotive Systems on November 18, 2020.

In the Absorption-type Merger, common shares of the surviving company after the Absorption-type Merger (the “Integrated Company” ) were allotted to Honda as the consideration for the merger, in a merger ratio where the number of voting rights of the Integrated Company held by Honda will account for 33.4% of the number of voting rights held by all shareholders of the Integrated Company. On January 1, 2021, the effective date of Absorption-type Merger, the Integrated Company becomes our affiliate accounted for using the equity method. As of the same date, the Integrated Company changed its name to “Hitachi Astemo, Ltd.”

Prior to the effective date of the Absorption-type Merger, in order to have the ratio of the total share value of the Target Companies to Hitachi Automotive Systems’ share value correspond to the above merger ratio, the share values of the Target Companies had been adjusted through acquisitions of treasury shares by the Target Companies.

## **(15) 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 February 10, 2021.