

HONDA MOTOR CO LTD
Form 6-K
November 02, 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 October 30, 2018, Honda Motor Co., Ltd. (the Company) announced its consolidated financial results for the fiscal second quarter and fiscal half year ended September 30, 2018.

Exhibit 2:

The Board of Directors of the Company, at its meeting held on October 30, 2018, resolved to make a distribution of surplus (quarterly dividends), the record date of which is September 30, 2018, and revised the amount of the projected dividend per share of common stock for the year ending March 31, 2019.

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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 2, 2018

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October 30, 2018

HONDA MOTOR CO., LTD. REPORTS

CONSOLIDATED FINANCIAL RESULTS

FOR THE FISCAL SECOND QUARTER AND

THE FISCAL FIRST HALF YEAR ENDED SEPTEMBER 30, 2018

Tokyo, October 30, 2018 Honda Motor Co., Ltd. today announced its consolidated financial results for the fiscal second quarter and the fiscal first half year ended September 30, 2018.

Second Quarter Results

Honda's consolidated sales revenue for the fiscal second quarter ended September 30, 2018 amounted to JPY 3,841.7 billion, an increase of 1.7% from the same period last year, due primarily to increased sales revenue at motorcycle and financial services business operations.

Consolidated operating profit for the quarter amounted to JPY 214.4 billion, an increase of 40.2% from the same period last year, due primarily to positive impact from sales volume and model mix and the reverse effect from the loss related to the settlement of multidistrict class action litigation in the previous fiscal year.

Consolidated profit before income taxes for the quarter totaled JPY 283.0 billion, an increase of 16.7% from the corresponding period last year.

Consolidated profit for the period attributable to owners of the parent for the quarter totaled JPY 210.7 billion, an increase of 21.1% from the same period last year. Earnings per share attributable to owners of the parent for the quarter amounted to JPY 119.66, an increase of JPY 23.11 from the corresponding period last year. One Honda American Depository Share represents one common share.

First Half Year Results

Consolidated sales revenue for the fiscal first half year ended September 30, 2018 amounted to JPY 7,865.8 billion, an increase of 5.0% from the same period last year, due primarily to increased sales revenue in all business operations.

Consolidated operating profit for the period amounted to JPY 513.8 billion, an increase of 21.7% from the same period last year, due primarily to positive impact from sales volume and model mix and the reverse effect from the loss related to the settlement of multidistrict class action litigation in the previous fiscal year.

Consolidated profit before income taxes for the period totaled JPY 641.3 billion, an increase of 11.0% from the same period last year.

Consolidated profit for the period attributable to owners of the parent totaled JPY 455.1 billion, an increase of 19.3% from the same period last year. Earnings per share attributable to owners of the parent for the period amounted to JPY 257.44, an increase of JPY 45.85 from the same period last year.

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Consolidated Statements of Financial Position for the Fiscal First Half Year Ended September 30, 2018

Total assets increased by JPY 918.5 billion, to JPY 20,267.7 billion from March 31, 2018, mainly due to increased Receivables from financial services as well as foreign currency translation effects. Total liabilities increased by JPY 504.0 billion, to JPY 11,619.0 billion from March 31, 2018, mainly due to increased Financial liabilities and foreign currency translation effects despite a decrease in Trade payables. Total equity increased by JPY 414.5 billion, to JPY 8,648.6 billion from March 31, 2018 due mainly to an increase in Retained earnings attributable to increased Profit for the period, despite a decrease attributable to acquisition of the Company's own shares.

Consolidated Statements of Cash Flows for the Fiscal First Half Year Ended September 30, 2018

Consolidated cash and cash equivalents on September 30, 2018 decreased by JPY 5.6 billion from March 31, 2018, to JPY 2,250.8 billion.

The reasons for the increases or decreases for each cash flow activity, when compared with the same period of the previous fiscal year, are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to JPY 397.1 billion for the fiscal first half year ended September 30, 2018. Cash inflows from operating activities decreased by JPY 93.9 billion compared with the same period of the previous fiscal year, due mainly to increased payments for parts and raw materials, despite the increase in cash received from customers.

Cash flows from investing activities

Net cash used in investing activities amounted to JPY 376.8 billion. Cash outflows from investing activities increased by JPY 68.2 billion compared with the same period of the previous fiscal year, due mainly to an increase in Payments for acquisitions of other financial assets.

Cash flows from financing activities

Net cash used in financing activities amounted to JPY 63.9 billion. Cash outflows from financing activities decreased by JPY 50.4 billion compared with the same period of the previous fiscal year, due mainly to a decrease in repayments of financing liabilities, despite Purchases of treasury stock.

Table of Contents**Forecasts for the Fiscal Year Ending March 31, 2019**

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2019, Honda projects consolidated results to be as shown below:

Fiscal year ending March 31, 2019

| | Yen (billions) | Changes from FY 2018 |
|--|-----------------------|-----------------------------|
| Sales revenue | 15,800.0 | +2.9% |
| Operating profit | 790.0 | -5.2% |
| Profit before income taxes | 1,010.0 | -9.4% |
| Profit for the year | 745.0 | -34.0% |
| Profit for the year attributable to owners of the parent | 675.0 | -36.3% |

Yen

Earnings per share attributable to owners of the parent

Basic and diluted 382.66

Note: The forecasts are based on the assumption that the average exchange rates for the Japanese yen to the U.S. dollar will be JPY 110 for the full year ending March 31, 2019.

The reasons for the increases or decreases in the forecasts of the operating profit, and profit before income taxes for the fiscal year ending March 31, 2019 from the previous year are as follows.

| | Yen (billions) |
|---|-----------------------|
| Revenue, model mix, etc. | + 46.5 |
| Cost reduction, the effect of raw material cost fluctuations, etc. | + 109.0 |
| SG&A expenses | - 33.0 |
| R&D expenses | - 32.0 |
| Currency effect | - 173.0 |
| Settlement of multidistrict class action litigation* | + 53.7 |
| Restitution income* | -14.7 |
| Operating profit compared with fiscal year ended March 31, 2018 | - 43.5 |
| Share of profit of investments accounted for using the equity method | - 32.6 |
| Finance income and finance costs | - 28.7 |
| Profit before income taxes compared with fiscal year ended March 31, 2018 | - 104.9 |

* Litigation settlement and restitution income related to airbag inflator included in SG&A expenses in fiscal year 2018

This announcement contains forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on management's assumptions and beliefs taking into account information currently available to it. Therefore, please be advised that the actual results of the Company could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in the principal markets of the Company, its consolidated subsidiaries and its affiliates accounted for by the equity-method, and fluctuation of foreign exchange rates, as well as other factors detailed from time to time. The various factors for increases and decreases in profit have been classified in accordance with a method that Honda considers reasonable.

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Dividend per Share of Common Stock

Fiscal second quarter dividend is JPY 28 per share of common stock. The total expected annual dividend per share of common stock for the fiscal year ending March 31, 2019, is JPY 111 per share.

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Table of Contents**[1] Condensed Consolidated Statements of Financial Position**

| | Yen (millions) | |
|---|-----------------------|----------------------|
| | Mar. 31, 2018 | Sep. 30, 2018 |
| Assets | | |
| 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 | 4,088,133 | 4,418,596 |
| Property, plant and equipment | 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 |
| Liabilities and Equity | | |
| 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 | 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 | 220,625 | 205,814 |

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| | | |
|---|------------|-------------------|
| 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 |

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Table of Contents**[2] Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income****Condensed Consolidated Statements of Income**

For the three months ended September 30, 2017 and 2018

| | Yen (millions) | |
|--|---|---|
| | Three months ended Sep. 30, 2017 | Three months ended Sep. 30, 2018 |
| Sales revenue | 3,776,199 | 3,841,712 |
| Operating costs and expenses: | | |
| Cost of sales | (2,988,854) | (3,004,708) |
| Selling, general and administrative | (462,449) | (438,289) |
| Research and development | (171,951) | (184,240) |
| Total operating costs and expenses | (3,623,254) | (3,627,237) |
| Operating profit | 152,945 | 214,475 |
| Share of profit of investments accounted for using the equity method | 82,263 | 63,926 |
| Finance income and finance costs: | | |
| Interest income | 9,816 | 11,411 |
| Interest expense | (3,297) | (2,994) |
| Other, net | 876 | (3,776) |
| Total finance income and finance costs | 7,395 | 4,641 |
| Profit before income taxes | 242,603 | 283,042 |
| Income tax expense | (50,958) | (53,817) |
| Profit for the period | 191,645 | 229,225 |
| Profit for the period attributable to: | | |
| Owners of the parent | 174,006 | 210,771 |
| Non-controlling interests | 17,639 | 18,454 |
| | | Yen |
| Earnings per share attributable to owners of the parent | | |
| Basic and diluted | 96.55 | 119.66 |

Table of Contents**Condensed Consolidated Statements of Comprehensive Income**

For the three months ended September 30, 2017 and 2018

| | Yen (millions) | |
|--|---|--|
| | Three months ended Sep. 30, 2017 | Three months ended Sep. 30, 2018 |
| 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 |

Table of Contents**Condensed Consolidated Statements of Income**

For the six months ended September 30, 2017 and 2018

| | Yen (millions) | |
|--|--------------------------------------|--------------------------------------|
| | Six months ended Sep. 30, 2017 | Six months ended Sep. 30, 2018 |
| Sales revenue | 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 | 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 | |
| Earnings per share attributable to owners of the parent | | |
| Basic and diluted | 211.59 | 257.44 |

Table of Contents**Condensed Consolidated Statements of Comprehensive Income**

For the six months ended September 30, 2017 and 2018

| | Yen (millions) | |
|--|--------------------------------------|--------------------------------------|
| | Six months ended Sep. 30, 2017 | Six months ended Sep. 30, 2018 |
| 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 |

Table of Contents**[3] Condensed Consolidated Statements of Changes in Equity**

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

| | Yen (millions) | | | | | Total | Non-controlling interests | Total equity |
|---|----------------|-----------------|----------------|-------------------|----------------------------|-----------|---------------------------|--------------|
| | Common stock | Capital surplus | Treasury stock | Retained earnings | Other components of equity | | | |
| Balance as of April 1, 2017 | 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 | | | | (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, 2017 | 86,067 | 171,118 | (26,193) | 7,008,465 | 454,012 | 7,693,469 | 278,862 | 7,972,331 |

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

Yen (millions)

Equity attributable to owners of the parent

Other

| | Common stock | Capital surplus | Treasury stock | Retained earnings | Other components of equity | Total | Non-controlling interests | Total equity |
|--|-----------------|--------------------|-------------------|----------------------|----------------------------------|-----------|------------------------------|-----------------|
| Balance as of April 1, 2018 | 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 | | | | (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 | | | | (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 | | 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 | 86,067 | 171,228 | (177,822) | 7,908,774 | 374,800 | 8,363,047 | 285,617 | 8,648,664 |

Table of Contents**[4] Consolidated Statements of Cash Flows**

| | Yen (millions) | |
|--|--------------------------------------|--------------------------------------|
| | Six months ended Sep. 30, 2017 | Six months ended Sep. 30, 2018 |
| 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: | | |
| 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) |

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| | | |
|--|-----------|------------------|
| Purchases and sales of treasury stock, net | (4) | (64,551) |
| Other, net | (22,691) | (25,380) |
| Net cash provided by (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 |

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Table of Contents**[5] Assumptions for Going Concern**

None

[6] Notes to Consolidated Financial Statements**[A] Changes in accounting policies****(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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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.

Table of Contents**(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 IFRS15, 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.

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

| | Yen (millions) | | |
|---|---|--------------|------------------|
| | Balances without adoption of IFRS 15 | Adjustments | As reported |
| Assets | | | |
| 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 |

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| | | | |
|--------------------------|------------|-------|------------|
| 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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| | Yen (millions) | | |
|--|---|-----------------|-------------------|
| | Balances without adoption of IFRS 15 | Adjustments | As reported |
| Liabilities and Equity | | | |
| 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 |
| 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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(Condensed Consolidated Statements of Income)

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 |

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: | | | |

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| | | | |
|--|-------------|---------|-------------|
| 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 |

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Table of Contents**[B] 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 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 (S×S) 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 |

1. Segment information based on products and services

For the three months ended September 30, 2017

| | Motorcycle Business | Automobile Business | Financial Services Business | Yen (millions) 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 |

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Table of ContentsAs 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 |

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 |
| | 1,458,540 | 7,984,546 | 10,153,832 | 316,353 | 19,913,271 | 354,470 | 20,267,741 |

| | | | | | | | | |
|-------------------|------------------|------------------|----------------|------------------|----------------|------------------|------------------|---------------|
| -geographic s | | | | | | | | |
| 1 | 1,205,646 | 2,131,219 | 210,790 | 1,113,649 | 176,463 | 4,837,767 | (996,055) | 3,841, |
| ating profit) | 27,402 | 53,483 | 236 | 127,595 | 7,990 | 216,706 | (2,231) | 214, |

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 |

- Sales revenues between geographic areas are generally made at values that approximate arm's-length prices.
- Unallocated corporate assets, included in reconciling items, amounted to JPY 581,929 million as of September 30, 2017 and JPY 633,623 million as of September 30, 2018 respectively, which consist primarily of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

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[C] Other

1. 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 JPY 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.

2. 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 JPY 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 impairment losses.

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[Translation]

October 30, 2018

To: Shareholders of Honda Motor Co., Ltd.

From: Honda Motor Co., Ltd.

1-1, Minami-Aoyama 2-chome,

Minato-ku, Tokyo, 107-8556

Takahiro Hachigo

President and Representative Director

Notice of Resolution by the Board of Directors**Concerning Distribution of Surplus (Quarterly Dividends)****and Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2019**

The Board of Directors of Honda Motor Co., Ltd. (the Company), at its meeting held on October 30, 2018, resolved to make a distribution of surplus (quarterly dividends), the record date of which is September 30, 2018, and revised the amount of the projected dividend per share of common stock for the year ending March 31, 2019 as follows:

Particulars

1. Details of Distribution of Surplus (Quarterly Dividends)

| | Resolution September 30, 2018 | Previous Dividends Forecast (Announced on April 27, 2018) September 30, 2018 | Dividends Paid for the Second Quarter in Fiscal 2018 September 30, 2017 |
|--|--|---|--|
| Record Date | | | |
| Dividends per Share of Common Stock (yen) | 28 | 27 | 24 |
| Total Amount of Dividends (million yen) | 49,287 | | 43,254 |
| Effective Date | November 28, 2018 | | November 29, 2017 |
| Source of Funds for Dividends | Retained Earnings | | Retained Earnings |

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2. Details of the Revised Dividend Payments

| Record Date | Dividends per Share (yen) | | | | Total |
|--|-------------------------------------|--------------------------------------|-------------------------------------|----------------------------|--------------|
| | End of First Quarter | End of Second Quarter | End of Third Quarter | Fiscal Year-end | |
| Latest Dividend Forecast (Announced on April 27, 2018) | | | 27 | 27 | 108 |
| Projected Dividends | | | 28 | 28 | 111 |
| Dividends Paid in Fiscal 2019 | 27 | 28 | | | |
| Dividends Paid in Fiscal 2018 | 24 | 24 | 25 | 27 | 100 |

3. Basis of the Distribution of Surplus

The Company considers the redistribution of profits to its shareholders to be one of its most important management issues, and makes distributions after taking into account, among others, its retained earnings for future growth and consolidated earnings performance based on a long-term perspective. The Company resolved that a second quarter dividend payment of ¥28 per share of common stock is to be paid considering its forecast for consolidated financial results for the fiscal year ending March 31, 2019. The Company also revised the amount of the projected dividend per share of common stock for the year ending March 31, 2019 that was announced on April 27, 2018.