

HONDA MOTOR CO LTD
Form 6-K
March 09, 2012
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No. 1-7628

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF February 2012

COMMISSION FILE NUMBER: 1-07628

HONDA GIKEN KOGYO KABUSHIKI KAISHA

(Name of registrant)

HONDA MOTOR CO., LTD.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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Exhibit 1:

Honda Motor Co., Ltd. filed its consolidated financial statements for the fiscal three months ended December 31, 2011 with Financial Services Agency in Japan.

Exhibit 2:

On February 16, 2012, Honda Siel Cars India Ltd. announced that it has resumed normal production with two shift operations from February 15, 2012

Exhibit 3:

The Board of Directors of Honda Motor Co., Ltd. (the Company), at its meeting held on February 21, 2012 has decided on changes of Operating Officers as of April 1, 2012 and has decided a plan for changes to its management as of late June 2012. Those changes as of late June 2012 are subject to approval at the General Meeting of Shareholders of the Company scheduled to be held in late June 2012 and/or decision at the meeting of the Board of Directors to be held immediately thereafter.

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

HONDA GIKEN KOGYO KABUSHIKI KAISHA
(HONDA MOTOR CO., LTD.)

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

Date: March 9, 2012

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2011

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2011 and December 31, 2011

Assets	Yen (millions)	
	March 31, 2011 audited	December 31, 2011 unaudited
Current assets:		
Cash and cash equivalents	¥ 1,279,024	¥ 1,142,719
Trade accounts and notes receivable, net of allowance for doubtful accounts of ¥7,904 million at March 31, 2011 and ¥6,706 million at December 31, 2011 (notes 3 and 7)	787,691	605,522
Finance subsidiaries-receivables, net (notes 2, 3, 4 and 7)	1,131,068	1,048,114
Inventories (notes 5 and 7)	899,813	882,931
Deferred income taxes (note 8)	202,291	194,277
Other current assets (notes 3, 6, 7 and 11)	390,160	335,796
Total current assets	4,690,047	4,209,359
Finance subsidiaries-receivables, net (notes 2, 3, 4 and 7)	2,348,913	2,234,563
Investments and advances:		
Investments in and advances to affiliates	440,026	456,666
Other, including marketable equity securities (notes 3, 4 and 6)	199,906	155,924
Total investments and advances	639,932	612,590
Property on operating leases:		
Vehicles	1,645,517	1,630,150
Less accumulated depreciation	287,885	277,034
Net property on operating leases	1,357,632	1,353,116
Property, plant and equipment, at cost (note 7):		
Land	483,654	477,697
Buildings	1,473,067	1,442,417
Machinery and equipment	3,166,353	3,089,143
Construction in progress	202,186	207,583
	5,325,260	5,216,840
Less accumulated depreciation and amortization	3,385,904	3,369,151
Net property, plant and equipment	1,939,356	1,847,689
Other assets, net of allowance for doubtful accounts of ¥23,275 million at March 31, 2011 and ¥23,095 million at December 31, 2011 (notes 3, 4, 8 and 11)	594,994	624,979
Total assets	¥ 11,570,874	¥ 10,882,296

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2011 and December 31, 2011

Liabilities and Equity	Yen (millions)	
	March 31, 2011 audited	December 31, 2011 unaudited
Current liabilities:		
Short-term debt (note 4)	¥ 1,094,740	¥ 1,019,866
Current portion of long-term debt (note 4)	962,455	966,466
Trade payables:		
Notes	25,216	24,190
Accounts	691,520	653,315
Accrued expenses (note 12)	525,540	430,591
Income taxes payable	31,960	22,992
Other current liabilities (notes 8 and 11)	236,761	196,218
Total current liabilities	3,568,192	3,313,638
Long-term debt, excluding current portion (note 4)	2,043,240	1,849,536
Other liabilities (notes 4, 8 and 12)	1,376,530	1,359,954
Total liabilities	6,987,962	6,523,128
Equity:		
Honda Motor Co., Ltd. shareholders' equity (note 9):		
Common stock, authorized 7,086,000,000 shares at March 31, 2011 and at December 31, 2011; issued 1,811,428,430 shares at March 31, 2011 and at December 31, 2011	86,067	86,067
Capital surplus	172,529	172,529
Legal reserves	46,330	46,843
Retained earnings (note 13(a))	5,666,539	5,724,811
Accumulated other comprehensive income (loss), net (notes 6 and 11)	(1,495,380)	(1,758,752)
Treasury stock, at cost 9,126,716 shares at March 31, 2011 and 9,128,231 shares at December 31, 2011	(26,110)	(26,115)
Total Honda Motor Co., Ltd. shareholders' equity	4,449,975	4,245,383
Noncontrolling interests (note 9)	132,937	113,785
Total equity (note 9)	4,582,912	4,359,168
Commitments and contingent liabilities (note 12)		
Total liabilities and equity	¥ 11,570,874	¥ 10,882,296

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the nine months ended December 31, 2010 and 2011

	Yen (millions)	
	December 31, 2010 unaudited	December 31, 2011 unaudited
Net sales and other operating revenue	¥ 6,723,788	¥ 5,543,033
Operating costs and expenses:		
Cost of sales (note 1(f))	4,849,409	4,141,925
Selling, general and administrative (notes 1(e) and 1(f))	987,045	909,418
Research and development	363,765	372,302
	6,200,219	5,423,645
Operating income	523,569	119,388
Other income (expenses):		
Interest income	16,836	25,119
Interest expense	(6,264)	(7,509)
Other, net (notes 6 and 11)	19,792	27,348
	30,364	44,958
Income before income taxes and equity in income of affiliates	553,933	164,346
Income tax expense (notes 1(d) and 8):		
Current	40,511	57,346
Deferred	117,165	29,451
	157,676	86,797
Income before equity in income of affiliates	396,257	77,549
Equity in income of affiliates	114,742	67,111
Net income	510,999	144,660
Less: Net income attributable to noncontrolling interests	21,465	4,772
Net income attributable to Honda Motor Co., Ltd.	¥ 489,534	¥ 139,888

	Yen	
	December 31, 2010	December 31, 2011
Basic net income attributable to Honda Motor Co., Ltd. per common share (note 15):	¥ 270.82	¥ 77.62

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the three months ended December 31, 2010 and 2011

	Yen (millions)	
	December 31, 2010 unaudited	December 31, 2011 unaudited
Net sales and other operating revenue (note 1(e))	¥ 2,110,414	¥ 1,942,545
Operating costs and expenses:		
Cost of sales (notes 1(e) and 1(f))	1,517,648	1,446,474
Selling, general and administrative (notes 1(e) and 1(f))	343,003	317,354
Research and development	124,110	134,419
	1,984,761	1,898,247
Operating income	125,653	44,298
Other income (expenses):		
Interest income	6,069	8,775
Interest expense	(2,017)	(2,445)
Other, net (notes 6 and 11)	1,875	7,864
	5,927	14,194
Income before income taxes and equity in income of affiliates	131,580	58,492
Income tax expense (notes 1(d) and 8):		
Current	19,575	(904)
Deferred	67,461	34,151
	87,036	33,247
Income before equity in income of affiliates	44,544	25,245
Equity in income of affiliates	43,443	22,911
Net income	87,987	48,156
Less: Net income attributable to noncontrolling interests	6,869	494
Net income attributable to Honda Motor Co., Ltd.	¥ 81,118	¥ 47,662

	Yen	
	December 31, 2010	December 31, 2011
Basic net income attributable to Honda Motor Co., Ltd. per common share (note 15):	¥ 45.01	¥ 26.45

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended December 31, 2010 and 2011

	Yen (millions)	
	December 31, 2010 unaudited	December 31, 2011 unaudited
Cash flows from operating activities:		
Net income	¥ 510,999	¥ 144,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation excluding property on operating leases	262,251	228,448
Depreciation of property on operating leases	160,036	154,054
Deferred income taxes	117,165	29,451
Equity in income of affiliates	(114,742)	(67,111)
Dividends from affiliates	44,156	47,261
Provision for credit and lease residual losses on finance subsidiaries-receivables	11,328	7,905
Impairment loss on investments in securities	673	501
Damaged and impairment loss on long-lived assets excluding property on operating leases (note 1(f))	534	7,654
Loss (gain) on derivative instruments, net	(26,644)	(27,380)
Decrease (increase) in assets:		
Trade accounts and notes receivable	73,716	123,712
Inventories	(93,519)	(45,264)
Other current assets	18,408	57,835
Other assets	(9,105)	(11,115)
Increase (decrease) in liabilities:		
Trade accounts and notes payable	(61,340)	14,023
Accrued expenses	(28,242)	(58,769)
Income taxes payable	10,226	(8,027)
Other current liabilities	(3,940)	(28,872)
Other liabilities	(81,850)	(22,696)
Other, net	(24,480)	(38,309)
Net cash provided by operating activities	765,630	507,961
Cash flows from investing activities:		
Increase in investments and advances	(7,432)	(18,363)
Decrease in investments and advances	10,759	10,458
Payments for purchases of available-for-sale securities	(199)	
Proceeds from sales of available-for-sale securities	2,319	
Payments for purchases of held-to-maturity securities	(164,145)	(14,624)
Proceeds from redemptions of held-to-maturity securities	79,517	45,827
Capital expenditures	(204,193)	(240,522)
Proceeds from sales of property, plant and equipment	18,311	21,921
Proceeds from insurance recoveries for damaged property, plant and equipment (note 1(f))		4,944
Acquisitions of finance subsidiaries-receivables	(1,629,600)	(1,546,337)
Collections of finance subsidiaries-receivables	1,567,415	1,504,989
Purchases of operating lease assets	(586,391)	(498,380)
Proceeds from sales of operating lease assets	298,308	272,504
Net cash used in investing activities	(615,331)	(457,583)
Cash flows from financing activities:		

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Increase (decrease) in short-term debt, net	127,340	5,008
Proceeds from long-term debt	579,844	707,736
Repayments of long-term debt	(612,441)	(711,590)
Dividends paid (note 13(a))	(65,136)	(81,103)
Dividends paid to noncontrolling interests	(15,641)	(15,060)
Sales (purchases) of treasury stock, net	(34,794)	(5)
Net cash used in financing activities	(20,828)	(95,014)
Effect of exchange rate changes on cash and cash equivalents	(90,704)	(91,669)
Net change in cash and cash equivalents	38,767	(136,305)
Cash and cash equivalents at beginning of the period	1,119,902	1,279,024
Cash and cash equivalents at end of the period	¥ 1,158,669	¥ 1,142,719

See accompanying notes to consolidated financial statements.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) General and Summary of Significant Accounting Policies

(a) Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In the opinion of management, all adjustments which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the year. For further information, refer to the March 31, 2011 consolidated financial statements and notes thereto included in Honda Motor Co., Ltd. and Subsidiaries Annual Report for the year ended March 31, 2011. Consolidated financial statements for the year ended March 31, 2011 are derived from the audited consolidated financial statements, while consolidated financial statements for the nine months and the three months ended December 31, 2011 are unaudited.

(b) Basis of Presenting Consolidated Financial Statements

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

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

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

None

(d) Accounting Policies Specifically Applied for Quarterly Consolidated Financial Statements

Income taxes

Honda computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes and equity in income of affiliates for the nine months ended December 31, 2011. If a reliable estimate cannot be made, Honda utilizes the actual year-to-date effective tax rate.

(e) Out-of-period adjustments

During the three months ended December 31, 2010, certain overstatements were found in trade accounts and notes receivable, inventories, net sales and other operating revenue, and cost of sales in previously issued consolidated financial statements, pertaining to the Company's inventory management trading activities at a Japanese subsidiary. This Japanese subsidiary temporarily purchases sea food products from seafood companies with the promise that they will buy back such products after certain period, in order to bridge the gap between the purchasing period

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(the fishing season) and the sales period for sea food products. In the Company's consolidated statements of income for the three months ended December 31, 2010, the Company adjusted net sales and other operating revenue amounted to ¥9,888 million and operating income amounted to ¥280 million overstated in the Company's consolidated statements of income for the six months ended September 30, 2010, in conjunction with the related cumulative loss amounted to ¥14,123 million as of March 31, 2010. As a result, operating income for the nine months and three months ended December 31, 2010, decreased by ¥14,123 million and 14,403 million, respectively. Honda believes that these adjustments are immaterial to the Company's consolidated financial statements or results of operations in prior periods.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(f) Impact on the Company's consolidated financial position or results of operations of the flood in Thailand

Since October 2011, Thailand suffered from severe floods, which caused damage to inventories, and machineries and equipments of certain consolidated subsidiaries and affiliates of the Company. Accordingly, production activities in plant facilities at Honda and its affiliates have been affected by floods.

As a result, Honda recognized ¥17,348 million of costs and expenses, of which ¥9,387 million is included in cost of sales and ¥7,961 million is included in selling, general and administrative expenses in the accompanying consolidated statement of income for the three months ended December 31, 2011. These costs and expenses mainly consist of loss on inventories of ¥7,330 million which are included in cost of sales, and loss on damaged property, plant and equipment of ¥7,654 million which is included in selling, general and administrative expenses.

In addition, Honda recognized insurance recoveries of ¥11,838 million which is included in selling, general and administrative expenses in the accompanying consolidated statement of income for the three months ended December 31, 2011. The recognized insurance recovery is limited to the amount of the related incurred losses and Honda will recognize insurance recoveries in excess of the incurred losses when final settlements with insurance companies are reached.

(2) Allowances for Finance Subsidiaries-receivables

	Yen (millions)	
	March 31, 2011	December 31, 2011
Finance subsidiaries-receivables		
Allowance for credit losses	¥ 24,890	¥ 19,991
Allowance for losses on lease residual values	7,225	5,166

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Finance subsidiaries-receivables, net, consisted of the following at March 31, 2011 and December 31, 2011:

	Yen (millions)	
	March 31, 2011	December 31, 2011
Retail	¥ 3,368,014	¥ 3,193,835
Direct financing lease	362,136	335,940
Wholesale flooring	267,526	186,043
Commercial loans	34,116	36,073
Total finance receivables	4,031,792	3,751,891
Less:		
Allowance for credit losses	28,437	23,329
Allowance for losses on lease residual values	7,225	5,166
Unearned interest income and fees	19,916	16,770
	3,976,214	3,706,626
Less:		
Finance receivables included in trade accounts and notes receivable, net	332,195	252,005
Finance receivables included in other assets, net	164,038	171,944
Finance subsidiaries-receivables, net	3,479,981	3,282,677
Less current portion	1,131,068	1,048,114
Noncurrent finance subsidiaries-receivables, net	¥ 2,348,913	¥ 2,234,563

Allowance for Credit Losses

The majority of the credit risk is with consumer financing and to a lesser extent with dealer financing. Credit risk is affected by general economic conditions such as a rise in unemployment rates or declines in used vehicle prices. The finance subsidiaries of the Company estimate losses incurred on retail and direct financing lease receivables and recognize them in the allowance for credit losses. Consumer finance receivables consist of a large number of smaller-balance homogenous loans and leases. The finance subsidiaries of the Company segment these receivables into groups with common characteristics, and estimate collectively the allowance for credit losses on consumer finance receivables

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by the group. The finance subsidiaries of the Company take into consideration various methodologies when estimating the allowance including vintage loss rate analysis and delinquency roll rate analysis. When performing the vintage loss rate analysis, consumer finance receivables are segregated between retail and direct financing lease, and further segmented into groups with common risk characteristics including collateral type, credit grades and original terms. Loss rates are projected for these pools based on historical rates and adjusted for considerations of emerging trends and changing economic conditions. The roll rate analysis is used primarily by the finance subsidiaries of the Company in North America. This analysis tracks the migration of finance receivables through various stages of delinquency and ultimately to charge-offs. Roll rates are projected based on historical results while also taking into consideration trends and changing economic conditions.

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

The following table presents the changes of the allowance for credit losses on finance receivables for the nine months ended December 31, 2011.

	Yen (millions)			
	Retail	Direct financing lease	Wholesale	Total
Allowance for credit losses				
Balance at beginning of the period	¥ 25,578	¥ 1,455	¥ 1,404	¥ 28,437
Provision (reversal)	6,879	118	(53)	6,944
Charge-offs	(16,074)	(561)	(71)	(16,706)
Recoveries	6,404	231	43	6,678
Adjustments from foreign currency translation	(1,805)	(89)	(130)	(2,024)
Balance at end of the period	¥ 20,982	¥ 1,154	¥ 1,193	¥ 23,329

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

Delinquencies

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present an age analysis of past due finance receivables at March 31, 2011 and December 31, 2011.

As of March 31, 2011

	Yen (millions)					Current *	Total finance receivables
	30-59 days past due	60-89 days past due	90 days and greater past due	Total past due			
Retail							
New auto	¥ 14,127	¥ 1,625	¥ 3,191	¥ 18,943	¥ 2,762,373	¥ 2,781,316	
Used & certified auto	5,325	591	474	6,390	421,605	427,995	
Others	1,666	468	895	3,029	155,674	158,703	
Total retail	21,118	2,684	4,560	28,362	3,339,652	3,368,014	
Direct financing lease	1,375	179	584	2,138	359,998	362,136	
Wholesale							
Wholesale flooring	125	38	273	436	267,090	267,526	
Commercial loans					34,116	34,116	
Total wholesale	125	38	273	436	301,206	301,642	
Total finance receivables	¥ 22,618	¥ 2,901	¥ 5,417	¥ 30,936	¥ 4,000,856	¥ 4,031,792	

As of December 31, 2011

	Yen (millions)					Current *	Total finance receivables
	30-59 days past due	60-89 days past due	90 days and greater past due	Total past due			
Retail							
New auto	¥ 15,058	¥ 2,512	¥ 3,312	¥ 20,882	¥ 2,630,729	¥ 2,651,611	
Used & certified auto	6,876	1,045	414	8,335	395,871	404,206	
Others	1,744	736	992	3,472	134,546	138,018	
Total retail	23,678	4,293	4,718	32,689	3,161,146	3,193,835	
Direct financing lease	1,292	313	788	2,393	333,547	335,940	
Wholesale							
Wholesale flooring	41	23	305	369	185,674	186,043	
Commercial loans					36,073	36,073	
Total wholesale	41	23	305	369	221,747	222,116	
Total finance receivables	¥ 25,011	¥ 4,629	¥ 5,811	¥ 35,451	¥ 3,716,440	¥ 3,751,891	

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

Credit Quality Indicators

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the balances of consumer finance receivables by the credit quality indicator at March 31, 2011 and December 31, 2011.

As of March 31, 2011	Yen (millions)		
	Performing	Nonperforming	Total consumer finance receivables
Retail			
New auto	¥ 2,776,500	¥ 4,816	¥ 2,781,316
Used & certified auto	426,930	1,065	427,995
Others	157,340	1,363	158,703
Total retail	3,360,770	7,244	3,368,014
Direct financing lease	361,373	763	362,136
Total	¥ 3,722,143	¥ 8,007	¥ 3,730,150

As of December 31, 2011	Yen (millions)		
	Performing	Nonperforming	Total consumer finance receivables
Retail			
New auto	¥ 2,645,787	¥ 5,824	¥ 2,651,611
Used & certified auto	402,747	1,459	404,206
Others	136,290	1,728	138,018
Total retail	3,184,824	9,011	3,193,835
Direct financing lease	334,839	1,101	335,940
Total	¥ 3,519,663	¥ 10,112	¥ 3,529,775

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the balance of wholesale receivables by credit quality indicators at March 31, 2011 and December 31, 2011.

As of March 31, 2011	Yen (millions)		
	Group A	Group B	Total
Wholesale			
Wholesale flooring	¥ 144,118	¥ 123,408	¥ 267,526
Commercial loans	14,024	20,092	34,116
Total	¥ 158,142	¥ 143,500	¥ 301,642

As of December 31, 2011	Yen (millions)		
	Group A	Group B	Total
Wholesale			
Wholesale flooring	¥ 107,497	¥ 78,546	¥ 186,043
Commercial loans	25,144	10,929	36,073
Total	¥ 132,641	¥ 89,475	¥ 222,116

Other Finance Receivables

Except for the finance subsidiaries-receivables, the other finance receivables about which credit quality information and the allowance for credit losses are required to be disclosed by the FASB Accounting Standards Codification (ASC) 310 Receivables of ¥59,520 million and ¥61,206 million were included in other current assets, investments and advances-other and other assets in the consolidated balance sheets at March 31, 2011 and December 31, 2011, respectively. Honda estimates individually the collectibility of the other finance receivables based on the financial condition of the debtor. The impaired finance receivables amounted to ¥19,574 million and ¥20,296 million at March 31, 2011 and December 31, 2011, respectively, for which the allowance for credit losses were ¥19,574 million and ¥20,053 million at March 31, 2011 and December 31, 2011, respectively.

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

(4) Variable Interest Entities

Honda considers its involvement with a variable interest entity (VIE) under the FASB Accounting Standards Codification (ASC) 810

Consolidation. This standard prescribes that the reporting entity shall consolidate a VIE as its primary beneficiary when it deemed to have a controlling financial interest in a VIE, meeting both of the following characteristics:

- (a) The power to direct the activities of a VIE that most significantly impact the VIE's economic performance.

- (b) The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The finance subsidiaries of the Company periodically securitize for liquidity and funding purposes and transfer finance receivables to the trust which is newly established to issue asset-backed securities. The finance subsidiaries of the Company deemed to have the power to direct the activities of these trusts that most significantly impact the trusts' economic performance, as they retain servicing rights in all securitizations, and manage delinquencies and defaults of the underlying receivables. Furthermore, the finance subsidiaries of the Company deemed to have the obligation to absorb losses of these trusts that could potentially be significant to these trusts, as they would absorb the majority of the expected losses of these trusts by retaining certain subordinated interests of these trusts. Therefore, the Company has consolidated these trusts, as it deemed to have controlling financial interests in these trusts.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents the balances of the assets and liabilities of consolidated VIEs at March 31, 2011 and December 31, 2011.

	Yen (millions)	
	March 31, 2011	December 31, 2011
Finance subsidiaries-receivables, net	¥ 500,208	¥ 487,807
Restricted cash * ¹	7,931	13,612
Other assets	1,688	1,450
Total assets	¥ 509,827	¥ 502,869
Secured debt * ²	¥ 495,695	¥ 480,928
Other liabilities	532	253
Total liabilities	¥ 496,227	¥ 481,181

*¹ Restricted cash as collateral for the payment of the related secured debt obligation was included in Investments and advances-Other on the consolidated balance sheets.

*² Secured debt was included in short-term and long-term debt on the consolidated balance sheets.

The creditors of these trusts do not have recourse to the finance subsidiaries' general credit with the exception of representations and warranties customary in the industry provided by the finance subsidiaries to these trusts.

There is no VIE in which Honda holds a significant variable interest but is not the primary beneficiary as of March 31, 2011 and December 31, 2011.

(5) Inventories

Inventories at March 31, 2011 and December 31, 2011 are summarized as follows:

	Yen (millions)	
	March 31, 2011	December 31, 2011
Finished goods	¥ 531,071	¥ 462,270
Work in process	49,606	45,813
Raw materials	319,136	374,848

¥ 899,813 ¥ 882,931

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Investments and Advances-Other

Investments and advances at March 31, 2011 and December 31, 2011 consist of the following:

	Yen (millions)	
	March 31, 2011	December 31, 2011
Current		
Corporate debt securities	¥ 331	¥ 543
U.S. government and agency debt securities		777
Advances	790	914
Certificates of deposit	1,366	1,468
	¥ 2,487	¥ 3,702

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

	Yen (millions)	
	March 31, 2011	December 31, 2011
Noncurrent		
Auction rate securities (non-marketable)	¥ 6,948	¥ 6,418
Marketable equity securities	92,421	80,915
Government bonds	1,999	1,999
U.S. government and agency debt securities	37,029	2,549
Non-marketable equity securities accounted for under the cost method		
Non-marketable preferred stocks	969	969
Other	12,178	10,752
Guaranty deposits	23,735	22,726
Advances	1,159	1,117
Other	23,468	28,479
	¥ 199,906	¥ 155,924

Certain information with respect to available-for-sale securities and held-to-maturity securities at March 31, 2011 and December 31, 2011 is summarized below:

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	Yen (millions)	
	March 31, 2011	December 31, 2011
Available-for-sale		
Cost	¥ 46,017	¥ 44,324
Fair value	99,369	87,333
Gross unrealized gains	56,019	46,897
Gross unrealized losses	2,667	3,888
Held-to-maturity		
Amortized cost	¥ 40,725	¥ 7,336
Fair value	40,649	7,420
Gross unrealized gains	91	85
Gross unrealized losses	167	1

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Maturities of debt securities classified as held-to-maturity at December 31, 2011 are as follows:

	Yen (millions)
Due within one year	¥ 2,788
Due after one year through five years	4,548
Due after five years through ten years	
Total	¥ 7,336

There was no amount of significant realized gains and losses from available-for-sale securities included in other income (expenses) other, net for the nine months and the three months ended December 31, 2010 and 2011.

Gross unrealized losses on available-for-sale securities and held-to-maturity securities, and fair value of the related securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at March 31, 2011 and December 31, 2011 are as follows:

	Yen (millions)			
	March 31, 2011		December 31, 2011	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale				
Less than 12 months	¥ 9,054	¥ 1,516	¥ 7,600	¥ 2,939
12 months or longer	7,759	1,151	7,032	949
	¥ 16,813	¥ 2,667	¥ 14,632	¥ 3,888
Held-to-maturity				
Less than 12 months	¥ 31,042	¥ 167	¥ 605	¥ 1
12 months or longer				
	¥ 31,042	¥ 167	¥ 605	¥ 1

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Pledged Assets

Pledged assets at March 31, 2011 and December 31, 2011 are as follows:

	Yen (millions)	
	March 31, 2011	December 31, 2011
Trade accounts and notes receivable	¥ 13,808	¥ 7,508
Inventories	11,691	3,660
Other current assets	5,337	
Property, plant and equipment	24,548	21,013
Finance subsidiaries-receivables	504,587	493,545

(8) Income taxes

On November 30, 2011, the National Diet of Japan approved the laws for amendments to previous income tax laws.

Upon the change in the laws, the statutory income tax rate in Japan will be changed to approximately 38% for fiscal years beginning on or after April 1, 2012, and to approximately 35% for fiscal years beginning on or after April 1, 2015. Thus, the Company and its Japanese subsidiaries measured deferred tax assets and liabilities based on the tax rates to be applied in the fiscal years in which temporary differences are expected to be recovered or settled.

As a result, net of deferred tax assets decreased ¥16,072 million as of December 31, 2011, and income tax expenses increased ¥16,072 million for the nine months and the three months ended December 31, 2011.

Due primarily to the impact of this tax rate change, the effective tax rates of Honda for the nine months and the three months ended December 31, 2011 differ from Japanese (or the Company's) statutory income tax rate, which is 40% for the fiscal year ending March 31, 2012.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Equity

The changes in equity for the nine months and three months ended December 31, 2010 and 2011 are as follows:

For the nine months ended December 31, 2010

	Yen (millions)		
	Honda Motor Co., Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at March 31, 2010	¥ 4,328,640	¥ 127,790	¥ 4,456,430
Cumulative effect of adjustments resulting from the adoption of new accounting standards on variable interest entities, net of tax	1,432		1,432
Adjusted balance at March 31, 2010	¥ 4,330,072	¥ 127,790	¥ 4,457,862
Dividends paid to Honda Motor Co., Ltd. shareholders	(65,136)		(65,136)
Dividends paid to noncontrolling interests		(15,641)	(15,641)
Capital transactions and others		164	164
Comprehensive income (loss):			
Net income	489,534	21,465	510,999
Other comprehensive income (loss), net of tax			
Adjustments from foreign currency translation	(339,624)	(7,727)	(347,351)
Unrealized gains (losses) on available-for-sale securities, net	1,655	(13)	1,642
Unrealized gains (losses) on derivative instruments, net	621		621
Pension and other postretirement benefits adjustments	6,158	112	6,270
Total comprehensive income (loss)	158,344	13,837	172,181
Purchase of treasury stock	(34,796)		(34,796)
Reissuance of treasury stock	2		2
Balance at December 31, 2010	¥ 4,388,486	¥ 126,150	¥ 4,514,636

During the six months ended September 30, 2010, the Company retired 23,400 thousand shares of its treasury stock at a cost of ¥80,417 million by offsetting with unappropriated retained earnings of ¥ 80,417 million based on the resolution of the board of directors. It had no effect on the total Honda Motor Co., Ltd. shareholders' equity.

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the nine months ended December 31, 2011

	Yen (millions)		
	Honda Motor Co., Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at March 31, 2011	¥ 4,449,975	¥ 132,937	¥ 4,582,912
Dividends paid to Honda Motor Co., Ltd. shareholders	(81,103)		(81,103)
Dividends paid to noncontrolling interests		(15,060)	(15,060)
Capital transactions and others		(2,653)	(2,653)
Comprehensive income (loss):			
Net income	139,888	4,772	144,660
Other comprehensive income (loss), net of tax			
Adjustments from foreign currency translation	(262,426)	(6,251)	(268,677)
Unrealized gains (losses) on available-for-sale securities, net	(6,218)	(56)	(6,274)
Unrealized gains (losses) on derivative instruments, net	201		201
Pension and other postretirement benefits adjustments	5,071	96	5,167
Total comprehensive income (loss)	(123,484)	(1,439)	(124,923)
Purchase of treasury stock	(5)		(5)
Reissuance of treasury stock			
Balance at December 31, 2011	¥ 4,245,383	¥ 113,785	¥ 4,359,168

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended December 31, 2010

	Yen (millions)		
	Honda Motor Co., Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at September 30, 2010	¥ 4,378,376	¥ 124,333	¥ 4,502,709
Dividends paid to Honda Motor Co., Ltd. shareholders	(21,628)		(21,628)
Dividends paid to noncontrolling interests		(2,377)	(2,377)
Capital transactions and others			
Comprehensive income (loss):			
Net income	81,118	6,869	87,987
Other comprehensive income (loss), net of tax			
Adjustments from foreign currency translation	(59,055)	(2,722)	(61,777)
Unrealized gains (losses) on available-for-sale securities, net	7,471	10	7,481
Unrealized gains (losses) on derivative instruments, net	242		242
Pension and other postretirement benefits adjustments	1,970	37	2,007
Total comprehensive income (loss)	31,746	4,194	35,940
Purchase of treasury stock	(9)		(9)
Reissuance of treasury stock	1		1
Balance at December 31, 2010	¥ 4,388,486	¥ 126,150	¥ 4,514,636

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended December 31, 2011

	Yen (millions)		
	Honda Motor Co., Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at September 30, 2011	¥ 4,297,278	¥ 117,570	¥ 4,414,848
Dividends paid to Honda Motor Co., Ltd. shareholders	(27,034)		(27,034)
Dividends paid to noncontrolling interests		(625)	(625)
Capital transactions and others		(2,653)	(2,653)
Comprehensive income (loss):			
Net income	47,662	494	48,156
Other comprehensive income (loss), net of tax			
Adjustments from foreign currency translation	(73,248)	(1,032)	(74,280)
Unrealized gains (losses) on available-for-sale securities, net	(962)	(1)	(963)
Unrealized gains (losses) on derivative instruments, net	(1)		(1)
Pension and other postretirement benefits adjustments	1,689	32	1,721
Total comprehensive income (loss)	(24,860)	(507)	(25,367)
Purchase of treasury stock	(1)		(1)
Reissuance of treasury stock			
Balance at December 31, 2011	¥ 4,245,383	¥ 113,785	¥ 4,359,168

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Fair Value Measurement

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 Unobservable inputs for the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2011.

As of March 31, 2011

	Yen (millions)					
	Level 1	Level 2	Level 3	Gross fair value	Netting adjustment	Net amount
Assets:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ 57,880	¥	¥ 57,880	¥	¥
Interest rate instruments (note 11)		29,759	154	29,913		
Total derivative instruments		87,639	154	87,793	(26,641)	61,152
Available-for-sale securities						
Marketable equity securities	92,421			92,421		92,421
Auction rate securities			6,948	6,948		6,948
Total available-for-sale securities	92,421		6,948	99,369		99,369
Total	¥ 92,421	¥ 87,639	¥ 7,102	¥ 187,162	¥ (26,641)	¥ 160,521
Liabilities:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ (15,712)	¥	¥ (15,712)	¥	¥
Interest rate instruments (note 11)		(32,435)	(155)	(32,590)		

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Total derivative instruments	(48,147)	(155)	(48,302)	26,641	(21,661)	
Total	¥	¥ (48,147)	¥ (155)	¥ (48,302)	¥ 26,641	¥ (21,661)

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2011

	Yen (millions)					
	Level 1	Level 2	Level 3	Gross fair value	Netting adjustment	Net amount
Assets:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ 56,655	¥	¥ 56,655	¥	¥
Interest rate instruments (note 11)		33,478	13	33,491		
Total derivative instruments		90,133	13	90,146	(25,735)	64,411
Available-for-sale securities						
Marketable equity securities	80,915			80,915		80,915
Auction rate securities			6,418	6,418		6,418
Total available-for-sale securities	80,915		6,418	87,333		87,333
Total	¥ 80,915	¥ 90,133	¥ 6,431	¥ 177,479	¥ (25,735)	¥ 151,744
Liabilities:						
Derivative instruments						
Foreign exchange instruments (note 11)	¥	¥ (21,675)	¥	¥ (21,675)	¥	¥
Interest rate instruments (note 11)		(20,616)	(13)	(20,629)		
Total derivative instruments		(42,291)	(13)	(42,304)	25,735	(16,569)
Total	¥	¥ (42,291)	¥ (13)	¥ (42,304)	¥ 25,735	¥ (16,569)

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present a reconciliation during the nine months ended December 31, 2010 and 2011 for all Level 3 assets and liabilities measured at fair value on a recurring basis.

For the nine months ended December 31, 2010

	Yen (millions)			
	Retained interests in securitizations	Interest rate instruments (note 11)	Auction rate securities	Total
Balance at beginning of the year	¥ 27,555	¥ 1,025	¥ 10,041	¥ 38,621
Adjustment resulting from the adoption of new accounting standards on variable interest entities	(27,555)	(1,027)		(28,582)
Total realized/unrealized gains or losses				
Included in earnings		2	(96)	(94)
Included in other comprehensive income (loss)			282	282
Purchases, issuances, settlements and sales, net			(1,909)	(1,909)
Foreign currency translation		(1)	(1,159)	(1,160)
Balance at end of the period	¥	¥ (1)	¥ 7,159	¥ 7,158

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

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

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HONDA MOTOR CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the nine months ended December 31, 2011

	Yen (millions)			
	Retained interests in securitizations	Interest rate instruments (note 11)	Auction rate securities	Total
Balance at beginning of the year	¥	¥ (1)	¥ 6,948	¥ 6,947
Total realized/unrealized gains or losses				
Included in earnings				
Included in other comprehensive income (loss)				
Purchases, issuances, settlements and sales				
Purchases				
Issuances				
Settlements			(46)	(46)
Sales			(33)	(33)
Foreign currency translation		1	(451)	(450)
Balance at end of the period	¥	¥	¥ 6,418	¥ 6,418

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

Included in earnings	¥	¥		
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