



2018 ACCORD

AUTO FINANCE FORUM

February 15, 2018

Caution with Respect to Forward-Looking Statements:

These slides contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 of the United States that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “scheduled,” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data, or methods that may be incorrect or imprecise and that may be incapable of being realized. Factors such as declines in the financial condition or performance of Honda or Honda Canada Finance Inc. (“HCFI”) or the sales of Honda or Acura products, changes in general business and economic conditions, and fluctuations in interest rates and currency exchange rates, among others, could cause actual results and other matters to differ materially from those in such forward-looking statements.

Accounting standards:

Consolidated financial information and HCFI financial information in this presentation are prepared in conformity with U.S. generally accepted accounting principles.

Exchange rates:

Throughout this presentation, U.S. dollar amounts described with respect to Honda Motor Co., Ltd. have been translated from Japanese yen solely for the convenience of the reader at the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31 of the relevant year for which such dollar amounts are presented, unless otherwise noted.

This presentation does not constitute an offer to sell or a solicitation of an offer to purchase any securities. Any offer or sale of securities will be made only by means of an offering memorandum and related documents.

This information is presented as of February 15, 2018 and does not purport to be accurate as of any other date. We undertake no obligation to update this information. This presentation is posted on the American Honda Financial Services website:

<http://www.hondafinancialservices.com/investor-relations>

World.honda.com/investors/ → Honda investor presentations

- *Honda Motor Co., Ltd. (HM)*
Corporate Profile
- *Honda Canada Finance Inc (HCFI)*
Corporate Structure & Mandate
Honda in Canada
Business Environment
Performance
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- Established:** September 24, 1948

- Headquarters:** Tokyo, Japan

- Segments of Business:**
 - Motorcycles (from 1948)
 - Power Products (from 1953)
 - Automobiles (from 1963)
 - Business Jet (from 2014)

- Regions of Operation:** Japan, North America, Europe, Asia & Other Regions

- Number of Associates:** **211,915** as of March 31, 2017

- Capital:** ¥86 billion as of March 31, 2017

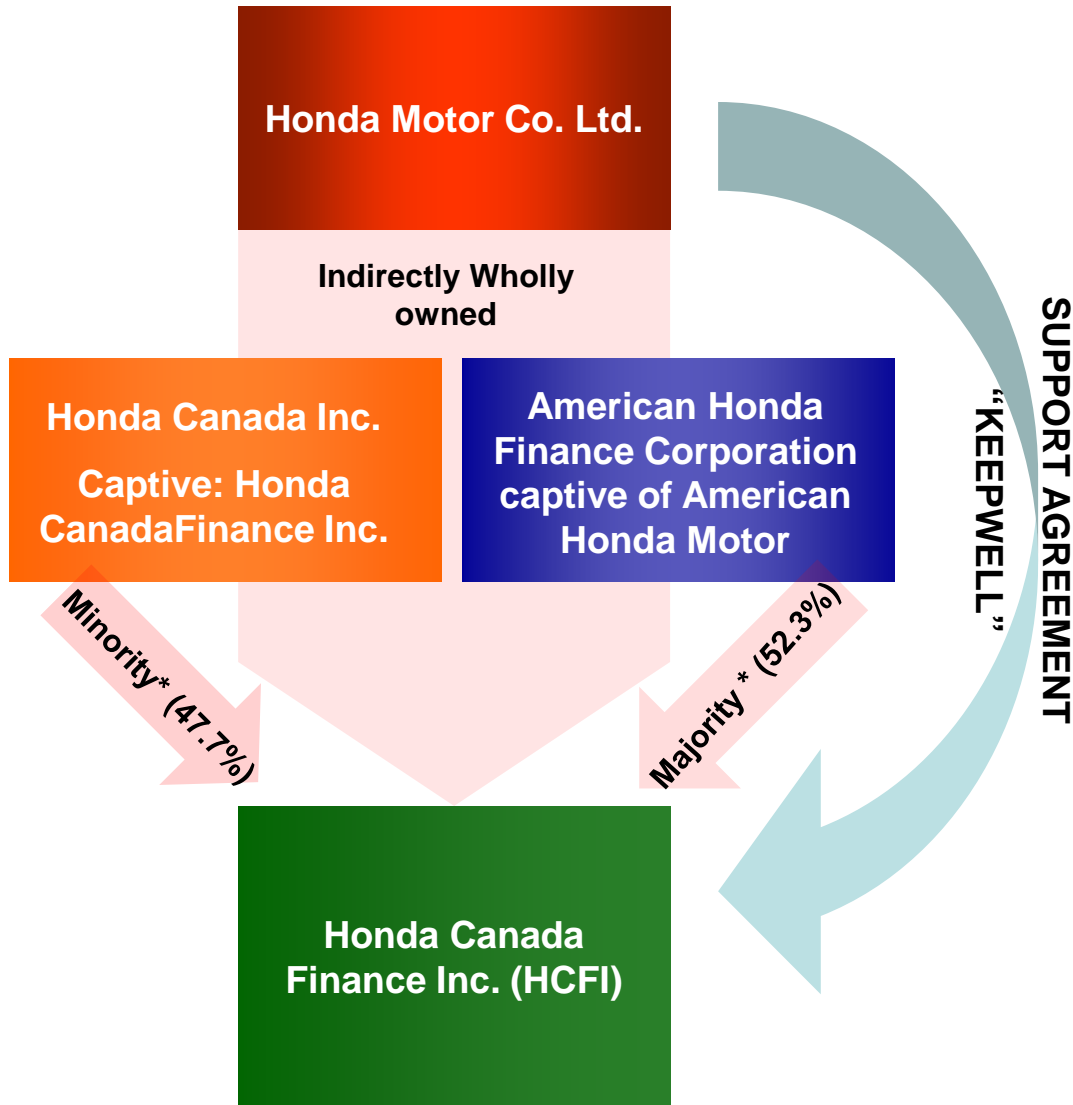
Source: world.honda.com

Ratings Information:

Moody's
S&P
DBRS

A2 Stable
A+ Negative
A (High) Stable

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OWNERSHIP STRUCTURE

- *Honda Motor Co. Ltd is ‘the Parent’ company of both Honda Canada Inc. and American Honda Finance Corp.*
- *HCFI is jointly owned by AHFC and Honda Canada Inc.*
- *AHFC holds a majority of the equity and HCFI is consolidated with AHFC.*

HONDA SUPPORT AGREEMENT HIGHLIGHTS

- *Maintain 80% ownership*
- *Ensure HCFI maintains a positive net worth*
- *Cause HCFI to maintain liquidity to meet obligations*

Honda Canada Finance Inc.

(O/A HFS - Honda Financial Services and AFS - Acura Financial Services) is a captive auto finance company incorporated on January 21, 1987 to assist with sales of all types of Honda manufactured products in the Canadian Market.

The core mandate continues to remain unchanged, focused on supporting the Honda Canada's effort in customer Lifetime Owner Loyalty

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- **Established a Canadian presence:** 1969
- **Canadian Manufacturing Facilities:** Honda has 2 manufacturing plants in Alliston and 1 engine plant
- **Production Capacity:**
400,000 vehicles
260,000 engines
- **Number of Employees:**
~ 4,700 directly
~ 15,000 indirectly through
National Dealership Networks
- **Vehicles Manufactured in Canada:** Honda: CRV, Civic Sedan, Si and Coupe

Canadian Auto Sales 2017

	YTD 2017	Market Share	YTD 2016	Market Share	% Changes
Honda/Acura	197,251	9.7%	186,676	9.6%	5.7%
Acura	20,300	1.0%	20,227	1.0%	0.4%
ILX	2,047	0.1%	2,459	0.1%	-16.8%
NSX	49	0.0%	50	0.0%	-2.0%
RLX	59	0.0%	107	0.0%	-44.9%
TLX	4,205	0.2%	4,137	0.2%	1.6%
Acura Passenger Car	6,360	0.3%	6,753	0.3%	-5.8%
MDX	5,838	0.3%	5,425	0.3%	7.6%
RDX	8,101	0.4%	8,047	0.4%	0.7%
ZDX	1	0.0%	2	0.0%	-50.0%
Acura Light Truck	13,940	0.7%	13,474	0.7%	3.5%
Honda	176,951	8.7%	166,449	8.5%	6.3%
Accord	13,504	0.7%	13,857	0.7%	-2.5%
Civic	69,030	3.4%	64,552	3.3%	6.9%
Clarity	27	0.0%	0	0.0%	0.0%
CR-Z	10	0.0%	40	0.0%	-75.0%
Fit	5,019	0.2%	8,622	0.4%	-41.8%
Honda Passenger Car	87,590	4.3%	87,072	4.5%	0.6%
CR-V	50,443	2.5%	44,789	2.3%	12.6%
HR-V	14,149	0.7%	12,371	0.6%	14.4%
Odyssey	11,232	0.6%	12,311	0.6%	-8.8%
Pilot	8,905	0.4%	7,279	0.4%	22.3%
Ridgeline	4,632	0.2%	2,622	0.1%	76.7%
Honda Light Truck	89,361	4.4%	79,377	4.1%	12.6%
CANADIAN VEHICLE MARKET:					
Total Passenger Car	639,823	31.4%	662,098	34%	-3.4%
Total Light Truck	1,398,975	68.6%	1,286,797	66%	8.7%
Total Light Vehicle Sales	2,038,798	100.0%	1,948,895	100%	4.6%

In 2017, Honda Canada sales reached a record of over 197,000 units. Honda rate of sales growth rate was 5.7% exceeding the growth rate of the overall Canadian auto market which was at 4.6%. The Canadian market also hit an all-time sales record of 2.039 million

2017CY vs CY 2016 SALES IN KEY SEGMENTS - HONDA

COMPACT

	<u>2017</u>	<u>2016</u>	<u>% change</u>
1 Civic	69,030	64,552	6.9%
2 Corolla	50,332	45,626	10.3%
3 Elantra	46,112	48,875	-5.7%
4 Mazda3	27,862	27,689	0.6%
5 Cruze	27,520	26,824	2.6%
6 Golf	22,288	17,513	27.3%
7 Jetta	17,483	20,954	-16.6%
8 Forte	16,388	12,296	33.3%
9 Sentra	13,883	14,281	-2.8%
10 Focus	11,937	16,627	-28.2%

COMPACT SUV

	<u>2017</u>	<u>2016</u>	<u>% change</u>
1 RAV4	50,894	49,103	3.6%
2 CR-V	50,443	44,789	12.6%
3 Escape	47,880	46,661	2.6%
4 Rogue	43,418	40,055	8.4%
5 Tucson	30,467	23,789	28.1%
6 CX-5	25,404	25,123	1.1%
7 Equinox	24,446	19,197	27.3%
8 Cherokee	23,702	32,465	-27.0%
9 Santa Fe Sport	21,615	24,282	-11.0%
10 Wrangler	17,296	18,277	-5.4%

INTERMEDIATE

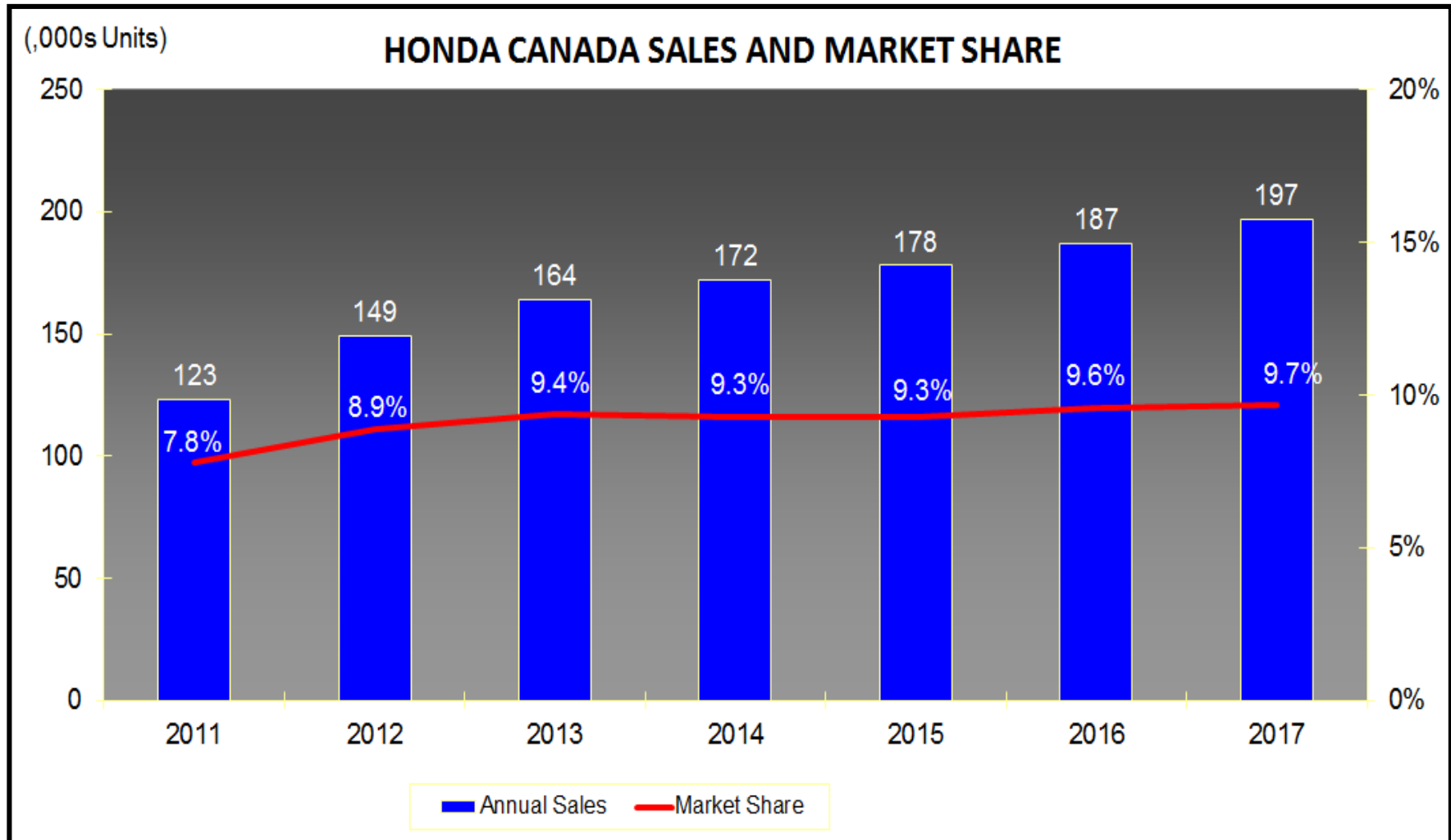
	<u>2017</u>	<u>2016</u>	<u>% change</u>
1 Camry	14,574	15,683	-7.1%
2 Accord	13,504	13,857	-2.5%
3 Fusion	9,736	14,424	-32.5%
4 Malibu	8,152	11,503	-29.1%
5 Sonata	7,827	10,191	-23.2%
6 Altima	6,626	7,753	-14.5%
7 Charger	4,862	3,747	29.8%
8 Optima	4,496	5,243	-14.2%
9 Chrysler 300	4,332	3,668	18.1%
10 Passat	4,145	4,023	3.0%

SUBCOMPACT SUV

	<u>2017</u>	<u>2016</u>	<u>% change</u>
1 HR-V	14,149	12,371	14.4%
2 CX-3	10,938	9,354	16.9%
3 Qashqai	8,970	0	
4 Encore	8,964	5,533	62.0%
5 RVR	6,973	6,196	12.5%
6 Trax	5,965	9,072	-34.2%
7 C-HR	4,321	0	
8 RENEGADE	3,015	3,964	-23.9%
9 Juke	1,900	4,442	-57.2%
10 Countryman	1,811	694	161.0%

Honda was either #1 or #2 in all of its key segments that it competes in representing ~75% of Honda Canada's total sales in 2017

Honda Canada – Market Share & Annual Sales



Market share was up slightly to ~ 9.7% with Honda sales climbing steadily following the Japanese Great Earthquake/Tsunami (in 2011)

Consumer Finance & Leasing

Type

Terms

Loans

Automobiles New	24 – 84 Months
Automobiles Used	24 – 72 Months
Motorcycles*	24 – 60 Months
ATV, Marine & Power Equipment	24 – 60 Months

Leases

Terms

Automobiles	24 to 60 months
Motorcycles** (high end)	24 to 48 months

* Up to 72 months term for High-end MC

** Dealer buy back at Residual Value

Dealer Finance

Type

Floor Plan Financing
Construction Loans
Commercial Mortgages
Equipment Finance

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New auto sales are at record levels

Average age of a car in Canada is ~ 10 years old
(DesRosiers – 2017 Report)

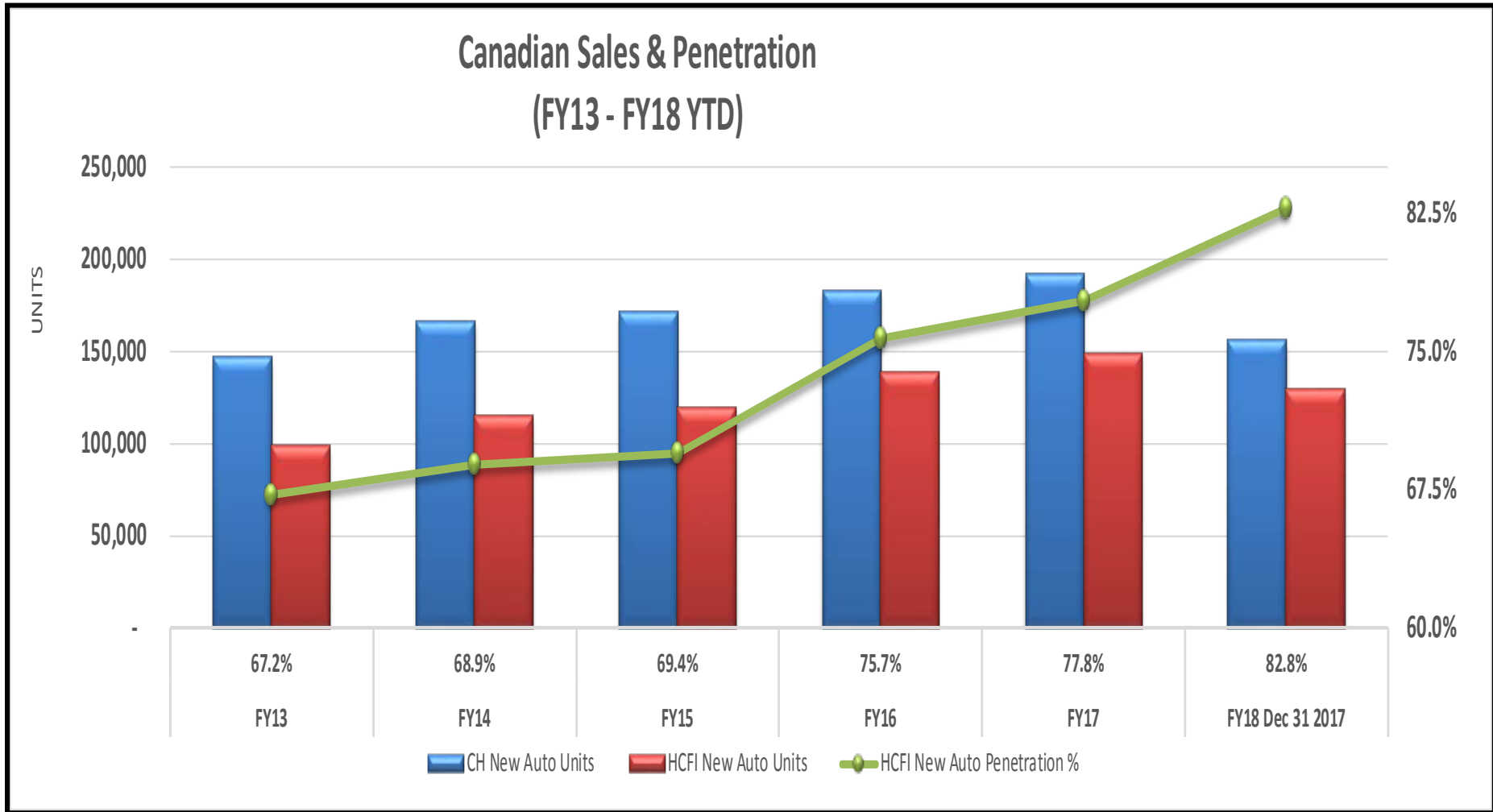
Cost of funds in the term unsecured debt markets are close to historic lows

Monetary policy remains accommodative (although BOC has started a tightening cycle)

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HCFI Penetration of Canadian Sales



HCFI's penetration is tracking to be ~83% of Honda Canada sales

Consumer Financing Acquisition Volumes

The following table summarizes the number of retail loans and leases we acquired and the number of such loans and leases acquired through incentive financing programs sponsored by AHM and HCI:

	Three months ended December 31,				Nine months ended December 31,			
	2017		2016		2017		2016	
	Acquired	Sponsored ⁽²⁾	Acquired	Sponsored ⁽²⁾	Acquired	Sponsored ⁽²⁾	Acquired	Sponsored ⁽²⁾

(Units ⁽¹⁾ in thousands)

Canada Segment

Retail loans:

New auto.....	17	17	16	15	59	58	54	50
Used auto	1	1	2	1	7	5	7	3
Motorcycle.....	2	1	1	1	7	6	4	3
Other.....	—	—	1	—	—	—	1	—
Total retail loans.	20	19	20	17	73	69	66	56

Leases.....	20	20	19	19	69	68	63	63
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- (1) A unit represents one retail loan or lease, as noted, that was originated in Canada and acquired by Honda Canada Finance Inc., during the period shown.
- (2) Represents the number of retail loans and leases acquired through incentive financing programs Honda Canada Inc. and only those contracts with subsidy payments. Excludes contracts where contractual rates met or exceeded our yield requirements and subsidy payments were not required.

In 2017, ~98% of retail loan contracts and almost 100% of lease contracts are subvented by Honda Canada Inc.

HCFI Wholesale Penetration

Wholesale Flooring Financing Penetration Rates

The following table summarizes the number of dealerships with wholesale flooring financing agreements as a percentage of total Honda and Acura dealerships in the United States and/or Canada, as applicable:

	<u>December 31,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
Canada Segment		
Automobile	36%	35%
Motorcycle	94%	95%
Other	94%	95%

Wholesale Flooring Financing Percentage of Sales

The following table summarizes the percentage of AHM unit sales in the United States and/or HCI unit sales in Canada, as applicable, that we financed through wholesale flooring loans with dealerships:

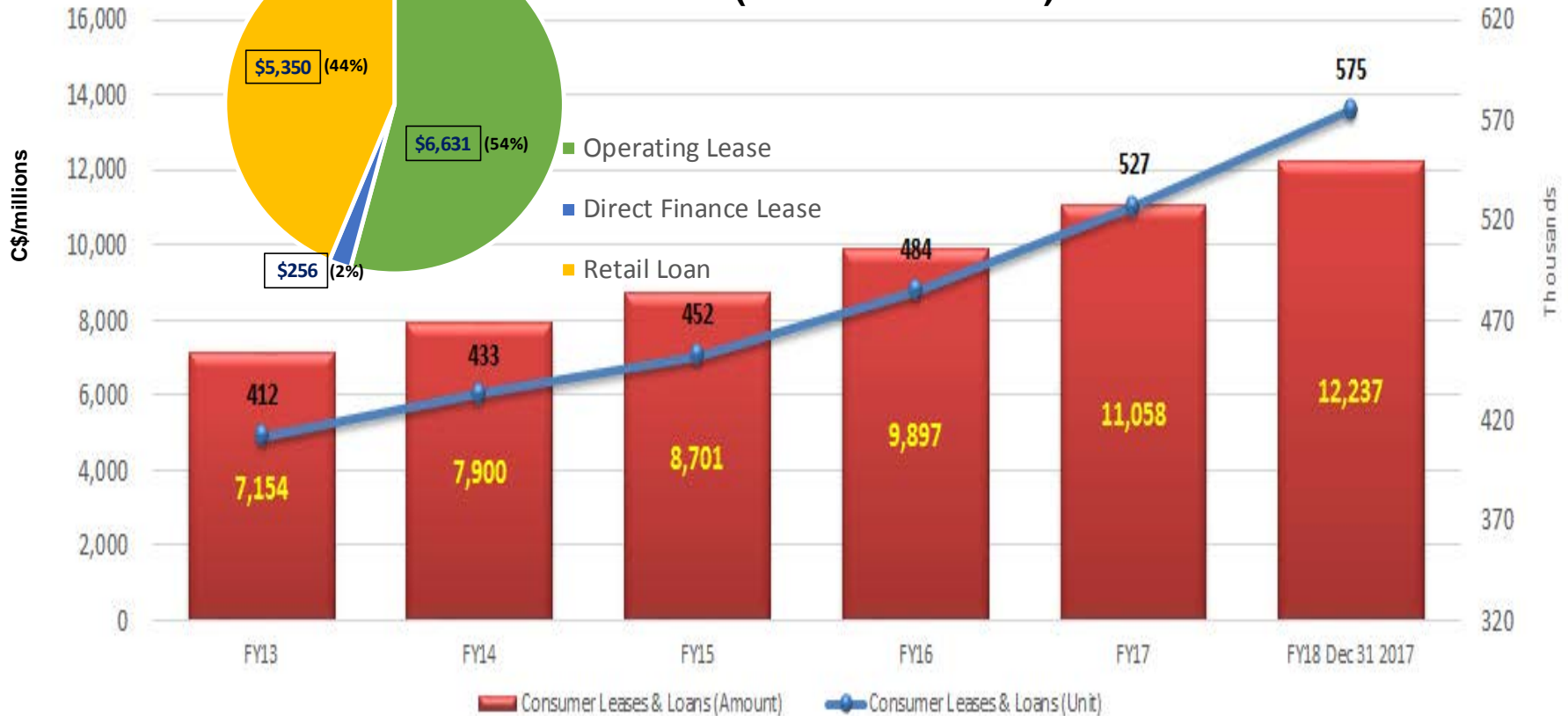
	<u>Three months ended</u> <u>December 31,</u>		<u>Nine months ended</u> <u>December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Canada Segment				
Automobile	31%	31%	31%	31%
Motorcycle	96%	95%	94%	97%
Other	91%	96%	94%	97%

HCFI has ~ 36% penetration of Auto wholesale Honda dealerships in Canada representing ~31% of Honda unit sales in Canada

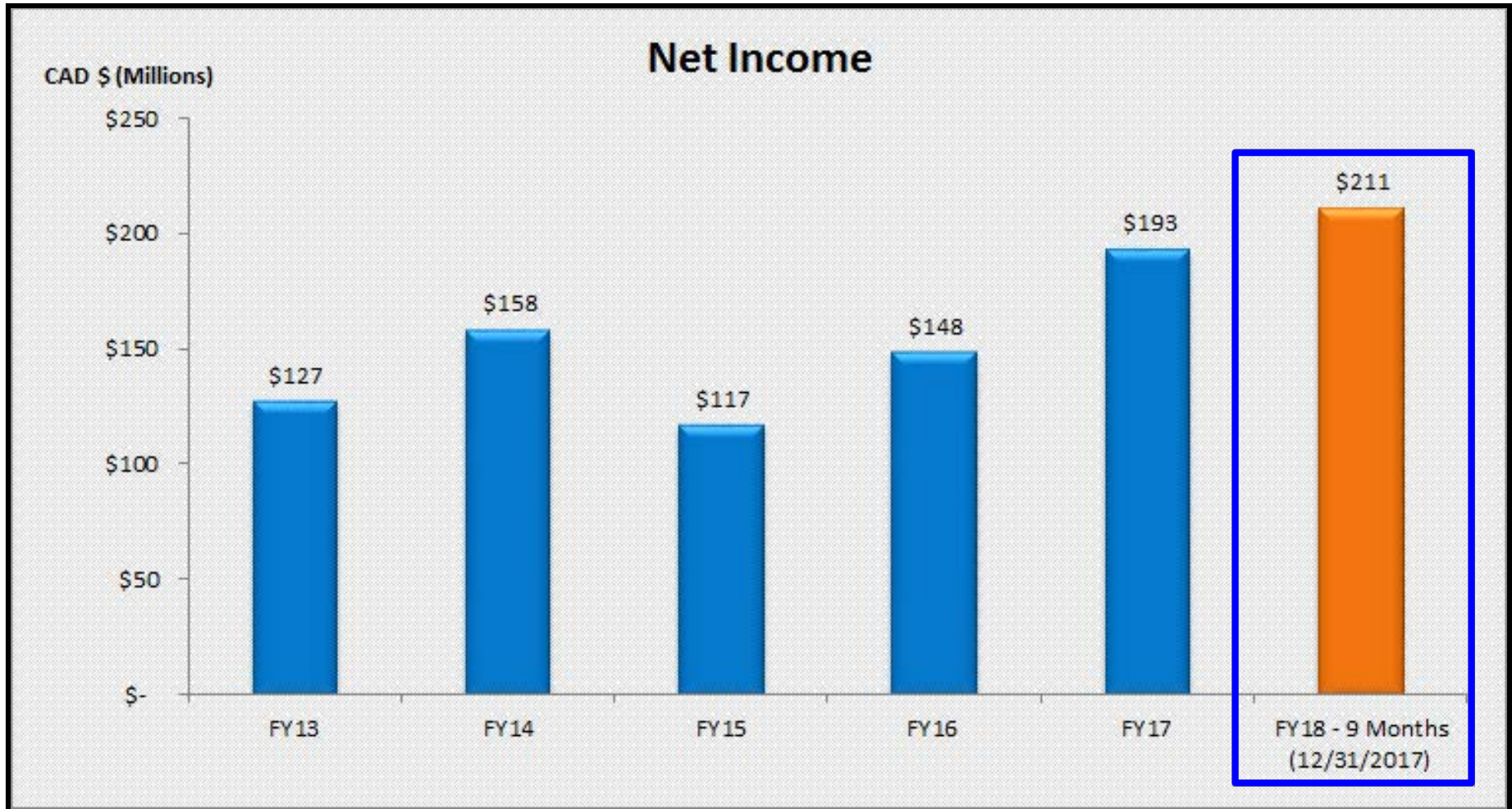
Outstanding HCFI Loans and Leases

12/31/17 - Asset Balance
Total Assets \$12,237M

HCFI Assets (FY13 - FY18 YTD)



As of 12/31/2017, HCFI's outstanding of loans and leases was ~ \$12.2 billion with over 575,000 accounts



Net income is based upon US GAAP

HCFI Performance Data – Finance Receivables

						9M ENDED	
	FY 2013	FY 2014	FY 2015	FY2016	FY2017	Dec-17	Dec-16
Allowance for Credit Loss (%age Of Ending Receivables)	0.17%	0.16%	0.16%	0.21%	0.20%	0.16%	0.21%
Net Charge-Offs (%age of Average Receivables)	0.17%	0.16%	0.17%	0.30%	0.24%	0.16%	0.23%
Delinquency 60+ (%age of Ending Receivables)	0.06%	0.08%	0.12%	0.14%	0.15%	0.18%	0.20%

NOTE:

1. Finance Receivables are composed of the following, Retail, Direct Finance Lease, Wholesale Receivables and Commercial Loans.
2. Operating Leases introduced in FY2014 (July 2013) is not included in the Finance Receivable Reporting
3. Ending and Average Receivables balance exclude the allowance for credit loss, write down of lease residual value, unearned subvention income related to HCFI's incentive financing program and deferred origination cost.
4. Average receivable balances are calculated based on the average of each month's ending receivable balance & the beginning balance for each prior quarter.
5. Percentages for the 9 months ended have been annualized respectively
6. Delinquency/Non-Performing AR are accounts that are 60 days or more past due

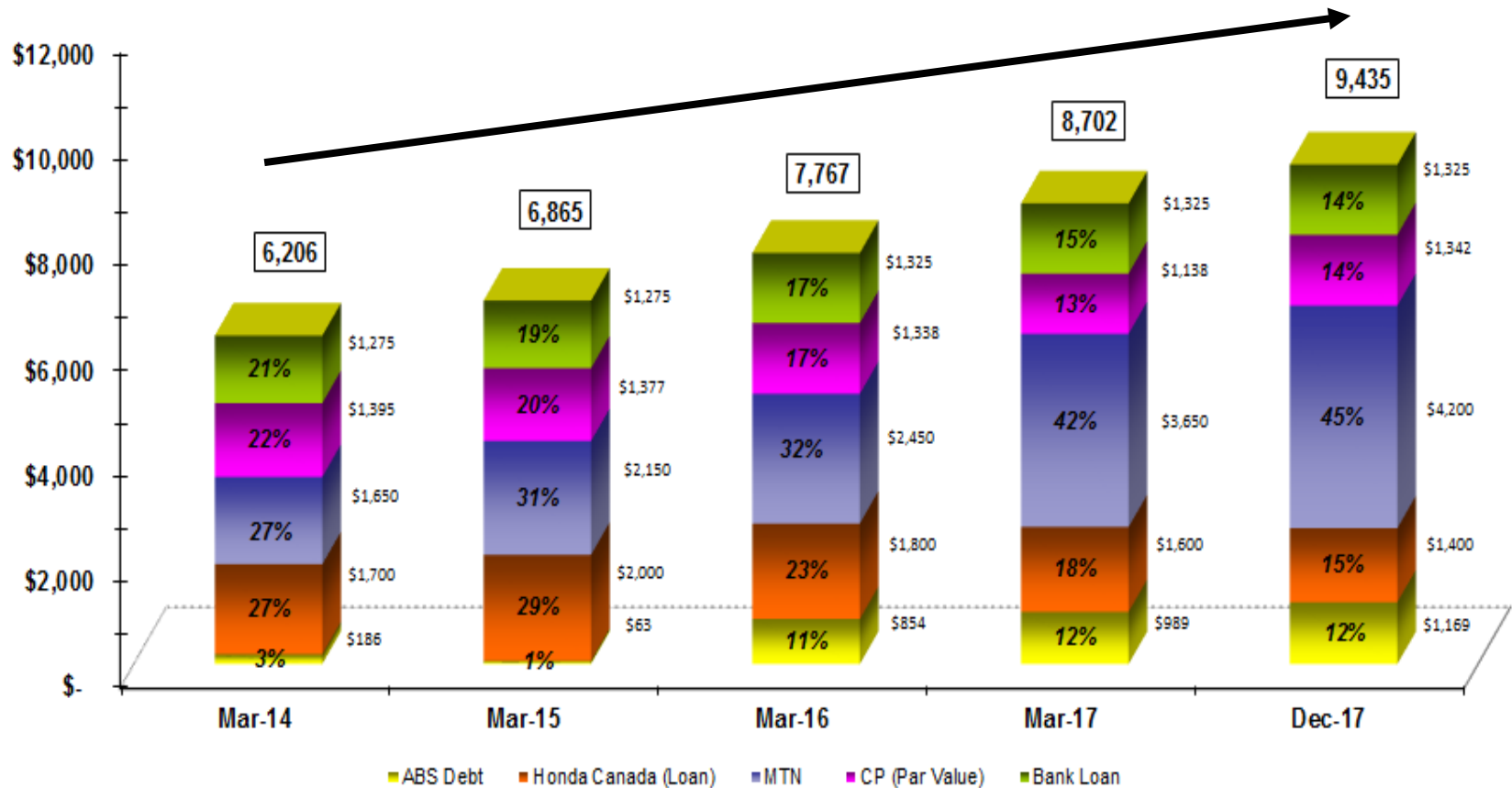
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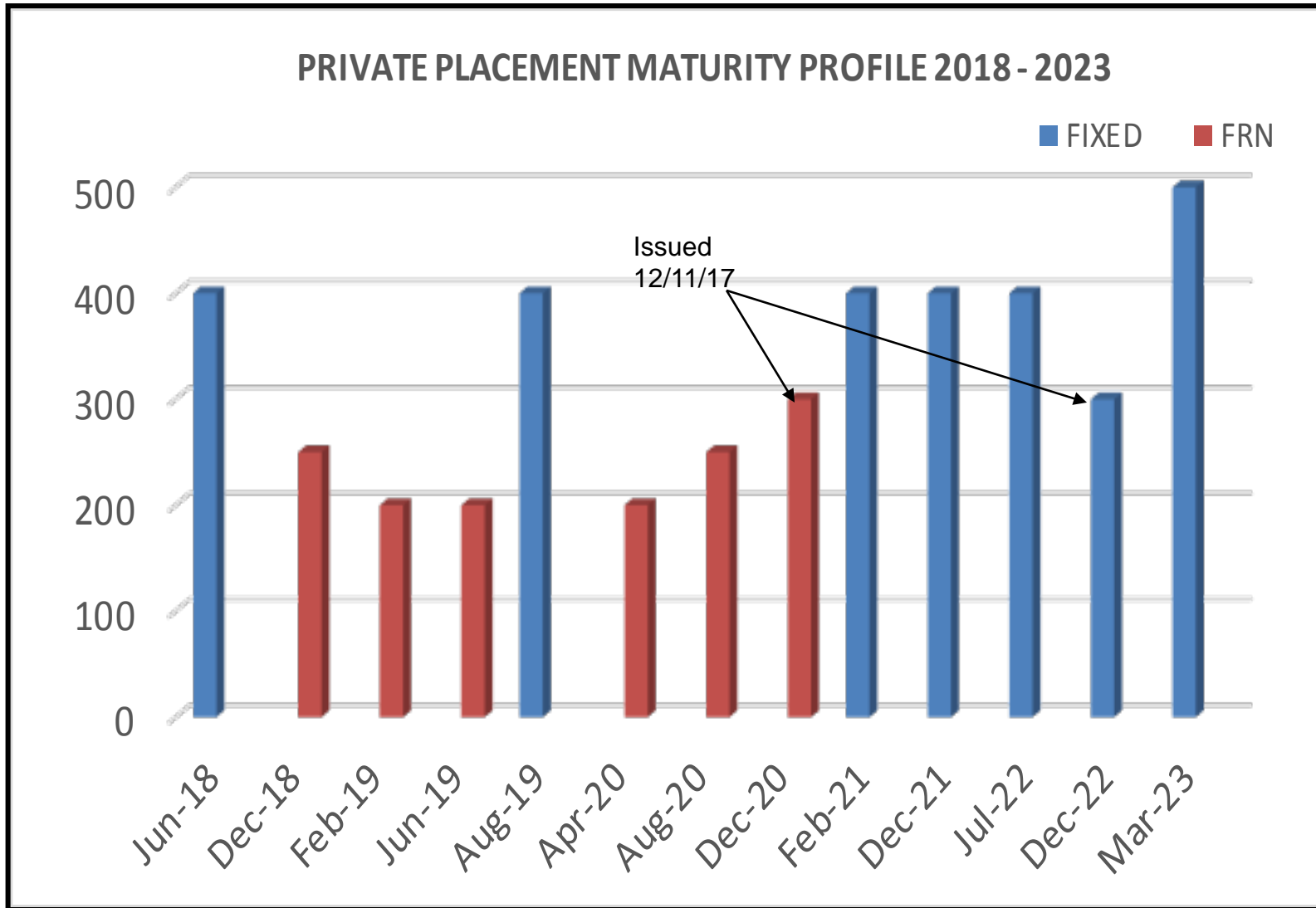
- \$2.0 Billion Commercial Paper Program
- \$1.6 Billion Syndicated Credit Facility
- Private Placement Term Debt Program
- Securitization (Private)
- Short Term Inter-Company Loans
- Bank Loans

HCFI Debt Outstanding

HCFI Debt Profile FY2014 – FY2018 YTD 12/31/2017



Private Placement Program

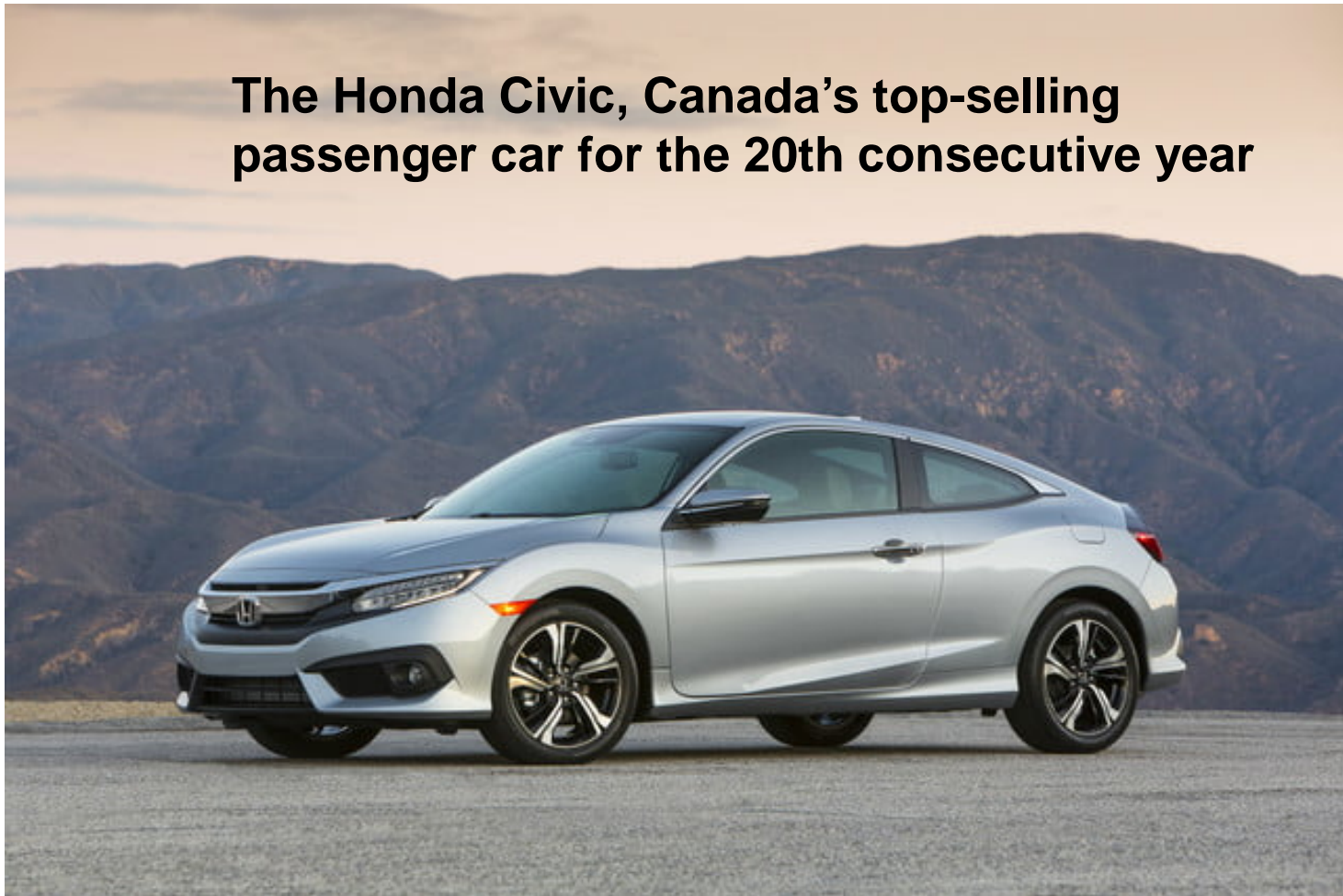


Current Outstanding: \$4.2 Billion

Provide stability to support Honda/Acura sales

- *Continue to access domestic market and bank loans*
- *Strengthen our investor relationships*
- *Conservative approach to markets*
- *Maintain prudent maturity profile*
- *Maintain Canadian Credit Curve*

**The Honda Civic, Canada's top-selling
passenger car for the 20th consecutive year**



QUESTIONS?

