

BMO AUTO FINANCE FORUM



US Model Shown

February 14, 2019

2019 Passport



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 14, 2019 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

Funding

- **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:** **215,638** as of March 31, 2018
- **Capital:** **¥86** billion as of March 31, 2018
- **Ratings Information:**

Moody's	A2 Stable
S&P	A Stable
DBRS	A (High) Stable

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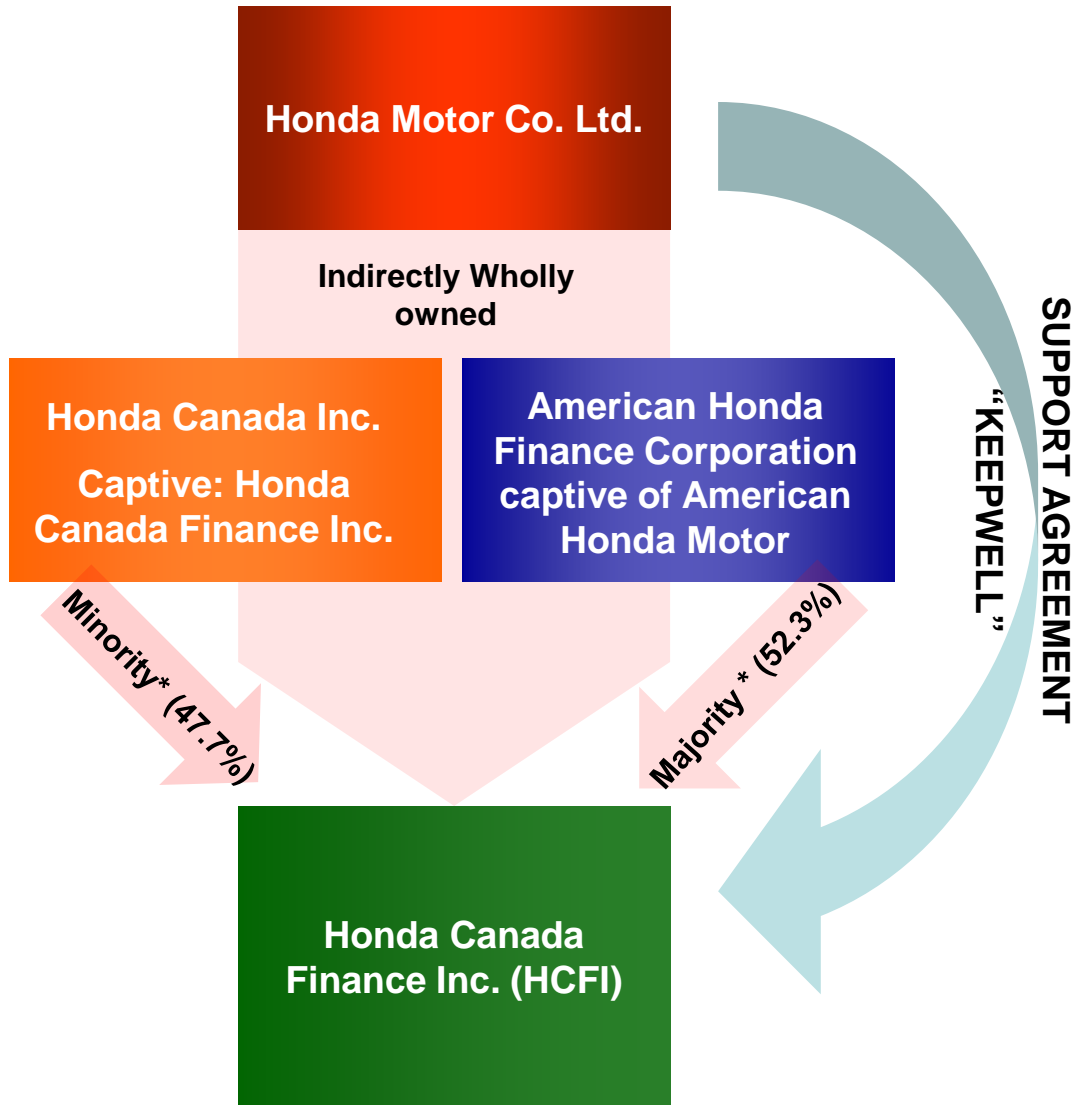
Corporate Structure & Mandate

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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*

* The last change in equity ownership was in FY07 with HCI providing a capital injection

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 - (In 2019, celebrating 50 years of operations in Canada)
- **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

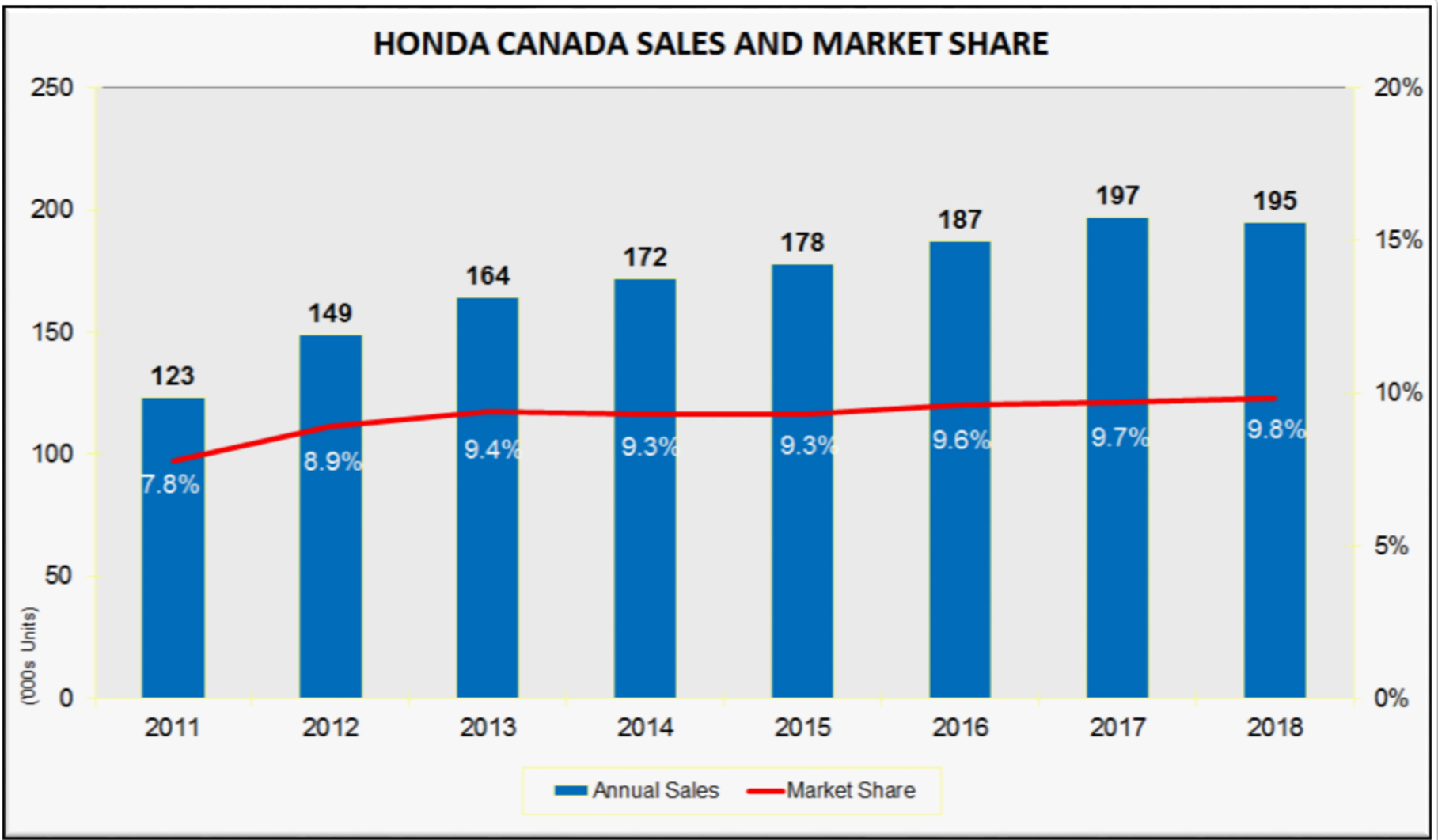
	YTD 2018	Market Share	YTD 2017	Market Share	% Changes
Honda/Acura	195,379	9.8%	197,251	10%	-0.9%
Acura	20,337	1.0%	20,300	1%	0.2%
ILX	1903	0.1%	2047	0%	-7.0%
NSX	47	0.0%	49	0%	-4.1%
RLX	64	0.0%	59	0%	8.5%
TLX	3826	0.2%	4205	0%	-9.0%
Acura Passenger Car	5,840	0.3%	6,360	0%	-8.2%
MDX	5605	0.3%	5,838	0%	-4.0%
RDX	8,890	0.4%	8,101	0%	9.7%
ZDX	2	0.0%	1	0%	100.0%
Acura Light Truck	14,497	0.7%	13,940	1%	4.0%
Honda	175,042	8.8%	176,951	9%	-1.1%
Accord	13,827	0.7%	13,504	1%	2.4%
Civic	69,005	3.5%	69,030	3%	0.0%
Clarity	799	0.0%	27	0%	2859.3%
CR-Z	2	0.0%	10	0%	-80.0%
Fit	3,520	0.2%	5019	0%	-29.9%
Insight	227	0.0%	0	0%	
Honda Passenger Car	87,380	4.4%	87,590	4%	-0.2%
CR-V	54,879	2.8%	50,443	2%	8.8%
HR-V	9,071	0.5%	14,149	1%	-35.9%
Odyssey	11,546	0.6%	11,232	1%	2.8%
Pilot	8,072	0.4%	8,905	0%	-9.4%
Ridgeline	4094	0.2%	4,632	0%	-11.6%
Honda Light Truck	87,662	4.4%	89,361	4%	-1.9%
Total Passenger Car	577,711	29.1%	639,823	31%	-9.7%
Total Light Truck	1,407,281	70.9%	1,398,975	69%	0.6%
Total Light Vehicle Sales	1,984,992	100.0%	2,038,798	100%	-2.6%

In 2018, Honda Canada sales was 195K – shade lower than the record 197K in 2017

Honda CR-V clipping a healthy 8.8% growth – consistent with consumer preference for light trucks

Honda/ Acura overall sales growth was down just 0.9% while the industry which was down 2.6%

Honda market share continues to inch higher to 9.8% in 2018 vs 9.7% in 2017



Market share climbing steadily to ~9.8% despite slightly softer sales in 2018

COMPACT

<u>Models</u>	<u>2018</u>	<u>2017</u>	<u>% change</u>
1 Civic	69,005	69,030	0.0%
2 Corolla	48,796	50,332	-3.1%
3 Elantra	41,784	46,112	-9.4%
4 Mazda3	26,728	27,862	-4.1%
5 Cruze	26,287	27,520	-4.5%
6 Golf	18,868	22,288	-15.3%
7 Jetta	15,129	17,483	-13.5%
8 Forte	14,399	16,388	-12.1%
9 Sentra	12,593	13,883	-9.3%
10 Soul	9,937	11,050	-10.1%

COMPACT SUV

<u>Models</u>	<u>2018</u>	<u>2017</u>	<u>% change</u>
1 RAV4	55,385	50,894	8.8%
2 CR-V	54,879	50,443	8.8%
3 Escape	43,857	47,880	-8.4%
4 Rogue	41,167	43,418	-5.2%
5 Tucson	28,634	30,467	-6.0%
9 CX-5	26,587	25,404	4.7%
7 Wrangler	24,615	17,296	42.3%
8 Cherokee	22,239	23,702	-6.2%
9 Tiguan	21,449	15,028	42.7%
10 Equinox	21,432	24,446	-12.3%

INTERMEDIATE

<u>Models</u>	<u>2018</u>	<u>2017</u>	<u>% change</u>
1 Camry	14,588	14,574	0.1%
2 Accord	13,827	13,504	2.4%
3 Fusion	7,148	9,736	-26.6%
4 Malibu	6,652	8,152	-18.4%
5 Prius Liftback	5,518	3,640	51.6%
6 Altima	5,207	6,626	-21.4%
7 Sonata	5,197	7,827	-33.6%
8 Charger	4,918	4,862	1.2%
9 Impala	3,874	3,079	25.8%
10 Chrysler 300	3,512	4,332	-18.9%

COMPACT LUXURY SUV

<u>Models</u>	<u>2018</u>	<u>2017</u>	<u>% change</u>
1 Q5	11,952	10,271	16.4%
2 GLC Class	8,982	8,742	2.7%
3 RDX	8,890	8,101	9.7%
4 X3	8,296	5,730	44.8%
5 NX	7,859	7,407	6.1%
6 X1	5,308	6,120	-13.3%
7 Macan	3,960	3,767	5.1%
8 Q3	3,780	3,724	1.5%
9 GLA	3,566	4,090	-12.8%
10 QX50	2,881	1,812	59.0%

Honda was either #1 or #2 in car and compact SUV segments that it competes in representing ~70% of Honda Canada's total sales in 2018. Including RDX - ~75% of total sales.

Consumer Finance & Leasing

Product

Terms

Loans

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

Leases

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

* Up to 72 months term for High-end Motorcycle

** Dealer buy back at Residual Value

Dealer Finance

Type

Floor Plan Financing
Construction Loans
Commercial Mortgages
Equipment Finance

There have been no changes to the business lines offered

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New auto sales are expected to be slightly softer than last years' record levels

Average age of a car in Canada is ~ 10 years old

Cost of funds in the unsecured debt markets continues to be attractive but have widened since last years' lows

Monetary policy is accommodative but is tighter than a year ago (BOC rate hike path to be data dependent)

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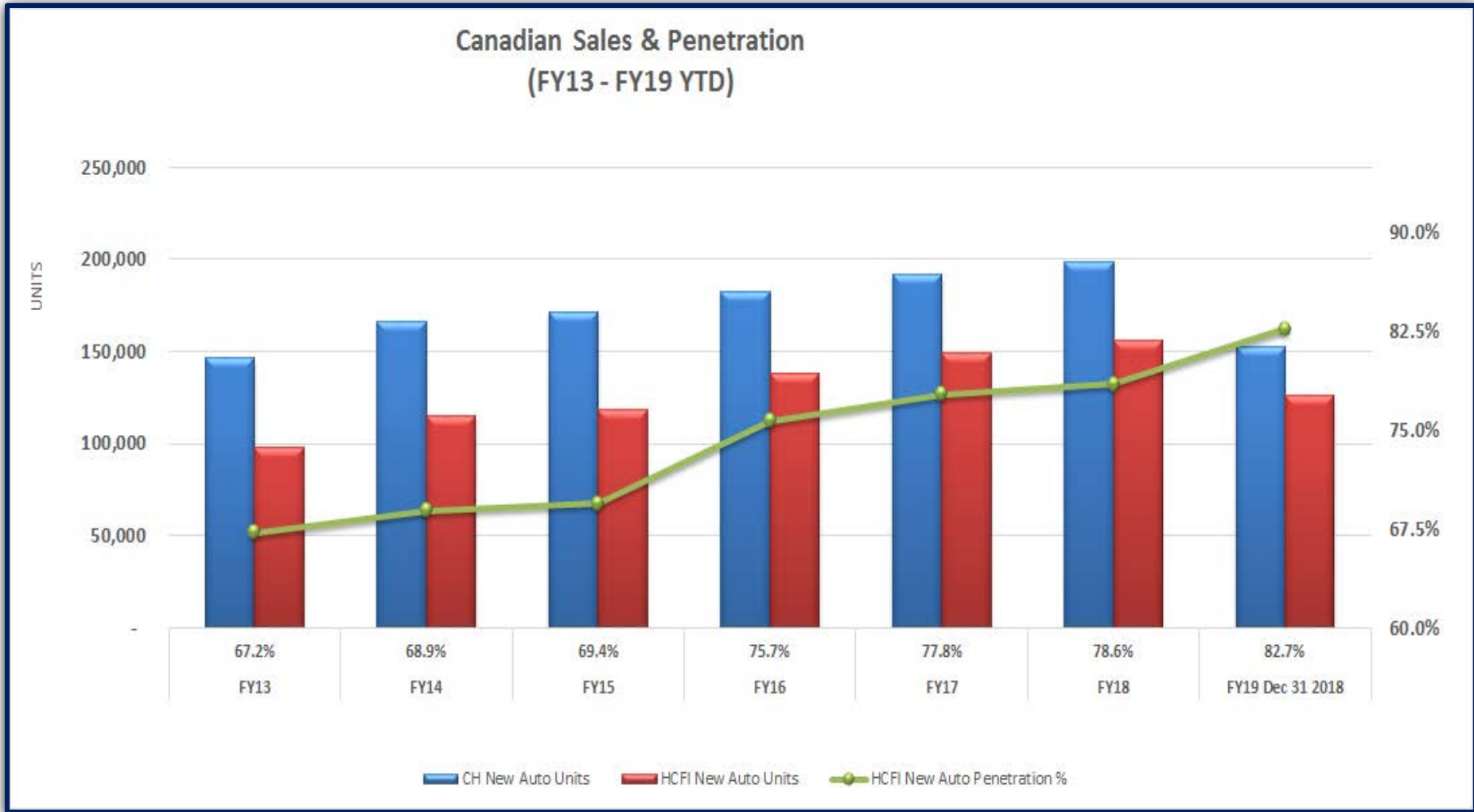
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HCFI's penetration is tracking to be ~82.7% of Honda Canada sales

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,	
		2018	2017			2018	2017
Acquired	Sponsored ⁽²⁾	Acquired	Sponsored ⁽²⁾	Acquired	Sponsored ⁽²⁾	Acquired	Sponsored ⁽²⁾

(Units ⁽¹⁾ in thousands)

Canada Segment

Retail loans:

New auto	15	15	17	17	52	51	59	58
Used auto	1	—	1	1	3	1	7	5
Motorcycle	1	1	2	1	6	5	7	6
Total retail loans	17	16	20	19	61	57	73	69
Leases	21	21	20	20	74	74	69	68

- (1) A unit represents one retail loan or lease contract, as noted, that was originated in the United States and acquired by AHFC or its subsidiaries, or that was originated in Canada and acquired by HCFI, in each case during the period shown.
- (2) Represents the number of retail loans and leases acquired through incentive financing programs sponsored by AHM and/or HCI and only those contracts with subsidy payments. Excludes contracts where contractual rates met or exceeded AHFC's yield requirements and subsidy payments were not required.

In 2018, ~98% of New retail loan contracts and almost 100% of lease contracts are subvned by HCI.

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:

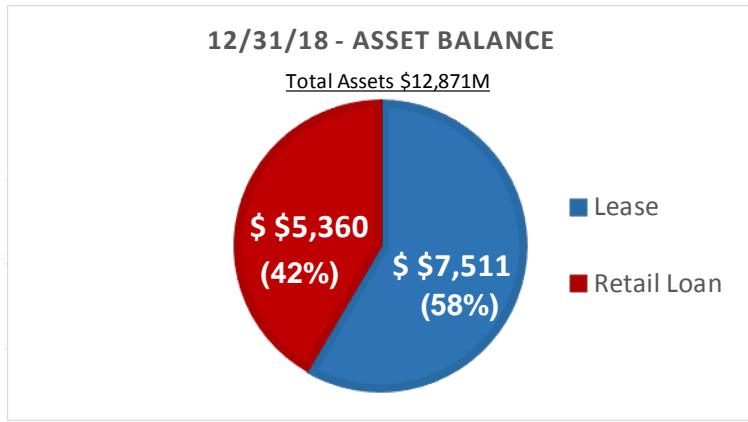
	December 31, 2018	March 31, 2018
<u>Canada Segment</u>		
Automobile	35%	36%
Motorcycle	95%	95%
Other	94%	95%

Wholesale Flooring Financing Percentage of Sales

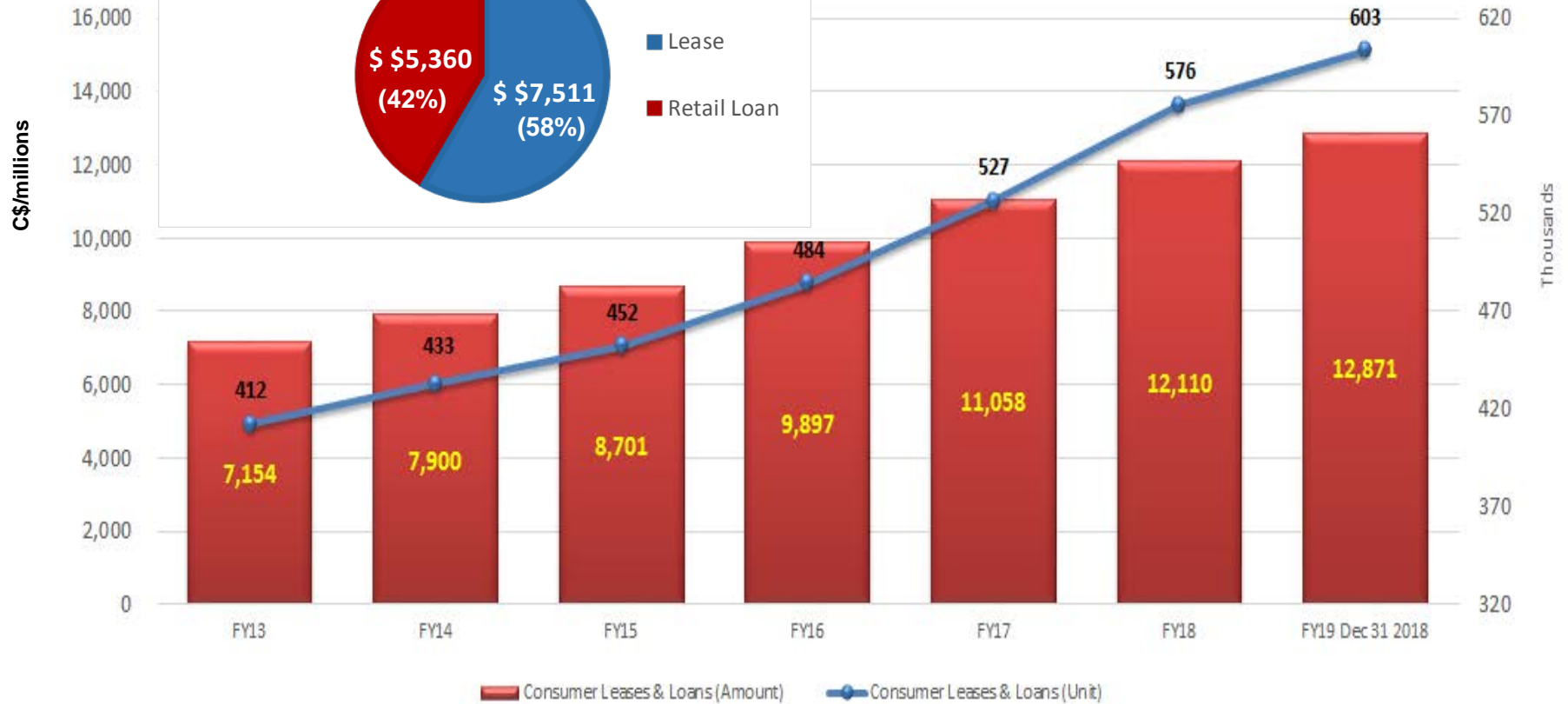
The following table summarizes the percentage of AHM unit sales in the United States and/or HCI unit sales in Canada, as applicable, that we financed through wholesale flooring loans with dealerships:

<u>Canada Segment</u>				
Automobile	32%	31%	32%	31%
Motorcycle	94%	96%	92%	94%
Other	97%	91%	97%	94%

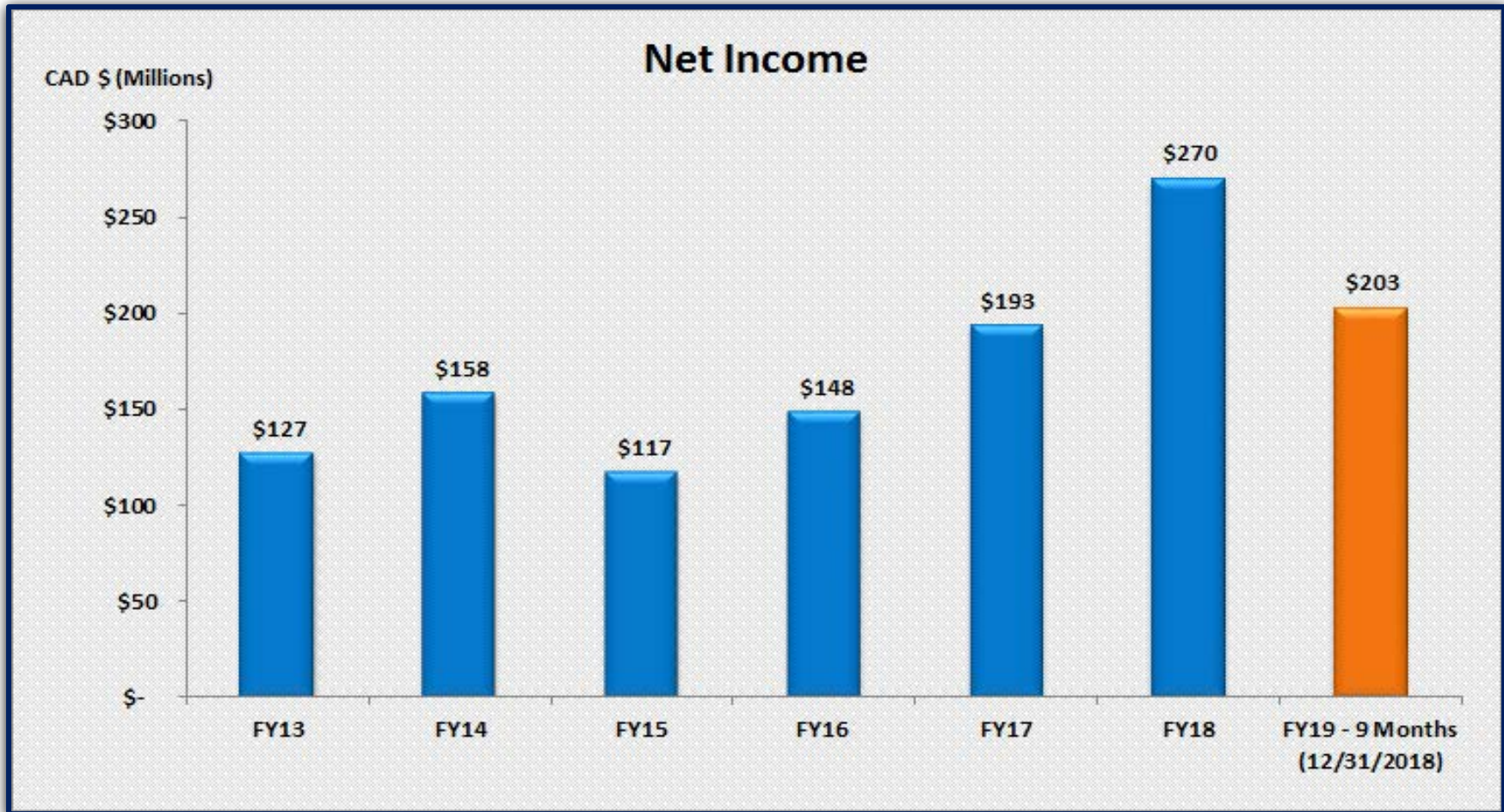
HCFI has ~ 35% penetration of Auto wholesale Honda dealerships in Canada representing ~32% of Honda unit sales in Canada



HCFI Assets (FY13 - FY19 YTD)



As of 12/31/2018, HCFI's outstanding of loans and leases was ~ \$13 billion with over 603,000 accounts



Net income is based upon US GAAP

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	9M ENDED	
								Dec-18	Dec-17
Allowance for Credit Loss (%age Of Ending Receivables)	0.23%	0.17%	0.16%	0.16%	0.21%	0.20%	0.13%	0.14%	0.16%
Net Charge-Offs (%age of Average Receivables)	0.18%	0.17%	0.16%	0.17%	0.28%	0.24%	0.16%	0.11%	0.16%
Delinquency 60+ (%age of Ending Receivables)	0.06%	0.06%	0.08%	0.12%	0.14%	0.15%	0.16%	0.15%	0.18%

Based on US GAAP

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

All key asset performance data has been stronger vs last fiscal year other than the allowance for Credit Loss which is up slightly

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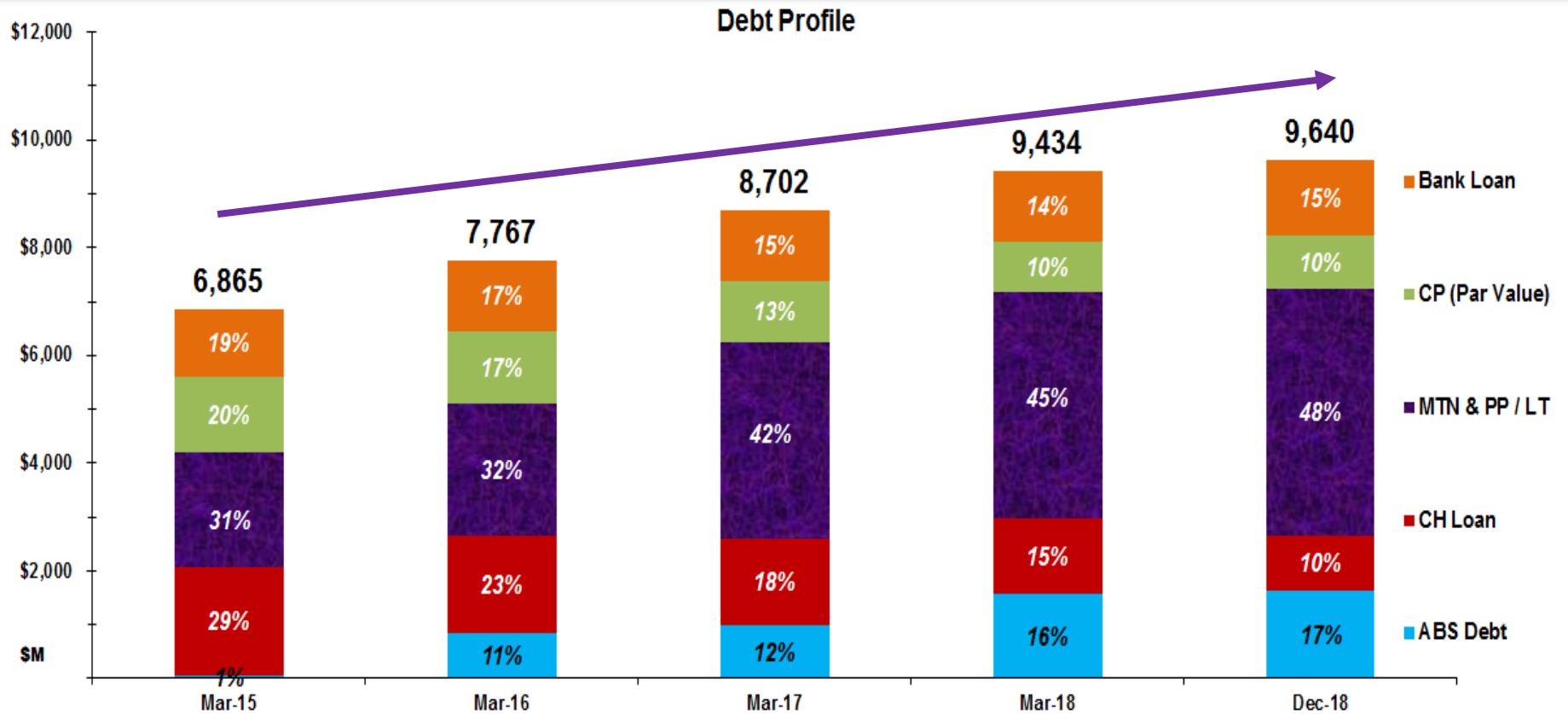
Business Environment

Performance

Funding

- ✓ \$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

FY2015 – FY2019 as at 12/31/2018



Debt has steadily increased over the past 5 years. MTN funding has increased as the intercompany loan balance with Honda Canada has decreased



Current Outstanding: \$4.6 Billion as at 31-Dec-2018

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 **21** consecutive years





HONDA

The Power of Dreams