



HONDA CANADA FINANCE INC.

Caution with Respect to Forward-Looking Statements:

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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.

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➤ **Honda Canada Finance Inc. (HCFI)**

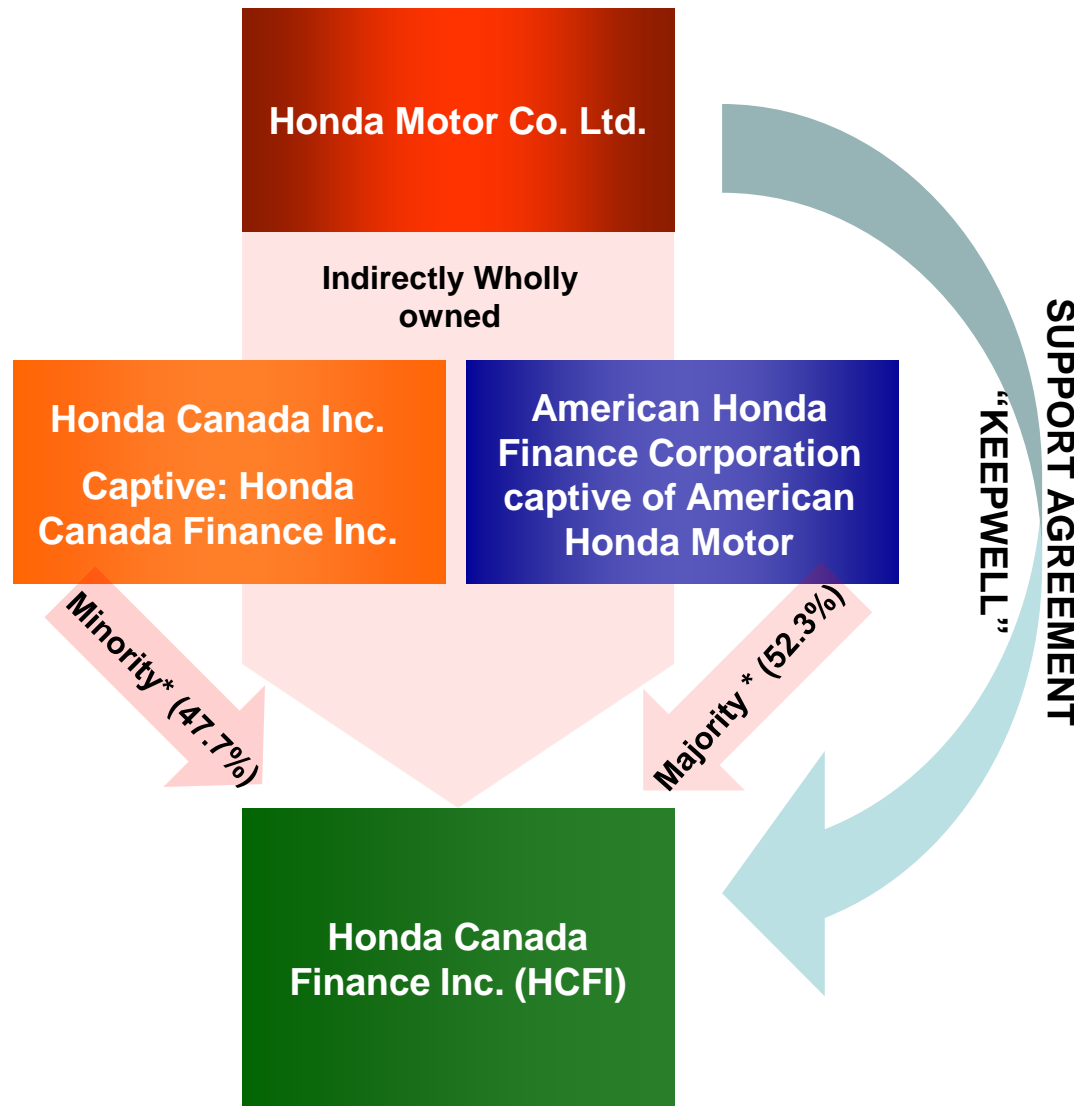
Corporate Structure & Mandate

Honda in Canada

Business Environment

Performance

Funding



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 - (51 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
~ 19,000 indirectly through
National Dealership Networks
- **Vehicles Manufactured in Canada:** Honda: CRV, Civic Sedan, Si and Coupe

Source: www.honda.ca

Canadian Auto Sales 2019

Honda Canada Annual Sales	2019	Market Share	2018	Market Share	% Changes
Honda/Acura	188,828	9.86%	195,379	9.84%	-3.4%
Acura	19,781	1.03%	20,337	1.02%	-2.7%
ILX	1,871	0.10%	1,903	0.10%	-1.7%
NSX	22	0.00%	47	0.00%	-53.2%
RLX	55	0.00%	64	0.00%	-14.1%
TLX	3,360	0.18%	3,826	0.19%	-12.2%
Acura Passenger Car	5,308	0.28%	5,840	0.29%	-9.1%
MDX	4,757	0.25%	5,605	0.28%	-15.1%
RDX	9,716	0.51%	8,890	0.45%	9.3%
ZDX	0	0.00%	2	0.00%	-100.0%
Acura Light Truck	14,473	0.76%	14,497	0.73%	-0.2%
Honda	169,047	8.83%	175,042	8.82%	-3.4%
Accord	11,381	0.59%	13,827	0.70%	-17.7%
Civic	60,139	3.14%	69,005	3.48%	-12.8%
Clarity	912	0.05%	799	0.04%	14.1%
CR-Z	0	0.00%	2	0.00%	-100.0%
Fit	3,437	0.18%	3,520	0.18%	-2.4%
Insight	753	0.04%	227	0.01%	231.7%
Honda Passenger Car	76,622	4.00%	87,380	4.40%	-12.3%
CR-V	55,859	2.92%	54,879	2.76%	1.8%
HR-V	12,985	0.68%	9,071	0.46%	43.1%
Odyssey	9,257	0.48%	11,546	0.58%	-19.8%
Passport	2,678	0.14%	0	0.00%	
Pilot	8,241	0.43%	8,072	0.41%	2.1%
Ridgeline	3,405	0.18%	4,094	0.21%	-16.8%
Honda Light Truck	92,425	4.83%	87,662	4.42%	5.4%
Total Passenger Car	484,687	25.32%	577,711	29.10%	-16.1%
Total Light Truck	1,429,670	74.68%	1,407,281	70.90%	1.6%
Total Light Vehicle Sales	1,914,357	100.00%	1,984,992	100.00%	-3.6%

Honda Canada sales was 189K in 2019 vs 195K in 2018 ; down **-3.4%** mostly in line with market (**-3.6%**).

Honda market share remains stable at ~ **9.9%** despite slightly softer markets.

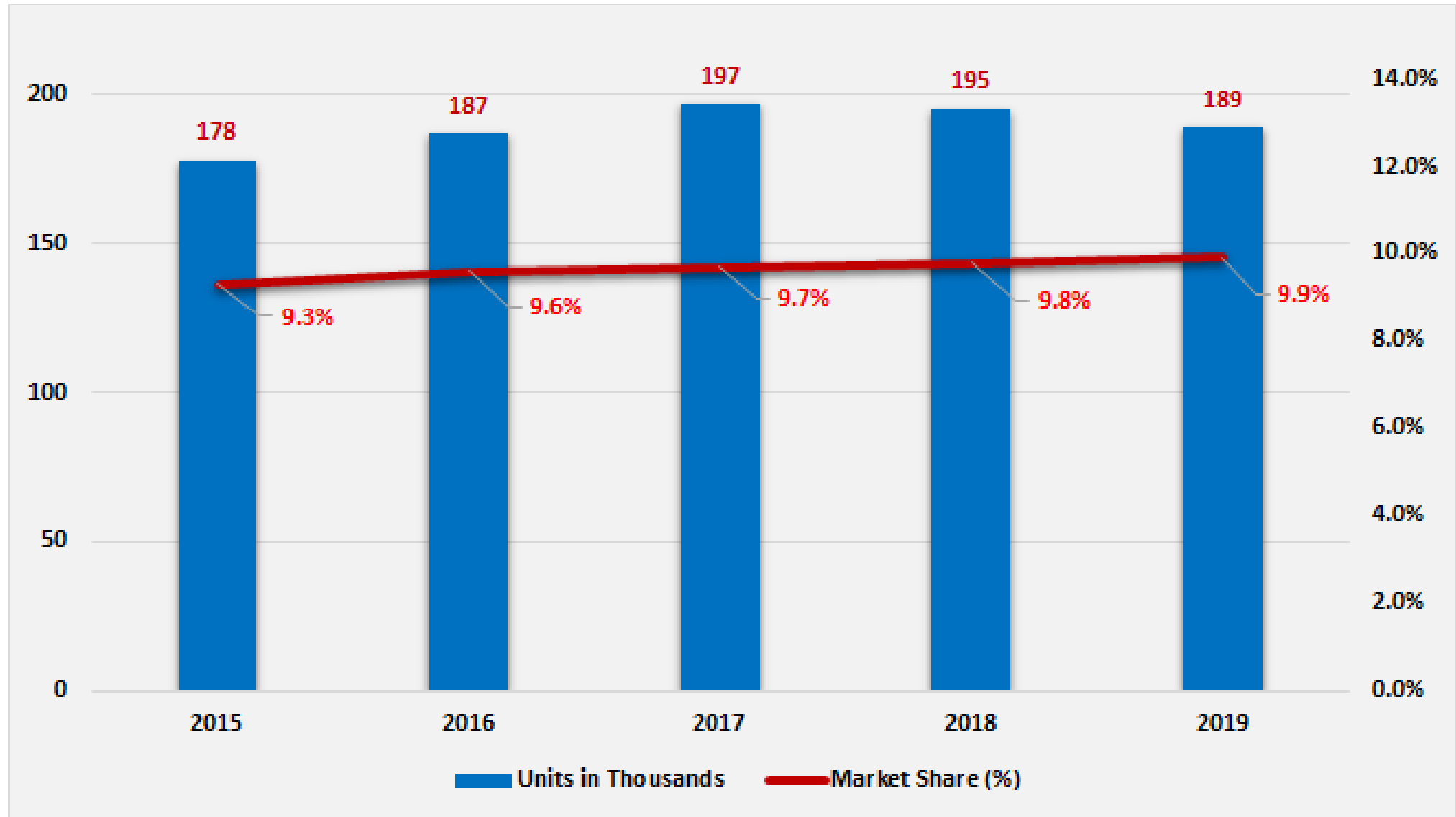
Honda CR-V registers a modest growth of **+1.8%** – consistent with growth of **+1.6%** in light trucks market.

Honda Light Truck performed (**+5.4%**) significantly better than market (**+1.6%**); thanks to HR-V (**+43%**) back in full production capacity.

Honda/ Acura passenger cars sales, albeit being slower at **-12.3%** / **-9.1%**, was better than market (**-16.1%**)

Clarity and Insight forging ahead in a slowing market

Honda Canada – Market Share & Annual Sales



Market share climbing steadily to ~9.9% despite slightly softer sales in 2019

2019 CY vs 2018 CY SALES IN KEY SEGMENTS - HONDA

COMPACT			
<u>Models</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>
1 Honda - Civic	60,139	69,005	-12.8%
2 Toyota - Corolla	47,596	48,796	-2.5%
3 Hyundai - Elantra	39,463	41,784	-5.6%
4 Mazda - Mazda3	21,276	26,728	-20.4%
5 Volkswagen - Jetta	17,260	15,129	14.1%
6 Volkswagen - Golf	17,197	18,868	-8.9%
7 Kia - Forte	15,549	14,399	8.0%
8 Kia - Soul	10,459	9,937	5.3%
9 Chevrolet - Cruze	9,478	26,287	-63.9%
10 Subaru - Impreza	9,065	9,356	-3.1%

INTERMEDIATE			
<u>Models</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>
1 Toyota - Camry	13,654	14,588	-6.4%
2 Honda - Accord	11,381	13,827	-17.7%
3 Ford - Fusion	8,723	7,148	22.0%
4 Toyota - Prius Liftback	8,696	5,518	57.6%
5 Chevrolet - Malibu	5,823	6,652	-12.5%
6 Chevrolet - Impala	3,884	3,874	0.3%
7 Hyundai - Sonata	3,680	5,197	-29.2%
8 Dodge - Charger	3,425	4,918	-30.4%
9 Nissan - Altima	3,342	5,207	-35.8%
10 Ford - Taurus	1,972	2,812	-29.9%

COMPACT SUV			
<u>Models</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>
1 Toyota - RAV4	65,248	55,385	17.8%
2 Honda - CR-V	55,859	54,879	1.8%
3 Ford - Escape	39,503	43,857	-9.9%
4 Nissan - Rogue	37,530	41,167	-8.8%
5 Hyundai - Tucson	30,075	28,634	5.0%
9 Mazda - CX-5	27,696	26,587	4.2%
7 Jeep - Wrangler	25,659	24,615	4.2%
8 Volkswagen - Tiguan	19,250	21,449	-10.3%
9 Chevrolet - Equinox	17,846	21,432	-16.7%
10 Kia - Sorento	16,054	15,579	3.0%

COMPACT LUXURY SUV			
<u>Models</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>
1 Mercedes-Benz - GLC Class	10,883	8,982	21.2%
2 Audi - Q5	10,855	11,952	-9.2%
3 Acura - RDX	9,716	8,890	9.3%
4 BMW - X3	8,404	8,296	1.3%
5 Lexus - NX	7,626	7,859	-3.0%
6 BMW - X1	4,420	5,308	-16.7%
7 Audi - Q3	3,734	3,780	-1.2%
8 Mercedes-Benz - GLA	3,689	3,566	3.4%
9 Infiniti - QX50	3,515	2,881	22.0%
10 Porsche - Macan	3,487	3,960	-11.9%

Honda was either #1 or #2 in car and compact SUV segments that it competes in representing ~67% of Honda Canada's total sales in 2019. Including RDX - ~73% of total sales.

Source: Polk data

Consumer Finance & Leasing

Dealer Finance

Product

Terms

Type

Loans

Automobiles New

24 – 84 Months

Floor Plan Financing

Automobiles Used

24 – 72 Months

Construction Loans

Motorcycles*

24 – 60 Months

Commercial Mortgages

ATV, Marine &

Equipment Finance

Power Equipment

24 – 60 Months

Leases

Automobiles

24 to 60 months

CPO Automobiles

up to 72 months

Motorcycles** (high end)

24 to 48 months

* Up to 72 months term for High-end Motorcycle

** Dealer buy back at Residual Value

There have been no changes to the business lines offered

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

Used car prices are expected to be softer than current conditions

Cost of funds in the unsecured debt markets continues to be attractive. Credit spreads are near cycle lows

Monetary policy is accommodative. (BOC likely to lean towards a rate cut based on global developments and weaker projected GDP)

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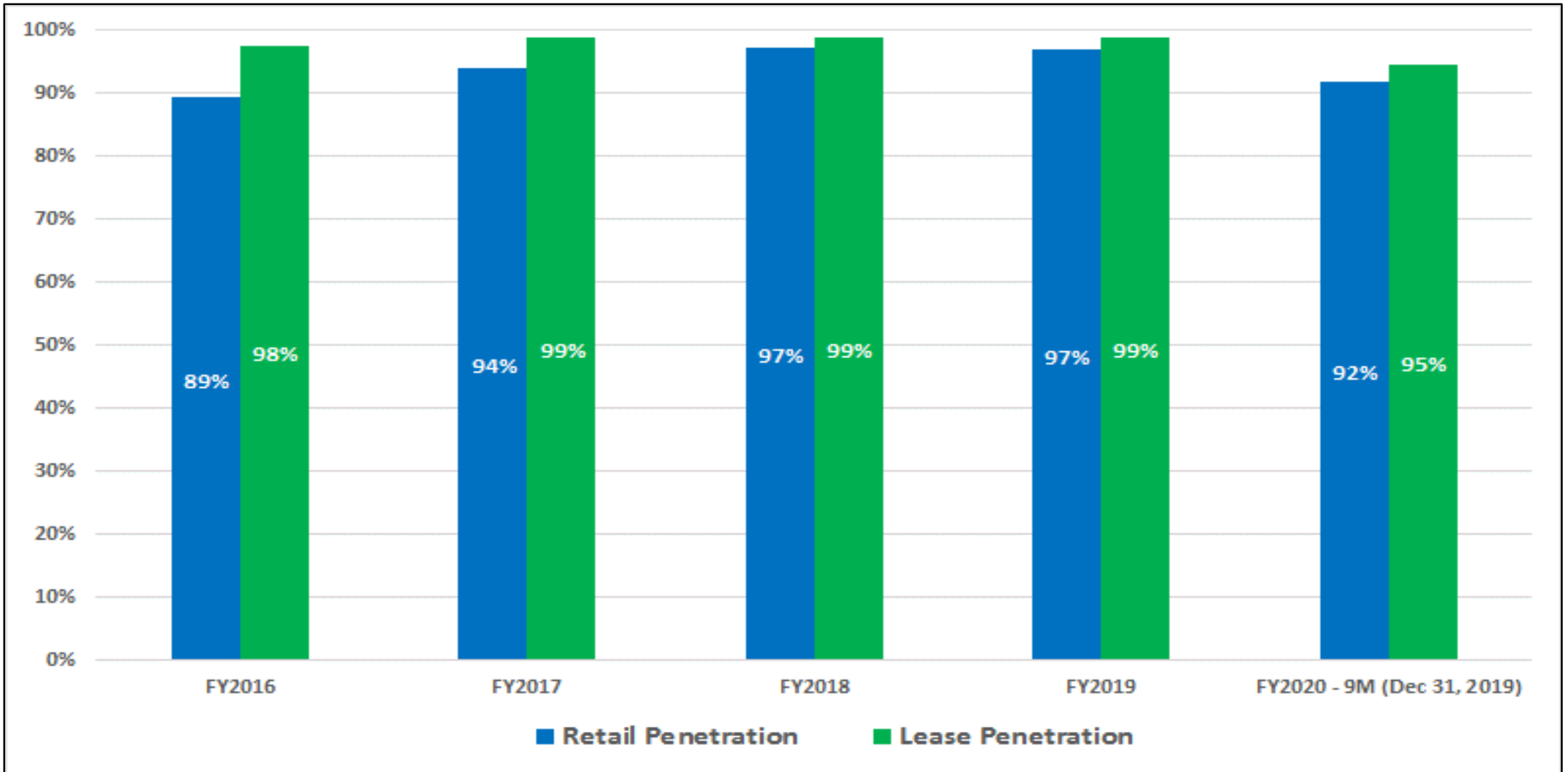
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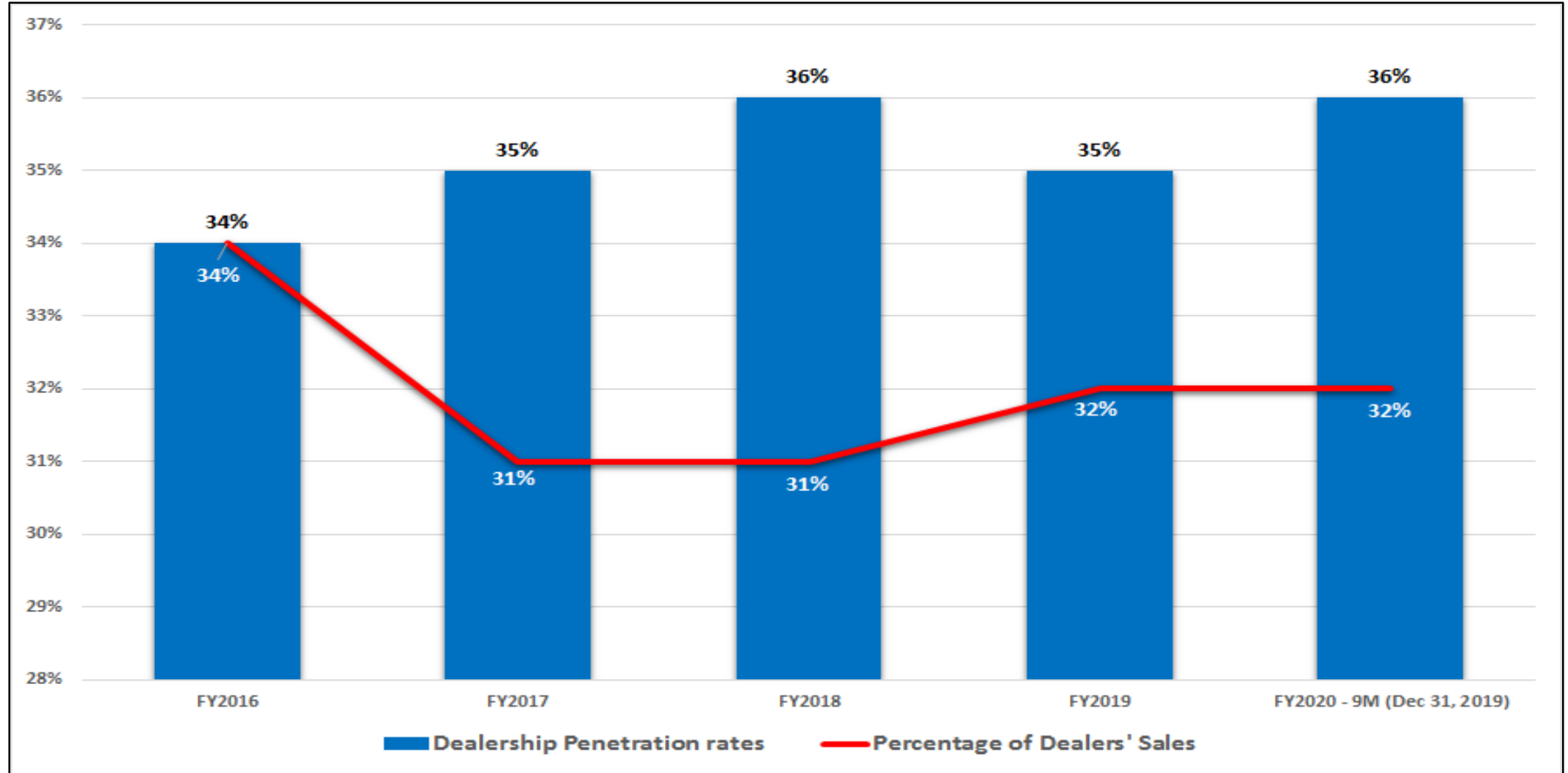
Funding

HCFI Retail & Lease Incentive Financing Penetration

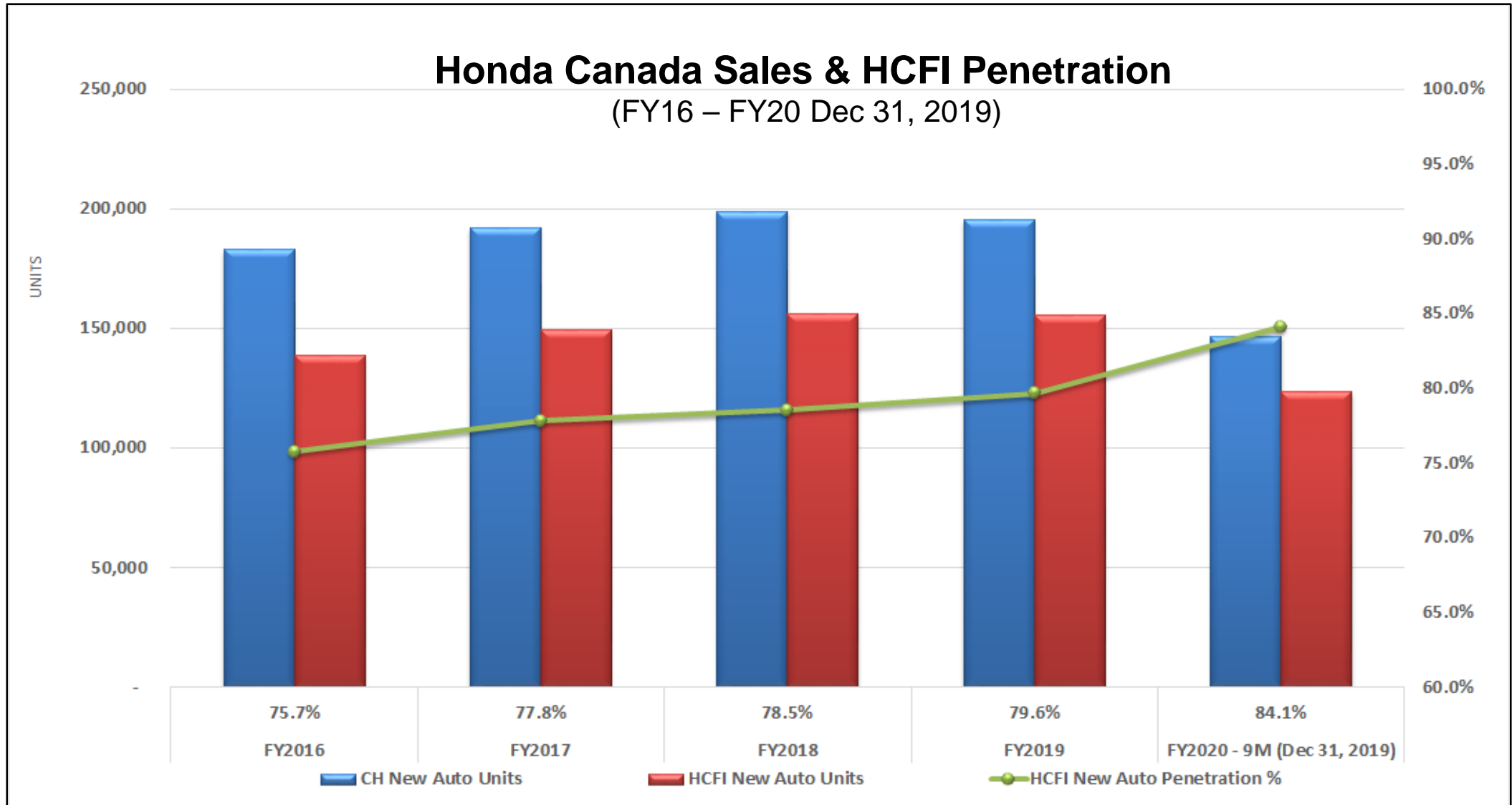


Incentive Financing currently dominates our business. In FY 2020, ~92% of New retail loan contracts and almost ~95% of Lease contracts were driven by incentive financing programs by HCFI.

HCFI Wholesale Auto Flooring Financing

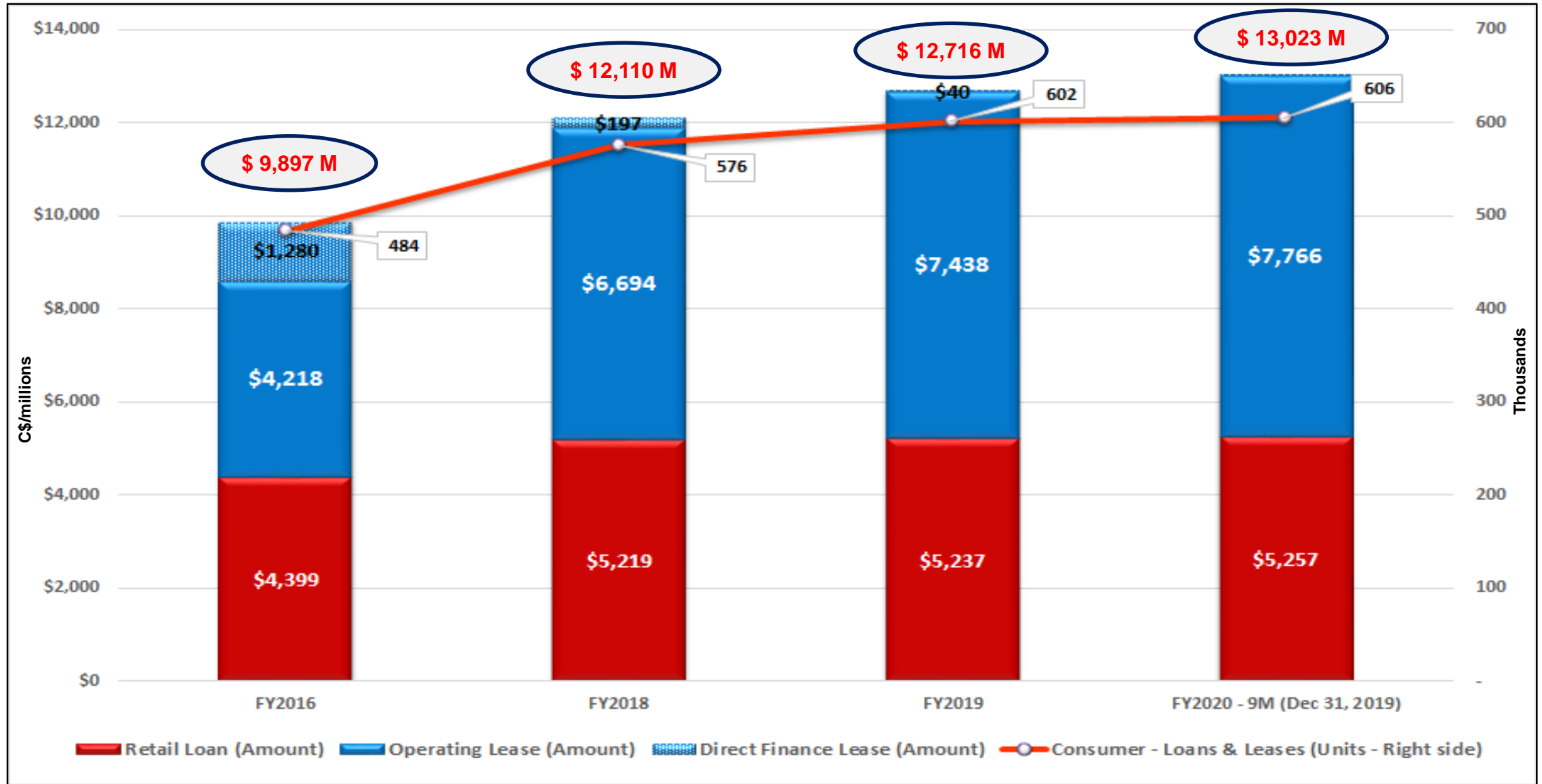


HCFI has ~ 36% penetration of Auto wholesale Honda dealerships in Canada representing ~32% of Honda unit sales in Canada



HCFI's penetration is tracking at ~84% of Honda Canada sales

Outstanding HCFI Loans and Leases



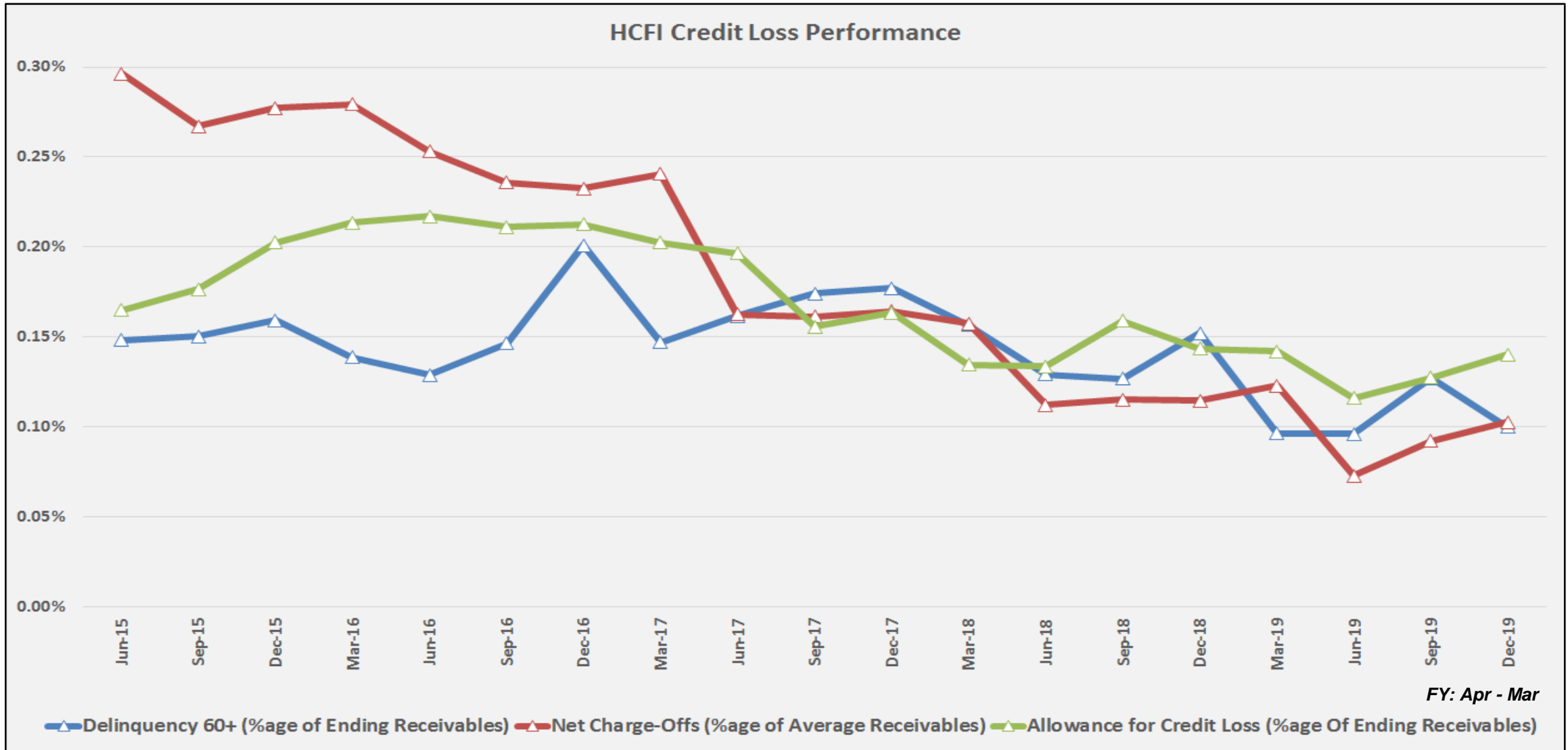
As of 12-31-19, HCFI's outstanding of loans and leases was ~ \$13 billion with over 606,000 accounts

HCFI Net Income



Net income (US GAAP)

HCFI Performance Data – Finance Receivables



- All key asset performance data has been stronger since fiscal 2016.
- Net Charge-Offs and Delinquency strong at 0.10% while credit loss allowance slightly higher at 0.15% (annualized)

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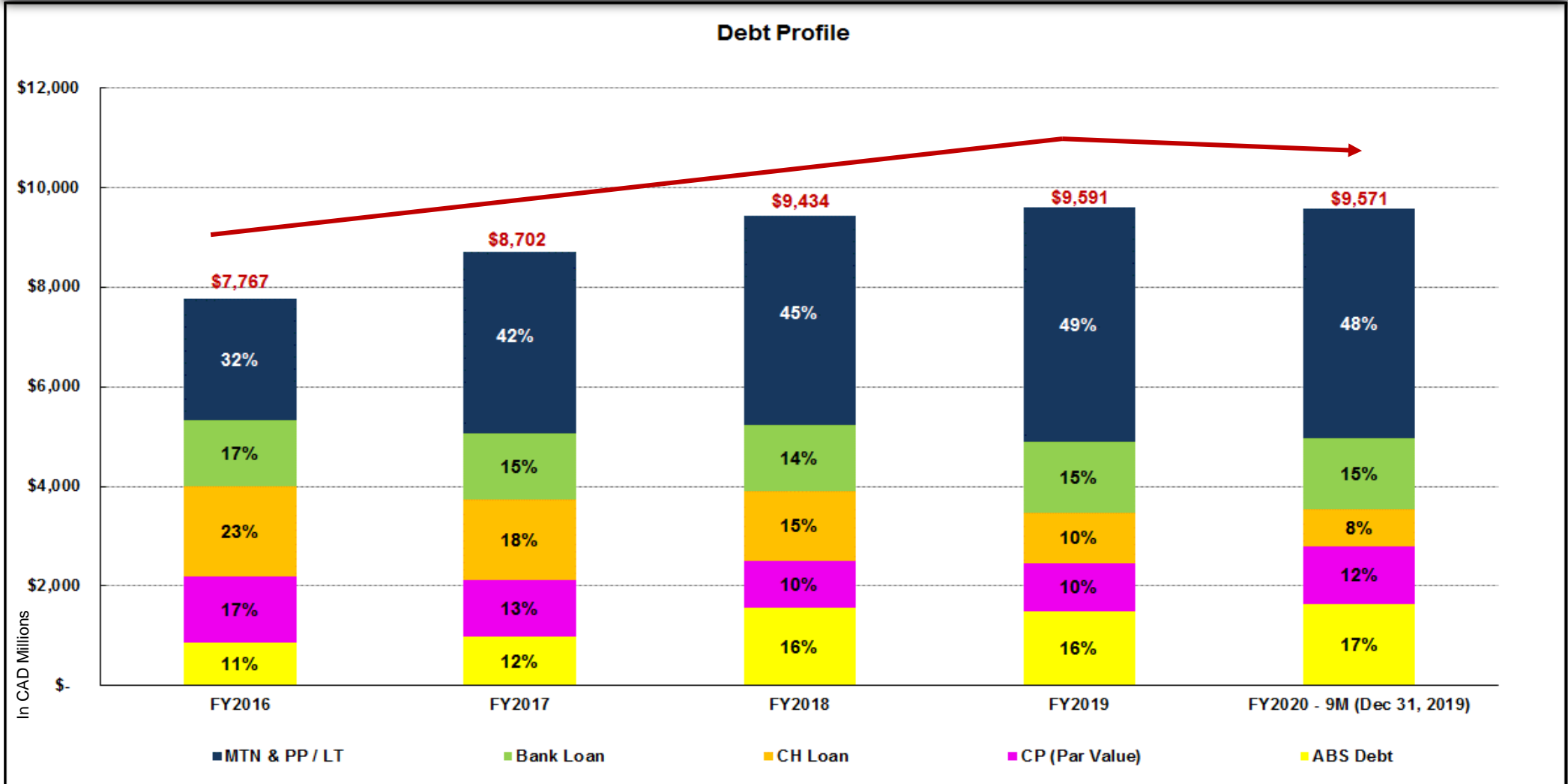
Performance

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

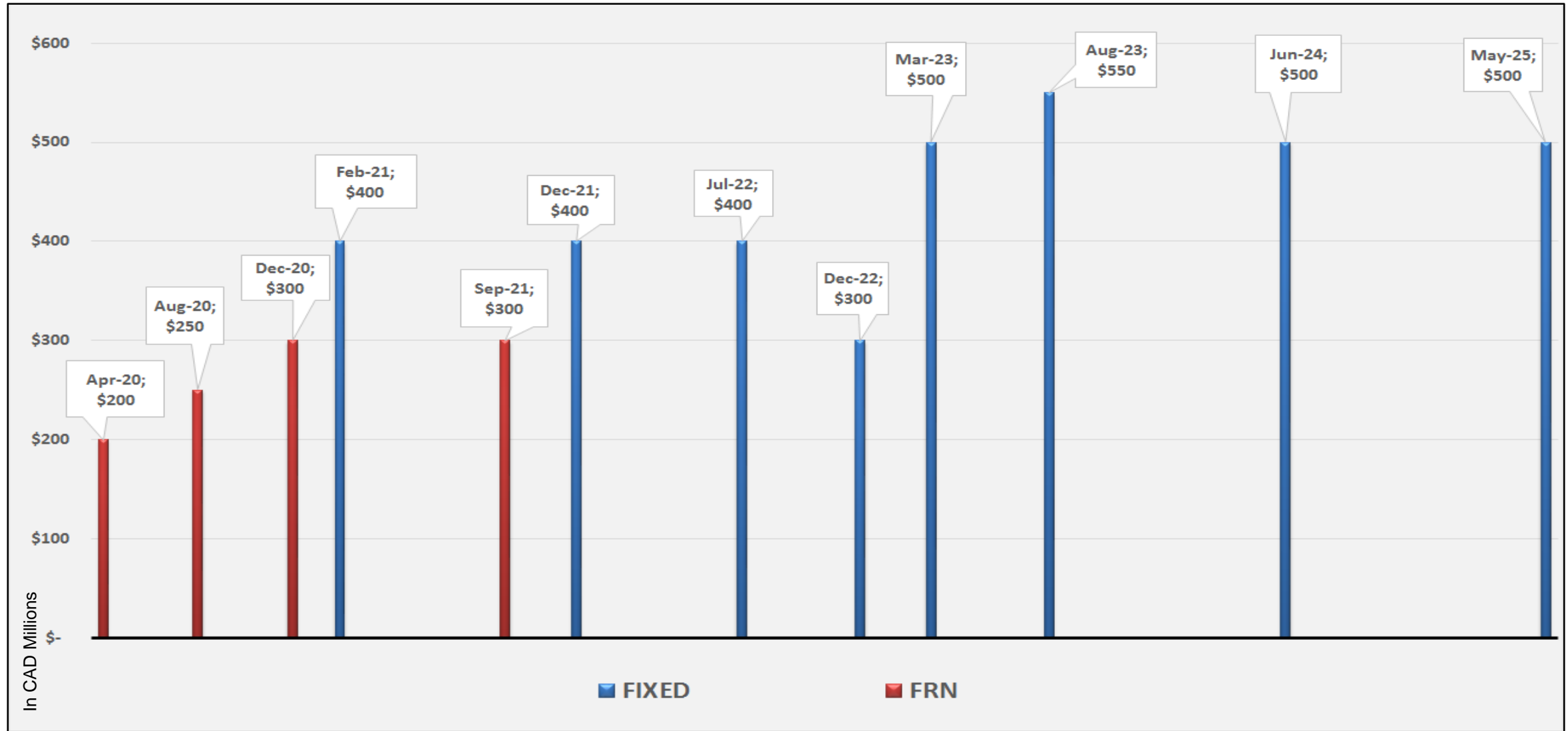
HCFI Debt Outstanding

FY2016 – FY2020 as at 12/31/2019



**Debt has steadily increased over the past 4 years but is plateauing in the current fiscal year.
MTN funding has mainly increased as Intercompany loan balance with Honda Canada reduced over the last 5 years**

Private Placement Program



Current Outstanding: \$4.6 Billion as at Dec 31, 2019

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  **22** consecutive years



Formula 1

FIA Formula 1 World Championship