

BMO AUTO FINANCE FORUM



HONDA CANADA FINANCE INC.

February 11, 2021

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.

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<https://www.hondafinancialservices.com/investor-relations/Presentations.aspx>
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

HONDA MOTOR CO., LTD.

- **Established:** September 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:** **218,674** as of March 31, 2020
- **Capital:** **¥86** billion as of March 31, 2020
- **Ratings Information:**

Moody's	A3	Negative
S&P	A-	Negative
DBRS	A (High)	Negative

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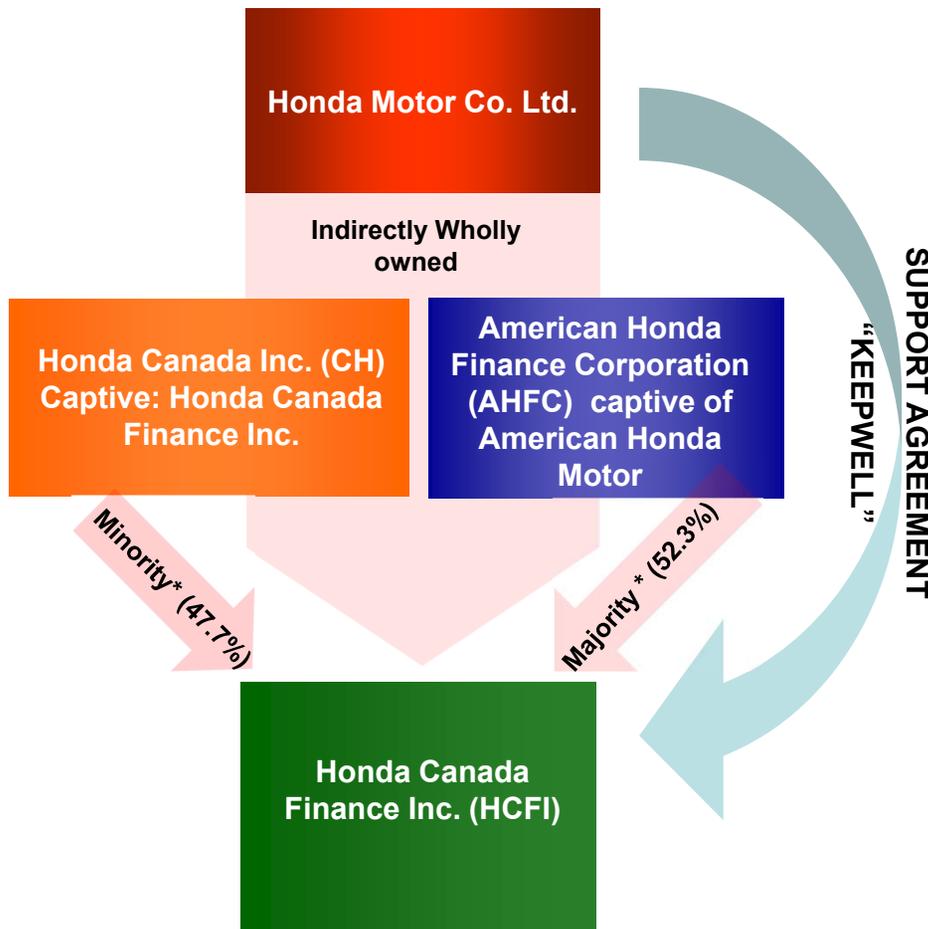
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CORPORATE STRUCTURE



OWNERSHIP STRUCTURE

- *Honda Motor Co. Ltd is ‘the Parent’ company of both Honda Canada Inc. (“CH”) and American Honda Finance Corp. (“AHFC”)*
- *Honda Canada Finance Inc. (“HCFI”) is jointly owned by AHFC and CH*
- *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 HCFI providing a capital injection

MANDATE

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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HONDA CANADA - QUICK FACTS

- **Established a Canadian presence:** 1969 - (52 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:** ~ 19,000 directly and indirectly through National Dealership Networks
- **Vehicles Manufactured in Canada:** Honda: CRV, Civic Sedan, Si and Coupe

Canadian Auto Sales CY 2020

		2020	M/S	2019	M/S	20/19 %
Honda Canada	Honda/Acura	140,243	9.1%	188,828	9.9%	-25.7%
	Acura	14,281	0.9%	19,781	1.0%	-27.8%
	ILX	735	0.0%	1,871	0.1%	-60.7%
	NSX	23	0.0%	22	0.0%	4.5%
	RLX	19	0.0%	55	0.0%	-65.5%
	TLX	2,704	0.2%	3,360	0.2%	-19.5%
	Acura Passenger Car	3,481	0.2%	5,308	0.3%	-34.4%
	MDX	3,237	0.2%	4,757	0.2%	-32.0%
	RDX	7,563	0.5%	9,716	0.5%	-22.2%
	Acura Light Truck	10,800	0.7%	14,473	0.8%	-25.4%
	Honda	125,962	8.2%	169,047	8.8%	-25.5%
	Accord	6,473	0.4%	11,381	0.6%	-43.1%
	Civic	42,996	2.8%	60,139	3.1%	-28.5%
	Clarity	686	0.0%	912	0.0%	-24.8%
	Fit	1,902	0.1%	3,437	0.2%	-44.7%
	Insight	415	0.0%	753	0.0%	-44.9%
	Honda Passenger Car	52,472	3.4%	76,622	4.0%	-31.5%
	CR-V	44,495	2.9%	55,859	2.9%	-20.3%
	HR-V	10,306	0.7%	12,985	0.7%	-20.6%
	Odyssey	5,361	0.3%	9,257	0.5%	-42.1%
	Passport	2,734	0.2%	2,678	0.1%	2.1%
	Pilot	7,709	0.5%	8,241	0.4%	-6.5%
	Ridgeline	2,885	0.2%	3,405	0.2%	-15.3%
Honda Light Truck	73,490	4.8%	92,425	4.8%	-20.5%	
Total Passenger Car	308,593	20.1%	484,687	25.3%	-36.3%	
Total Light Truck	1,228,795	79.9%	1,429,670	74.7%	-14.1%	
Total Light Vehicle Sales	1,537,388	100.0%	1,914,357	100.0%	-19.7%	

Honda Canada sales was 140K in 2020 vs 189K in 2019 ; down **-25.7%** with overall market down **-19.7%**.

Honda market share down to **9.1%**.

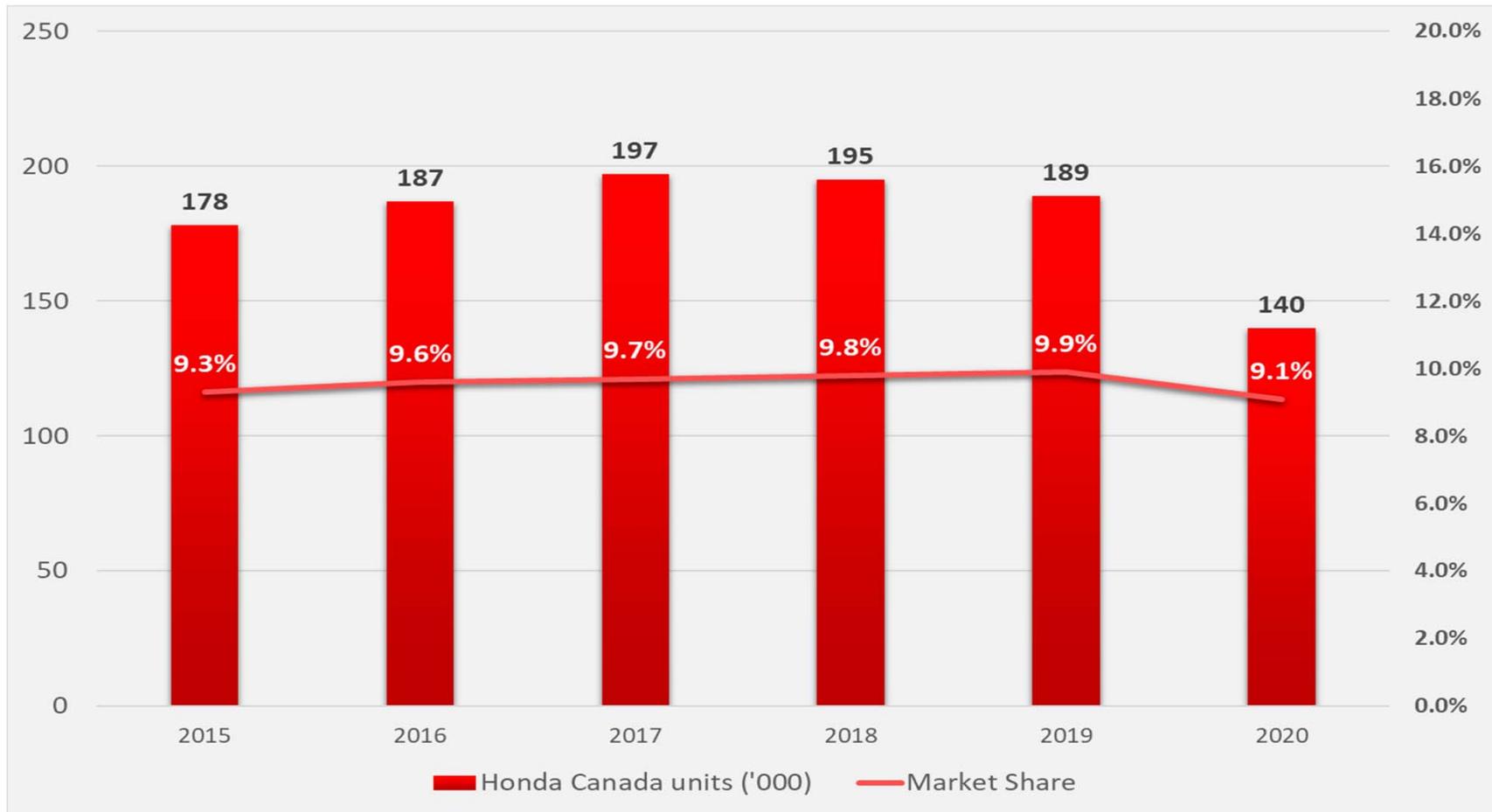
Honda CR-V down **-20.3%** in a compact SUV segment down **-21%**

Honda Civic down **-28.5%** in a compact car segment down **-34.6%**

Honda/Acura Light Truck **-20.5%/-25.4%** compared to market **-14.1%** due to lack of full sized pickups, which ended year at **-9.7%** and account for 26.6% of light truck market.

Honda/ Acura passenger car **-31.5%/-34.4%** performed better than market of **-36.3%**

HONDA CANADA (CH) – MARKET SHARE & ANNUAL SALES



Overall Market share dropped in 2020 as the company focused on each competing segment

2020 CY vs 2019 CY SALES IN KEY SEGMENTS

COMPACT

Models	2020	2019	% change
1 Honda - Civic	42,996	60,139	-28.5%
2 Toyota - Corolla	33,181	47,596	-30.3%
3 Hyundai - Elantra	22,000	39,463	-44.3%
4 Kia - Forte	14,373	15,549	-7.6%
5 Mazda - Mazda3	12,769	21,276	-40.0%
6 Volkswagen - Golf	11,323	17,197	-34.2%
7 Volkswagen - Jetta	10,552	17,260	-38.9%
8 Kia - Soul	7,173	10,459	-31.4%
9 Nissan - Sentra	6,806	7,719	-11.8%
10 Subaru - Impreza	5,732	9,065	-36.8%

INTERMEDIATE

Models	2020	2019	% change
1 Toyota - Camry	10,178	13,654	-25.5%
2 Honda - Accord	6,473	11,381	-43.1%
3 Toyota - Prius Liftback	5,754	8,696	-33.8%
4 Ford - Fusion	5,152	8,723	-40.9%
5 Chevrolet - Malibu	3,287	5,823	-43.6%
6 Hyundai - Sonata	2,977	3,680	-19.1%
7 Volkswagen - Passat	1,744	672	159.5%
8 Dodge - Charger	1,659	3,425	-51.6%
9 Nissan - Altima	1,416	3,342	-57.6%
10 Subaru - Legacy	1,199	1,752	-31.6%

COMPACT SUV

Models	2020	2019	% change
1 Toyota - RAV4	57,972	65,248	-11.2%
2 Honda - CR-V	44,495	55,859	-20.3%
3 Nissan - Rogue	25,998	37,530	-30.7%
4 Mazda - CX-5	24,946	27,696	-9.9%
5 Ford - Escape	23,747	39,503	-39.9%
9 Hyundai - Tucson	23,578	30,075	-21.6%
7 Jeep - Wrangler	21,262	25,659	-17.1%
8 Subaru - Crosstrek	17,266	15,184	13.7%
9 Volkswagen - Tiguan	14,240	19,250	-26.0%
10 Hyundai - Santa Fe	12,907	16,774	-23.1%

LUXURY

Models	2020	2019	% change
1 Mercedes-Benz - C Class	3,971	6,824	-41.8%
2 BMW - 3-Series	3,872	5,908	-34.5%
3 Acura - TLX	2,704	3,360	-19.5%
4 Audi - A5	2,510	4,223	-40.6%
5 Audi - A4	2,230	3,917	-43.1%
6 Lexus - ES	1,395	2,154	-35.2%
7 Infiniti - Q50/Q60	1,298	2,393	-45.8%
8 Lexus - IS	1,228	2,258	-45.6%
9 Kia - Stinger	1,125	1,569	-28.3%
10 BMW - 4-Series	963	2,279	-57.7%

COMPACT LUXURY SUV

Models	2020	2019	% change
1 Audi - Q5	8,049	10,855	-25.8%
2 Acura - RDX	7,563	9,716	-22.2%
3 Mercedes-Benz - GLC Class	6,982	10,883	-35.8%
4 Lexus - NX	6,144	7,626	-19.4%
5 Audi - Q3	5,947	3,734	59.3%
6 BMW - X3	5,659	8,404	-32.7%
7 Cadillac - XT4	3,498	3,205	9.1%
8 Volvo - XC60	3,147	3,045	3.3%
9 Lexus - UX	2,520	2,683	-6.1%
10 Porsche - Macan	2,483	3,487	-28.8%

INTERMEDIATE LUXURY SUV

Models	2020	2019	% change
1 Lexus - RX	7,941	8,827	-10.0%
2 Mercedes-Benz - GLE	6,149	5,739	7.1%
3 BMW - X5	4,786	6,630	-27.8%
4 Cadillac - XT5	4,216	4,928	-14.4%
5 Acura - MDX	3,237	4,757	-32.0%
6 Volvo - XC90	2,385	2,733	-12.7%
8 Land Rover - Range Rover Sport	2,372	3,199	-25.9%
7 Porsche - Cayenne	2,342	3,129	-25.2%
9 Lincoln - Aviator	1,941	678	186.3%
10 Lincoln - Nautilus	1,753	1,566	11.9%

Honda remain highly competitive in the car and compact SUV segments that it competes in representing ~67% of Honda Canada's total sales in 2020. Acura remains competitive in the respective luxury segments with the all new MDX

HCFI BUSINESS LINES

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
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

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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BUSINESS ENVIRONMENT IN CANADA

New auto sales are expected to be challenging as supplier issues persist

Used car prices have surprised on the upside as new vehicle supply has been challenged

Cost of funds in the unsecured debt markets continues to be attractive with credit spreads tightening to cycle lows

Monetary policy remains accommodative. Bank of Canada intends to leave overnight interest rates unchanged through at least 2021

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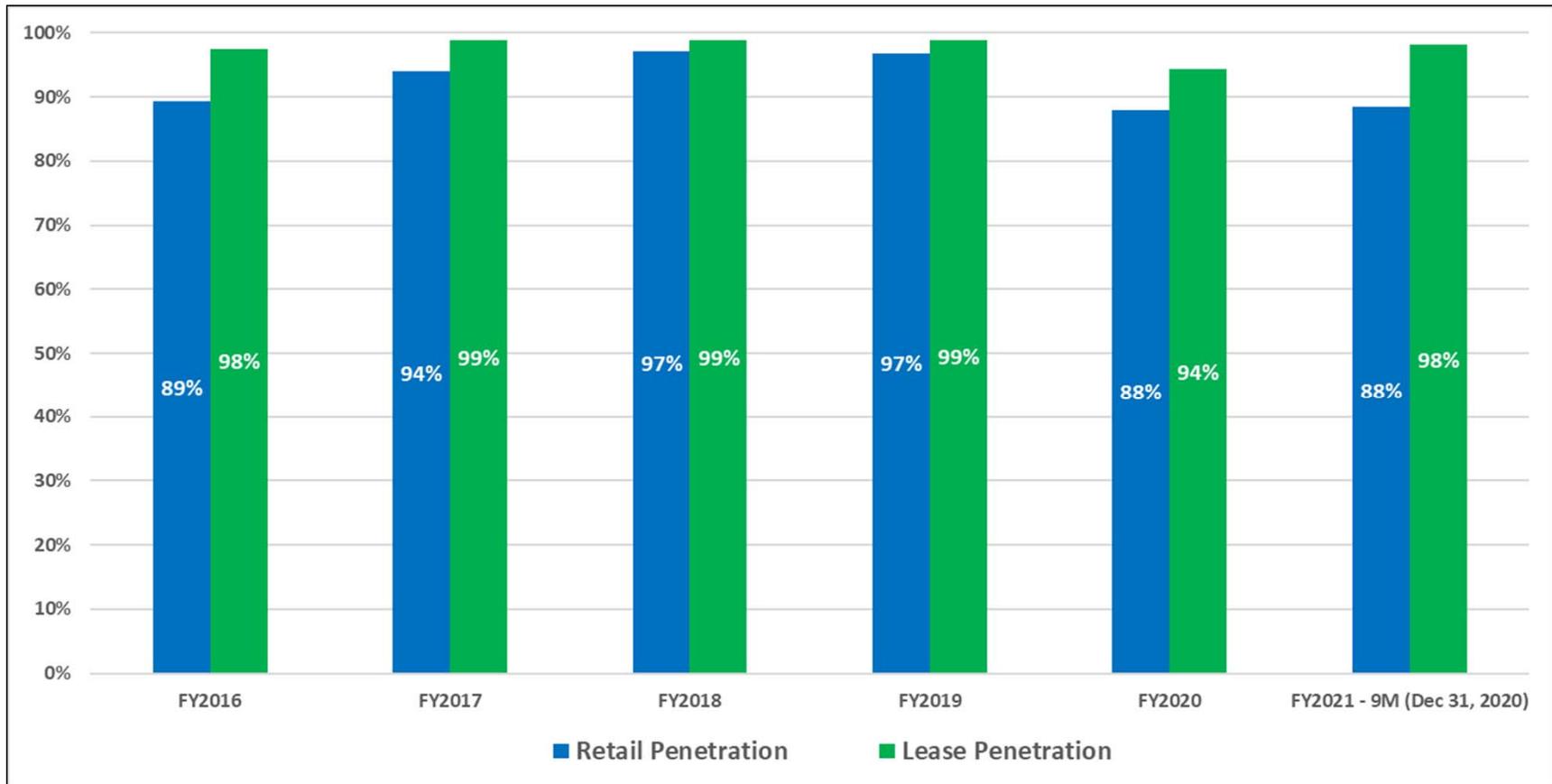
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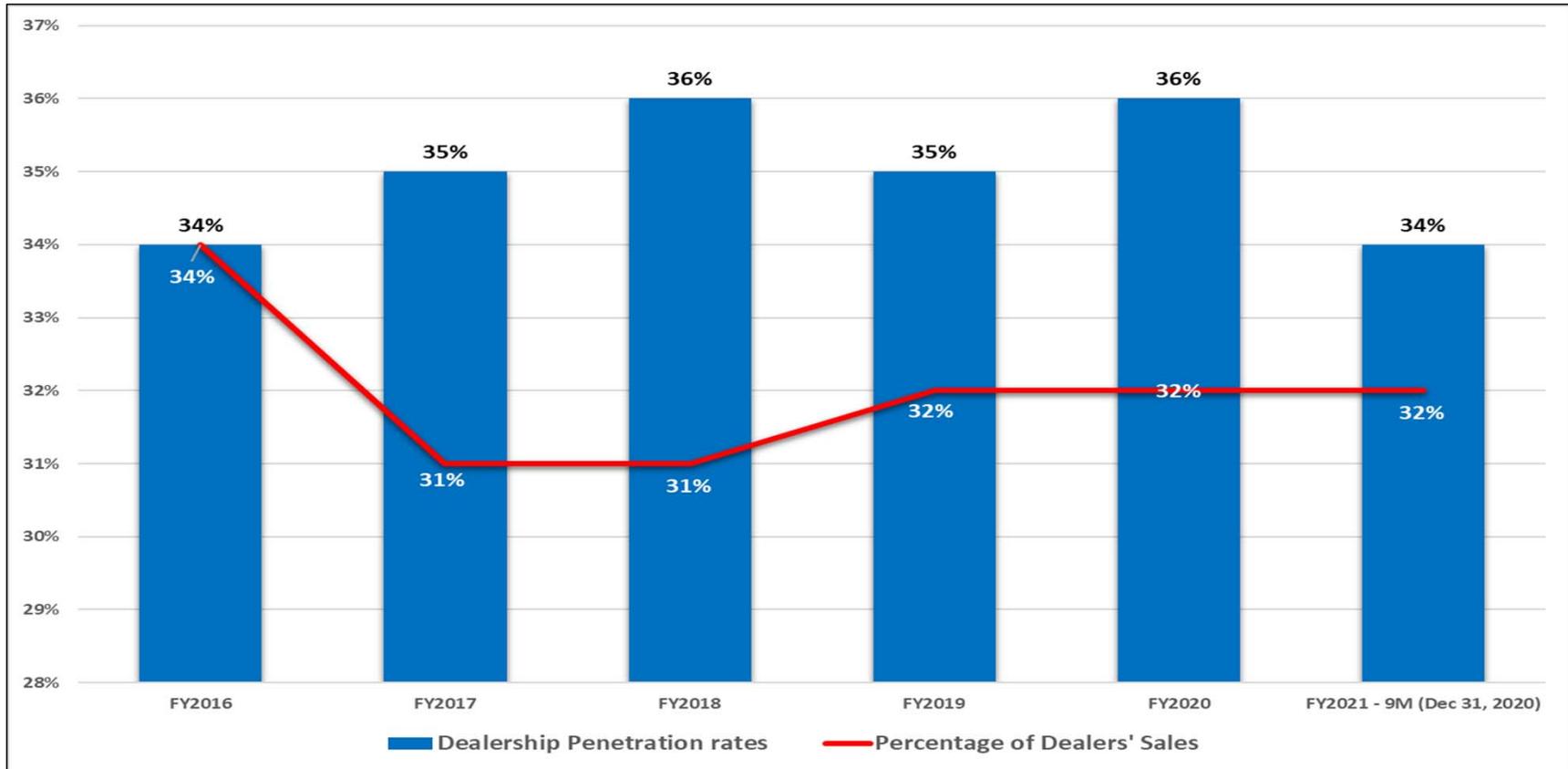
Funding

HCFI RETAIL & LEASE INCENTIVE FINANCING PENETRATION



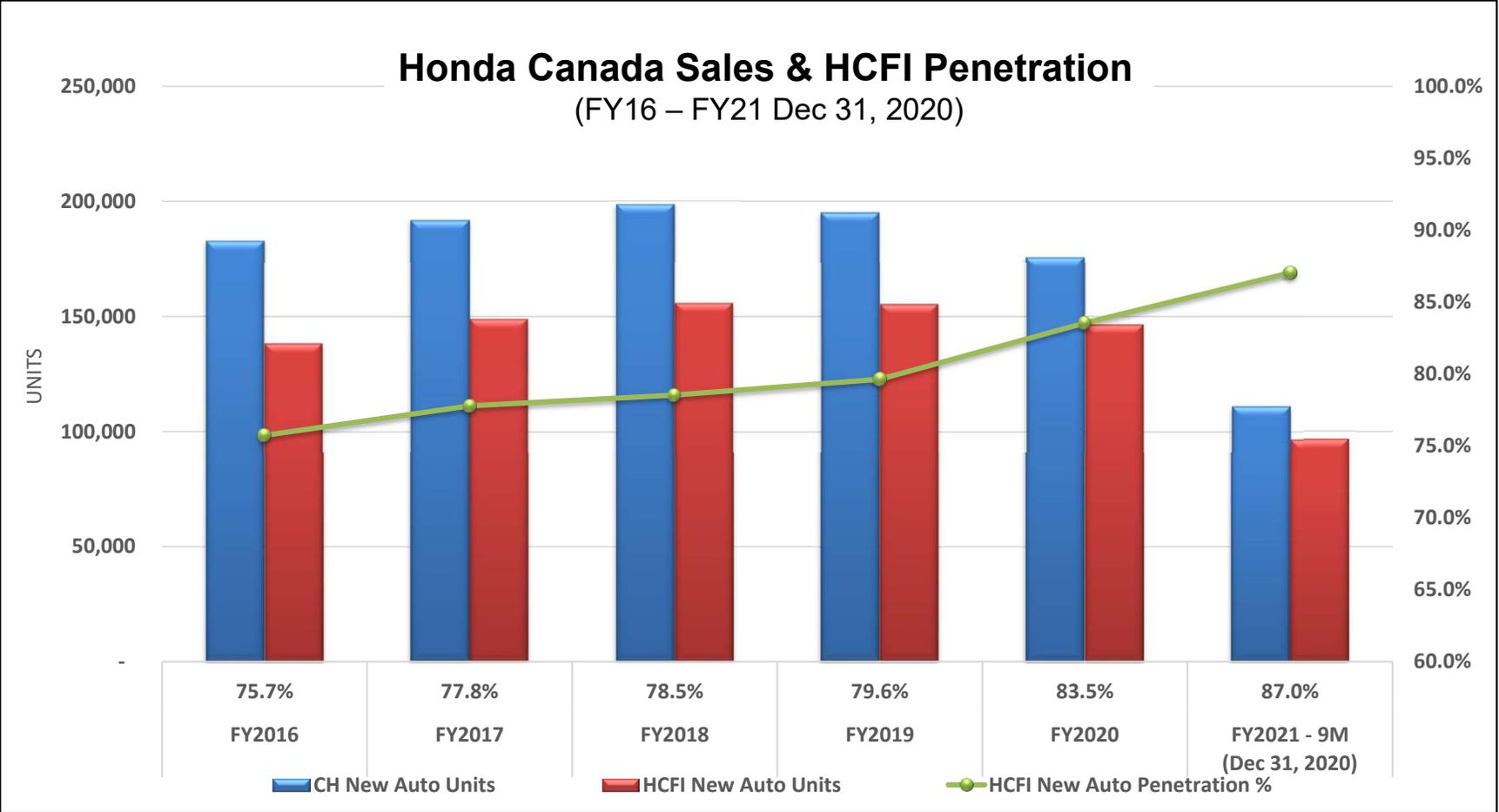
Incentive Financing currently dominates our business. In FY 2021, ~88% of New retail loan contracts and almost ~98% of Lease contracts were driven by incentive financing programs by Honda Canada

HCFI WHOLESALE AUTO FLOORING FINANCING



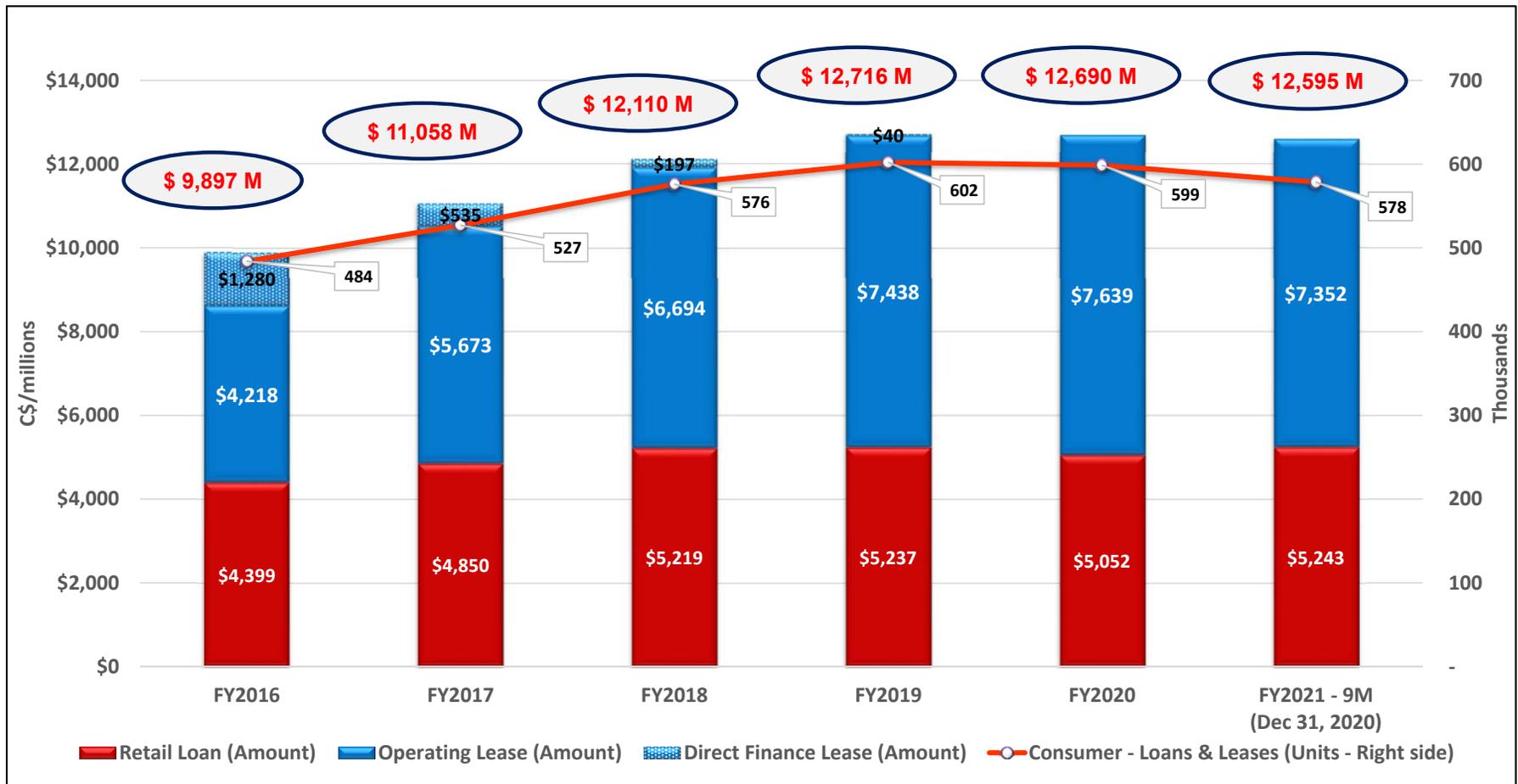
HCFI has ~ 34% penetration of Auto wholesale Honda dealerships in Canada representing ~32% of Honda unit sales in Canada

HCFI PENETRATION OF HONDA CANADA (CH) SALES



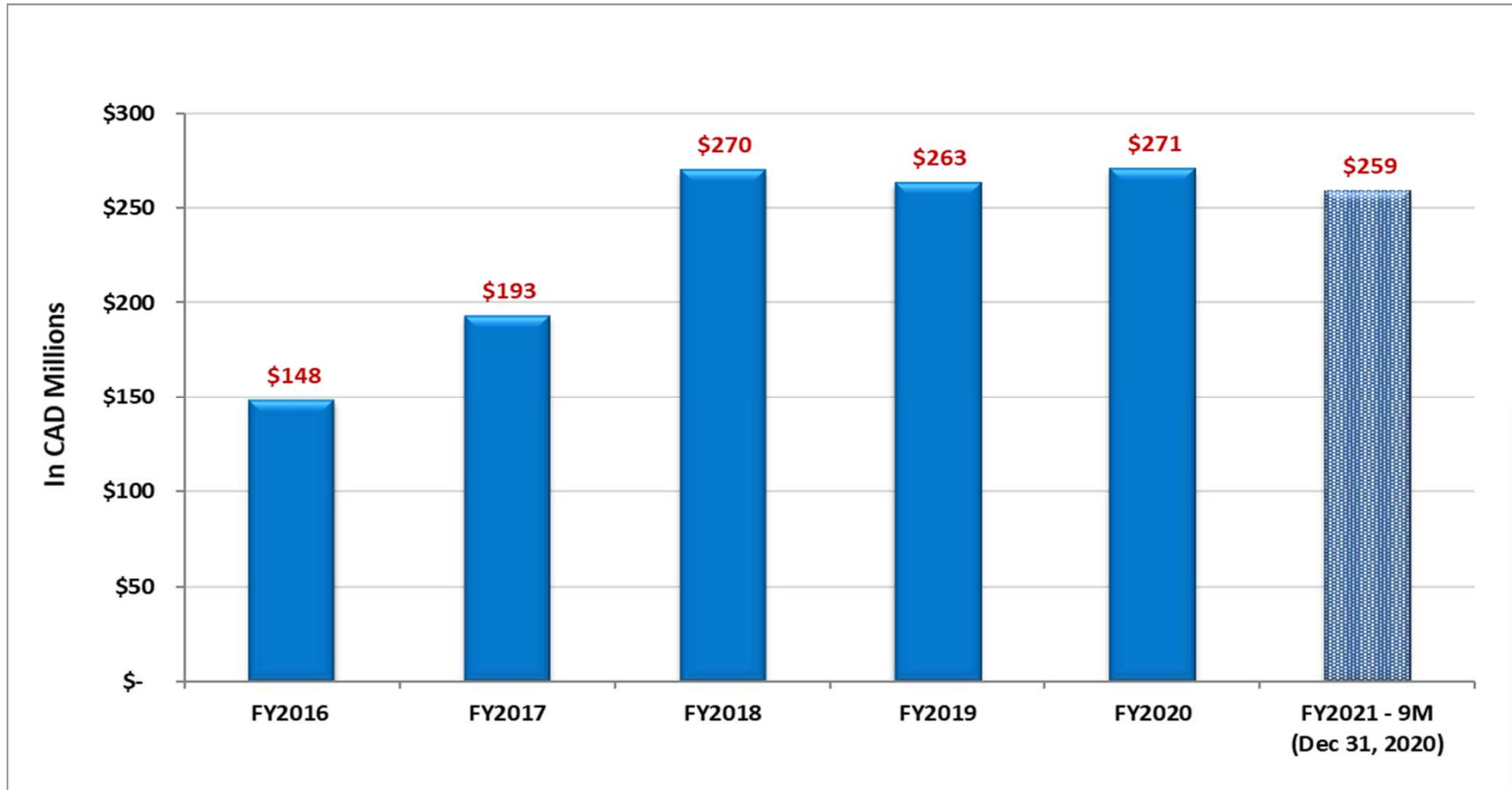
HCFI's penetration is tracking at ~87% of Honda Canada sales

OUTSTANDING HCFI LOANS AND LEASES



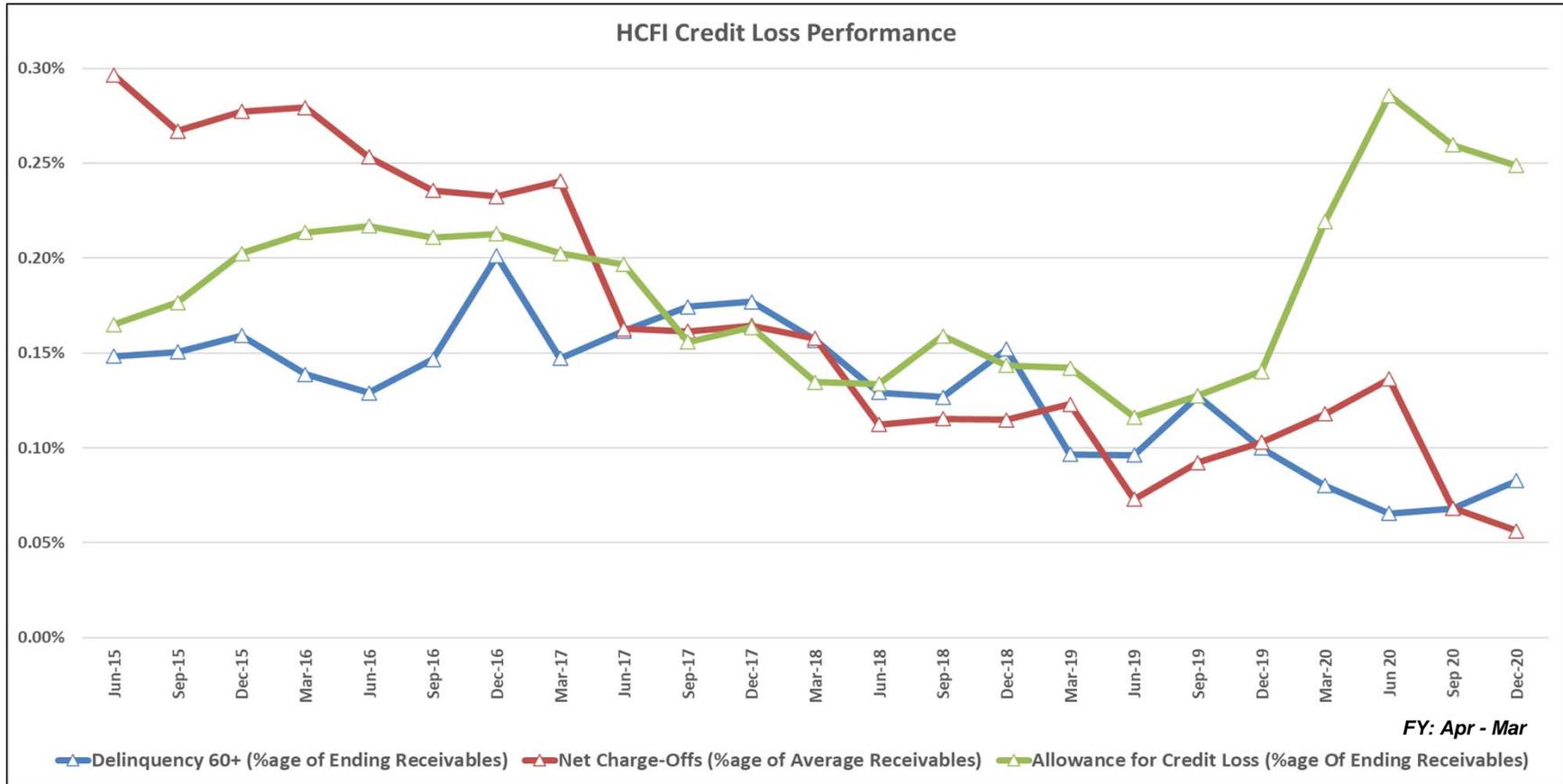
As of Dec. 31, 2020, HCFI's outstanding loans and leases was ~ \$12.6 billion with ~ 578,000 accounts

HCFI NET INCOME



Net income (US GAAP)

HCFI PERFORMANCE DATA – FINANCE RECEIVABLES



- Credit loss allowance higher in March 2020 due to Covid-19 uncertainty
- Net Charge-Offs and Delinquency strong at 0.06% and 0.08% while credit loss allowance higher at 0.25% (annualized)

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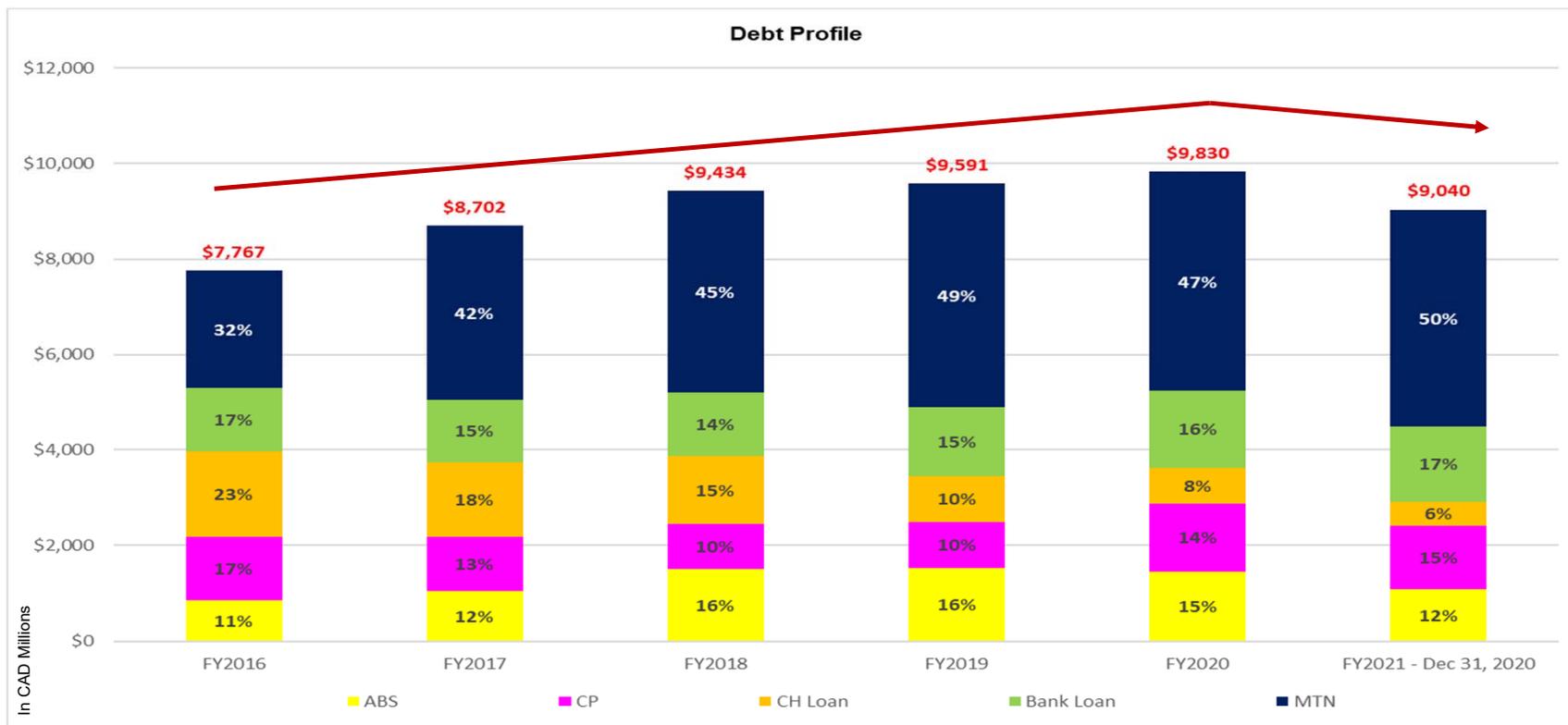
Funding

FUNDING SOURCES

- ✓ \$2.5 Billion Commercial Paper Program
- ✓ \$2.0 Billion Syndicated Credit Facility
- ✓ Private Placement Term Debt Program
- ✓ Securitization (Private)
- ✓ Short Term Inter-Company Loans
- ✓ Bank Loans

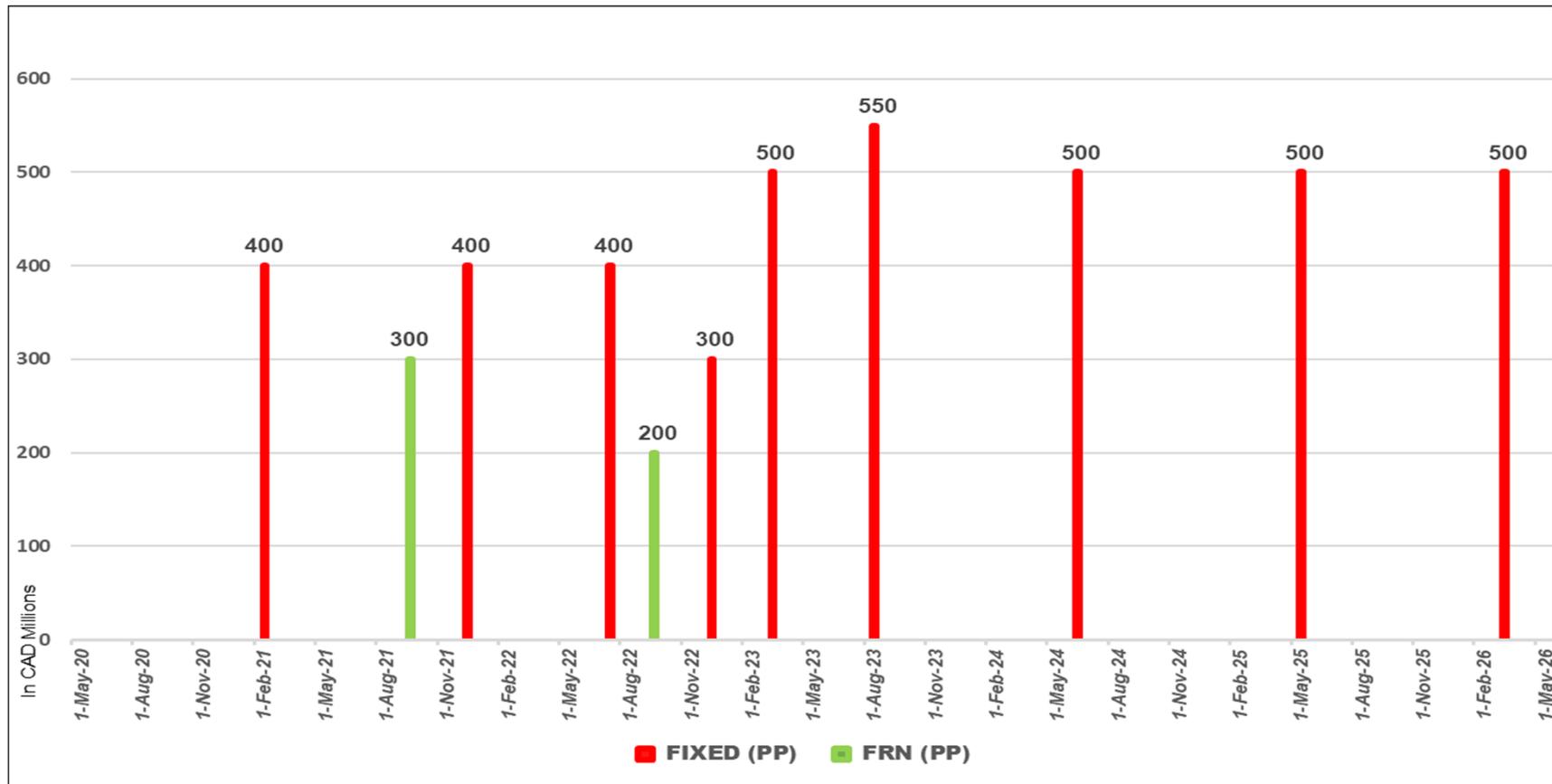
HCFI DEBT OUTSTANDING

FY2016 – FY2021 as at Dec 31, 2020



**Debt has steadily increased over the past 5 years, plateauing in the previous fiscal year. In the current fiscal year, debt has contracted as a result of Covid 19
MTN funding has mainly increased as Intercompany loan balance with Honda Canada reduced over the last 6 years**

HCFI's PRIVATE PLACEMENT PROGRAM



Current Outstanding: \$4.55 Billion as at Dec. 31, 2020

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 **23** consecutive years

QUESTIONS?



HONDA
The Power of Dreams