



*2017 CRV*

## **AUTO FINANCE FORUM**

**February 16, 2017**

## **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 16, 2017 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>**

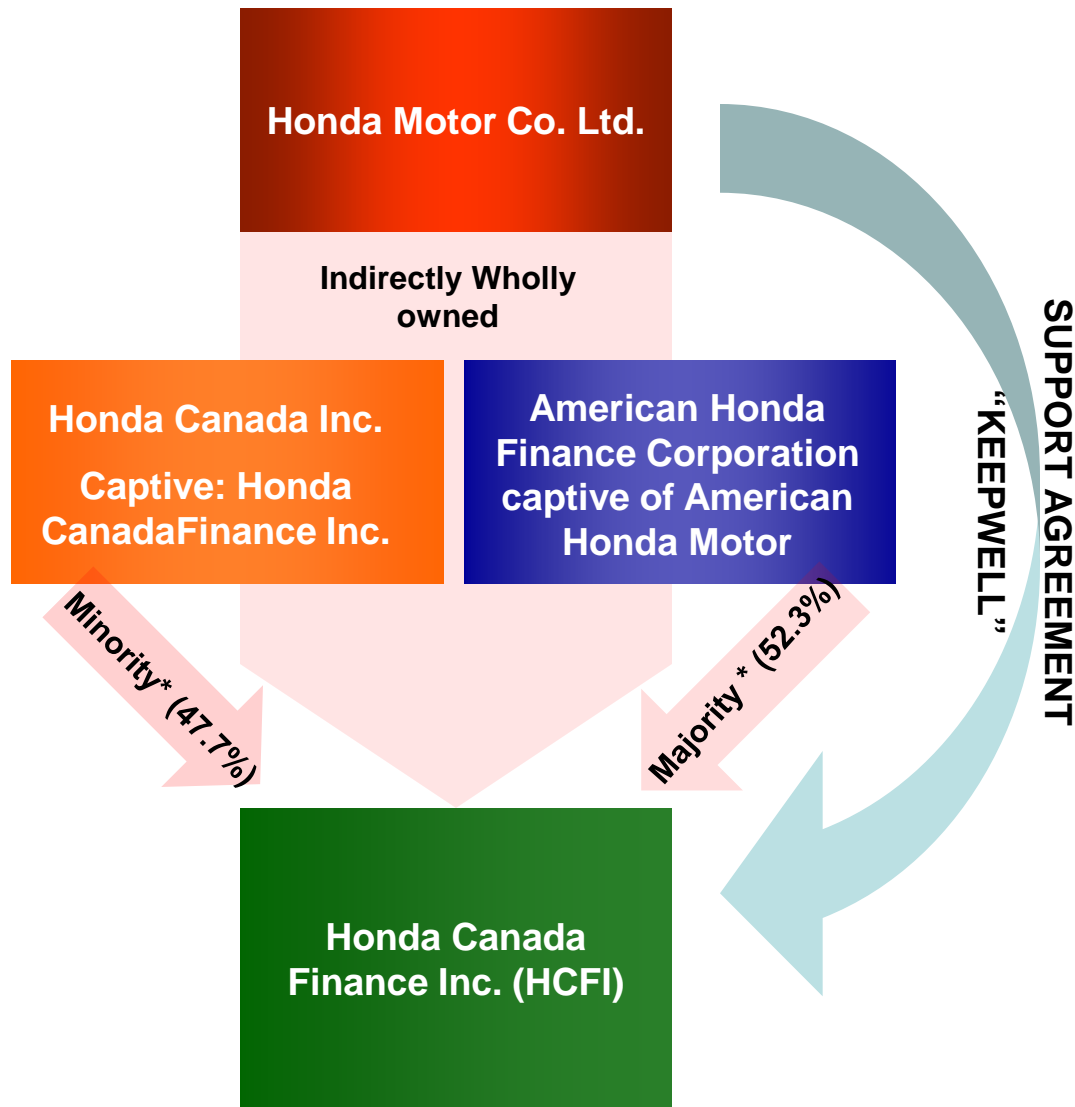
- *Honda Motor Co., Ltd. (HM)*  
***Corporate Profile***
- *Honda Canada Finance Inc (HCFI)*
  - Corporate Structure & Mandate*
  - Honda in Canada*
  - Business Environment*
  - Performance*
  - Funding*

- 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:** **208,399** as of March 31, 2016
  
- Capital:** ¥86 billion as of March 31, 2016

Source: *world.honda.com*

**Ratings Information:****Moody's  
S&P  
DBRS****A1 Negative  
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*

\* 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

In 2017, Honda Canada Finance Inc. will be celebrating 30 years of operations in Canada

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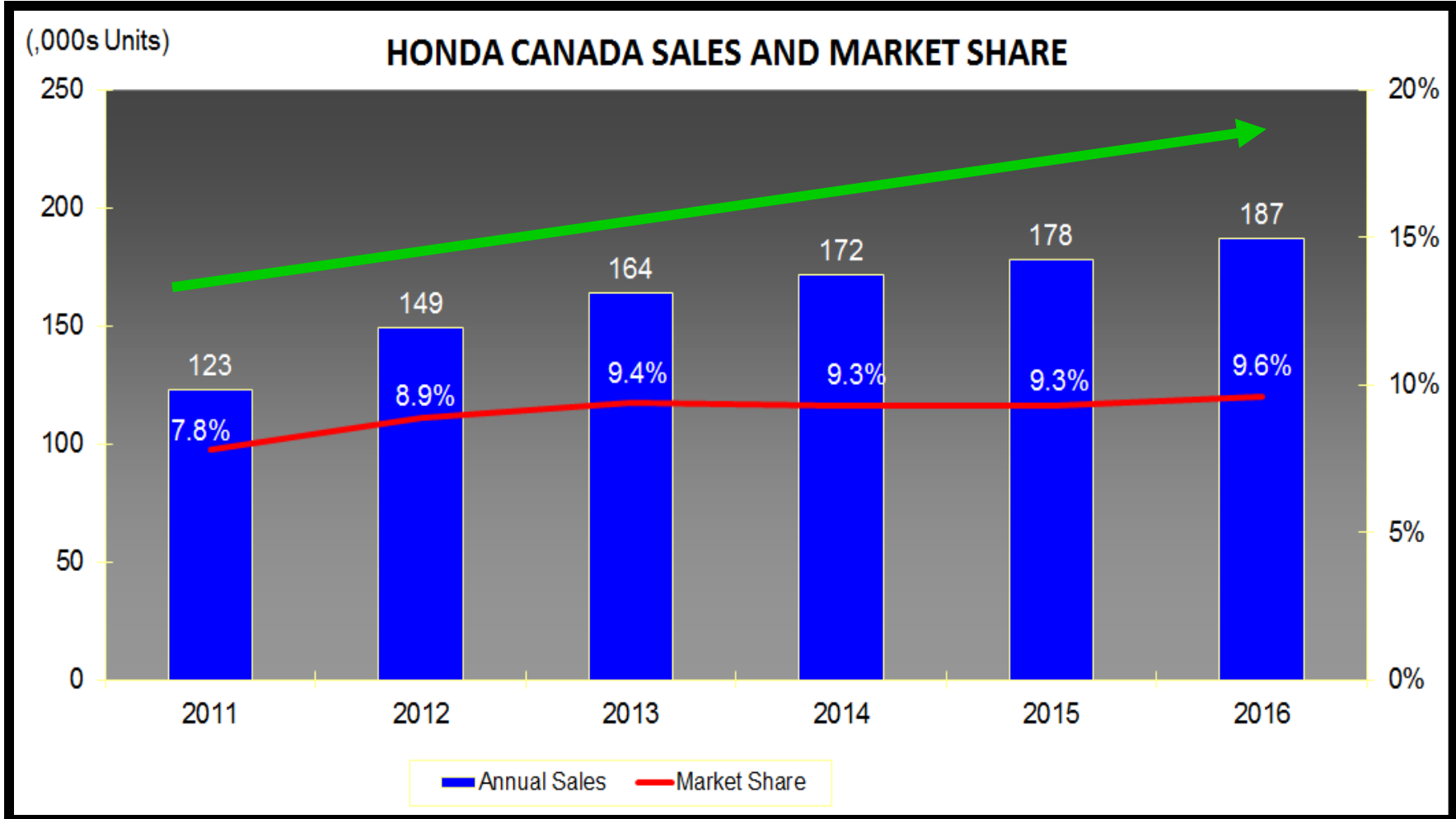
- **Established a Canadian presence:** 1969
- **Canadian Manufacturing Facilities:** In 2016, Honda celebrated 30 years of manufacturing in Alliston, Ontario (2 vehicle and 1 engine plant)
- **Production Capacity:** 390,000 vehicles
- **Number of Employees:** 19,000
- **Vehicles Manufactured in Canada:** Honda: CRV, Civic Sedan, Si and Coupe

# Canadian Auto Sales 2016

	YTD 2016	Market Share	YTD 2015	Market Share	% Changes
<b>Honda/Acura</b>	<b>186,676</b>	<b>9.6%</b>	<b>177,506</b>	<b>9.3%</b>	<b>5.2%</b>
<b>Acura</b>	<b>20,227</b>	<b>1.0%</b>	<b>21,003</b>	<b>1.1%</b>	<b>-3.7%</b>
ILX	2,459	0.1%	2,551	0.1%	-3.6%
NSX	50	0.0%	0	0.0%	
RLX	107	0.0%	182	0.0%	-41.2%
TLX	4,137	0.2%	5,075	0.3%	-18.5%
<b>Acura Passenger Car</b>	<b>6,753</b>	<b>0.3%</b>	<b>7,808</b>	<b>0.4%</b>	<b>-13.5%</b>
MDX	5,425	0.3%	5,814	0.3%	-6.7%
RDX	8,047	0.4%	7,380	0.4%	9.0%
ZDX	2	0.0%	1	0.0%	
<b>Acura Light Truck</b>	<b>13,474</b>	<b>0.7%</b>	<b>13,195</b>	<b>0.7%</b>	<b>2.1%</b>
<b>Honda</b>	<b>166,449</b>	<b>8.5%</b>	<b>156,503</b>	<b>8.2%</b>	<b>6.4%</b>
Accord	13,857	0.7%	14,465	0.8%	-4.2%
Civic	<b>64,552</b>	<b>3.3%</b>	<b>64,950</b>	<b>3.4%</b>	<b>-0.6%</b>
CR-Z	40	0.0%	55	0.0%	-27.3%
Fit	8,622	0.4%	9,088	0.5%	-5.1%
Insight	1	0.0%	0	0.0%	
<b>Honda Passenger Car</b>	<b>87,072</b>	<b>4.5%</b>	<b>88,558</b>	<b>4.7%</b>	<b>-1.7%</b>
CR-V	44,789	2.3%	38,961	2.1%	15.0%
HR-V	12,371	0.6%	8,959	0.5%	38.1%
Odyssey	12,311	0.6%	11,272	0.6%	9.2%
Pilot	7,279	0.4%	8,230	0.4%	-11.6%
Ridgeline	2,622	0.1%	229	0.0%	1045.0%
<b>Honda Light Truck</b>	<b>79,377</b>	<b>4.1%</b>	<b>67,945</b>	<b>3.6%</b>	<b>16.8%</b>
<b>CANADIAN MARKET</b>					
<b>Total Passenger Car</b>	<b>662,102</b>	<b>34.0%</b>	<b>716,230</b>	<b>37.7%</b>	<b>-7.6%</b>
<b>Total Light Truck</b>	<b>1,286,797</b>	<b>66.0%</b>	<b>1,182,766</b>	<b>62.3%</b>	<b>8.8%</b>
<b>Total Light Vehicle Sales</b>	<b>1,948,899</b>	<b>100.0%</b>	<b>1,898,996</b>	<b>100.0%</b>	<b>2.6%</b>

In 2016, Honda Canada sales reached a record of over 186,000 units. Honda rate of sales growth was twice the growth rate of the overall Canadian auto market. The Canadian market also hit an all-time sales record of 1.949 million

# Honda Canada – Market Share & Annual Sales



**Market share was up to ~ 9.6% (average over the past 3 years was ~ 9.3%) 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

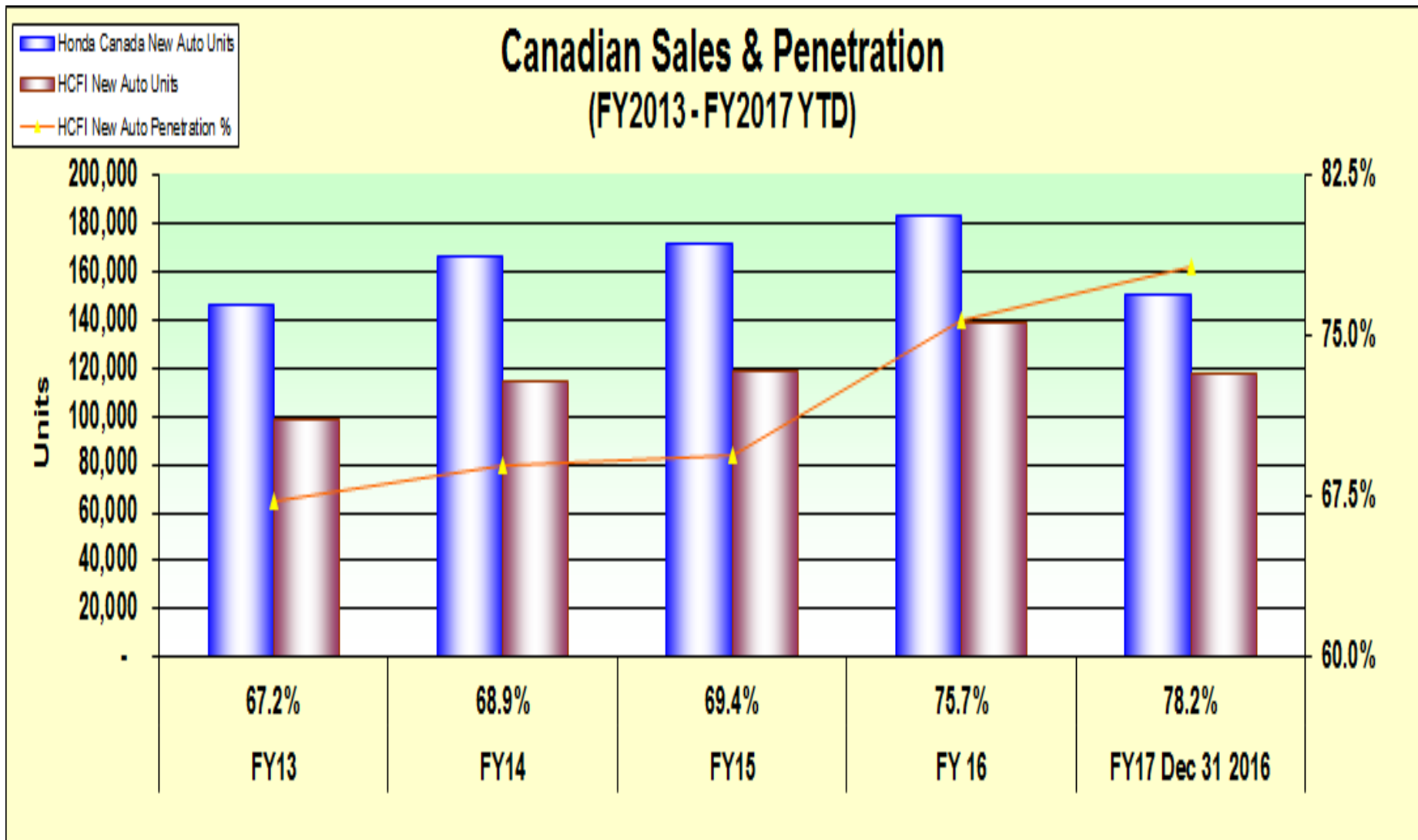
Average age of a car in Canada is ~ 10 years old  
(DesRosiers)

Cost of funds are at very low levels

Monetary policy remains accommodative

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# HCFI Penetration of Canadian Sales



HCFI's penetration is tracking to be ~78% of Honda Canada sales a



# HCFI Wholesale Penetration

## 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 Honda Canada Inc.

	Three months ended December 31,				Nine months ended December 31,			
	2016		2015		2016		2015	
	Acquired	Sponsored <sup>(2)</sup>	Acquired	Sponsored <sup>(2)</sup>	Acquired	Sponsored <sup>(2)</sup>	Acquired	Sponsored <sup>(2)</sup>

(Units <sup>(1)</sup> in thousands)

<b>Canada Segment</b>								
<b>Retail loans:</b>								
New auto .....	16	15	15	13	54	50	45	40
Used auto.....	2	1	3	1	7	3	11	5
Motorcycle .....	1	1	1	1	4	3	5	3
Other.....	1	—	1	—	1	—	1	—
<b>Total retail loans..</b>	<b>20</b>	<b>17</b>	<b>20</b>	<b>15</b>	<b>66</b>	<b>56</b>	<b>62</b>	<b>48</b>
<b>Leases .....</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>19</b>	<b>63</b>	<b>63</b>	<b>66</b>	<b>64</b>

- (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.

Over 90% 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 authorized Honda and Acura dealerships in Canada:

	December 31, 2016	March 31, 2016
<b>Canada Segment</b>		
Automobile.....	35%	34%
Motorcycle.....	95%	97%
Other.....	94%	98%

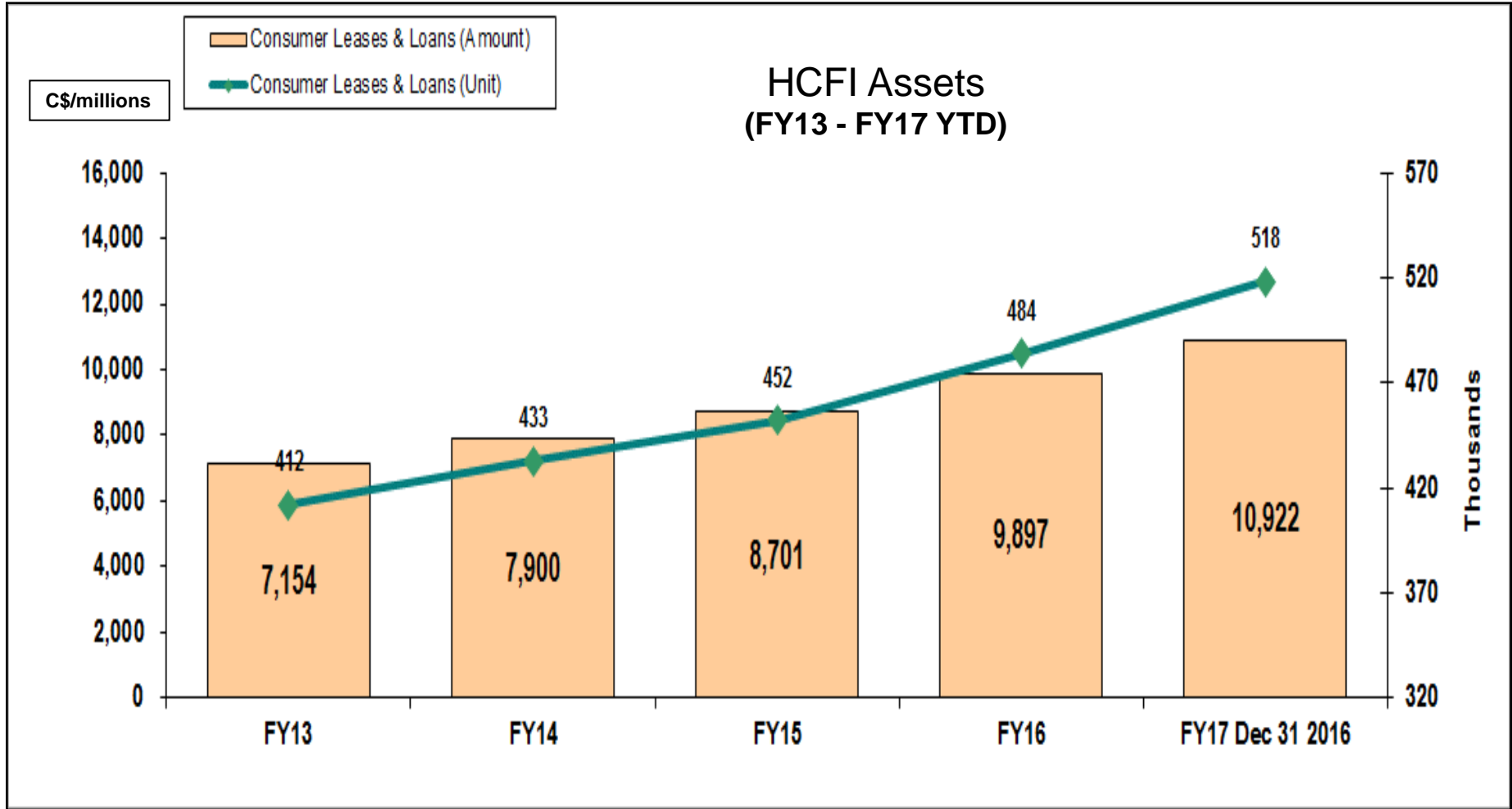
## Wholesale Flooring Financing Percentage of Sales

The following table summarizes the percentage of Honda Canada Inc. unit sales in Canada that we financed through wholesale flooring loans with dealerships:

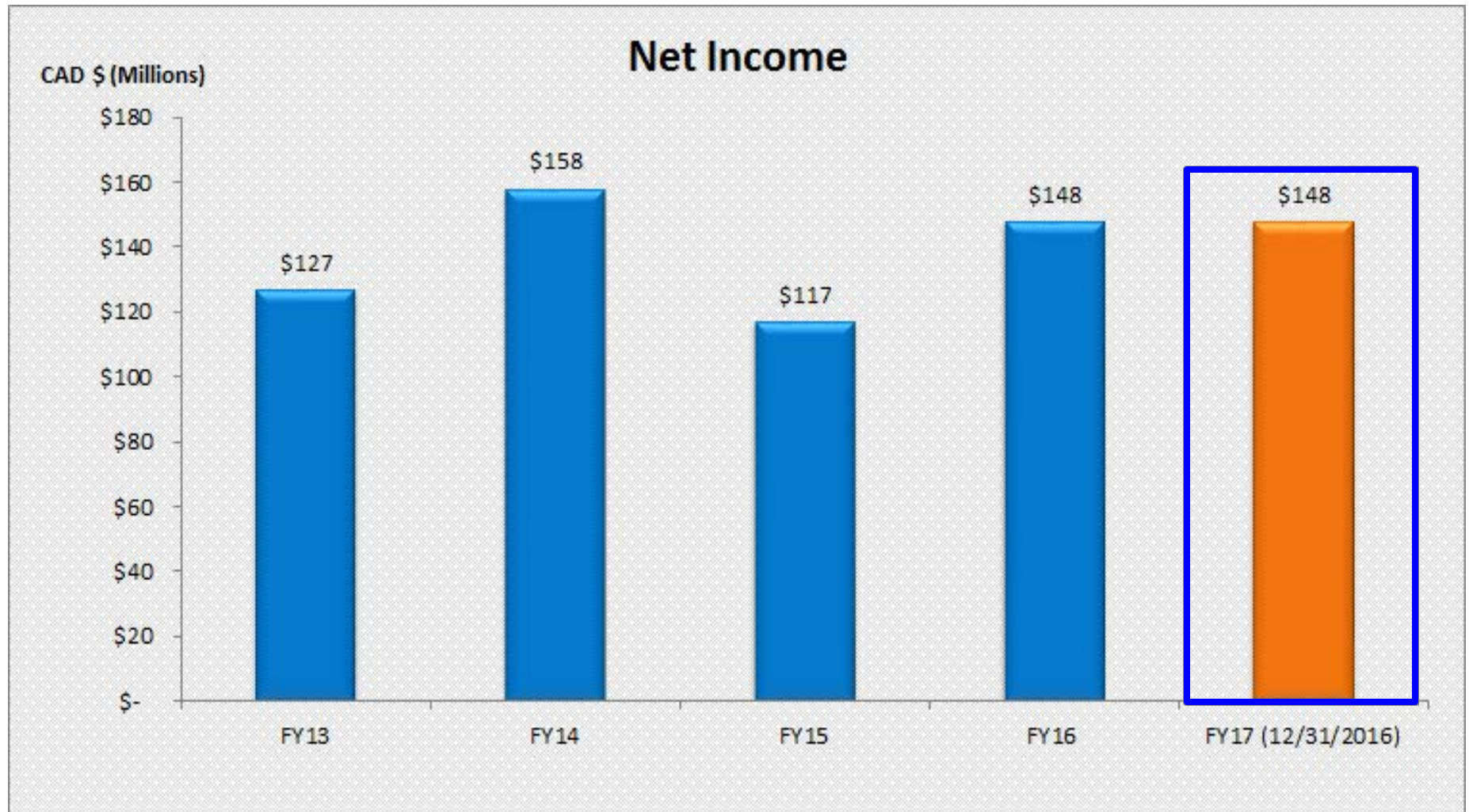
	Three months ended December 31,		Nine months ended December 31,	
	2016	2015	2016	2015
<b>Canada Segment</b>				
Automobile.....	31%	33%	31%	34%
Motorcycle.....	95%	96%	97%	96%
Other.....	96%	97%	97%	97%

HCFI's ~ 35% penetration of Auto wholesale Honda dealerships in Canada representing ~31% of Honda unit sales in Canada

# Outstanding HCFI Loans and Leases



As of 12/31/2016, HCFI's outstanding of loans and leases was ~ \$11 billion with over 500,000 accounts



Net income is based upon US GAAP

	FY 2013	FY 2014	FY 2015	FY2016	Dec-16
Allowance for Credit Loss (%age Of Ending Receivables)	0.17%	0.16%	0.16%	0.21%	0.21%
Net Charge-Offs (%age of Average Receivables)	0.17%	0.16%	0.17%	0.30%	0.23%
Delinquency 60+ (%age of Ending Receivables)	0.06%	0.08%	0.12%	0.14%	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.

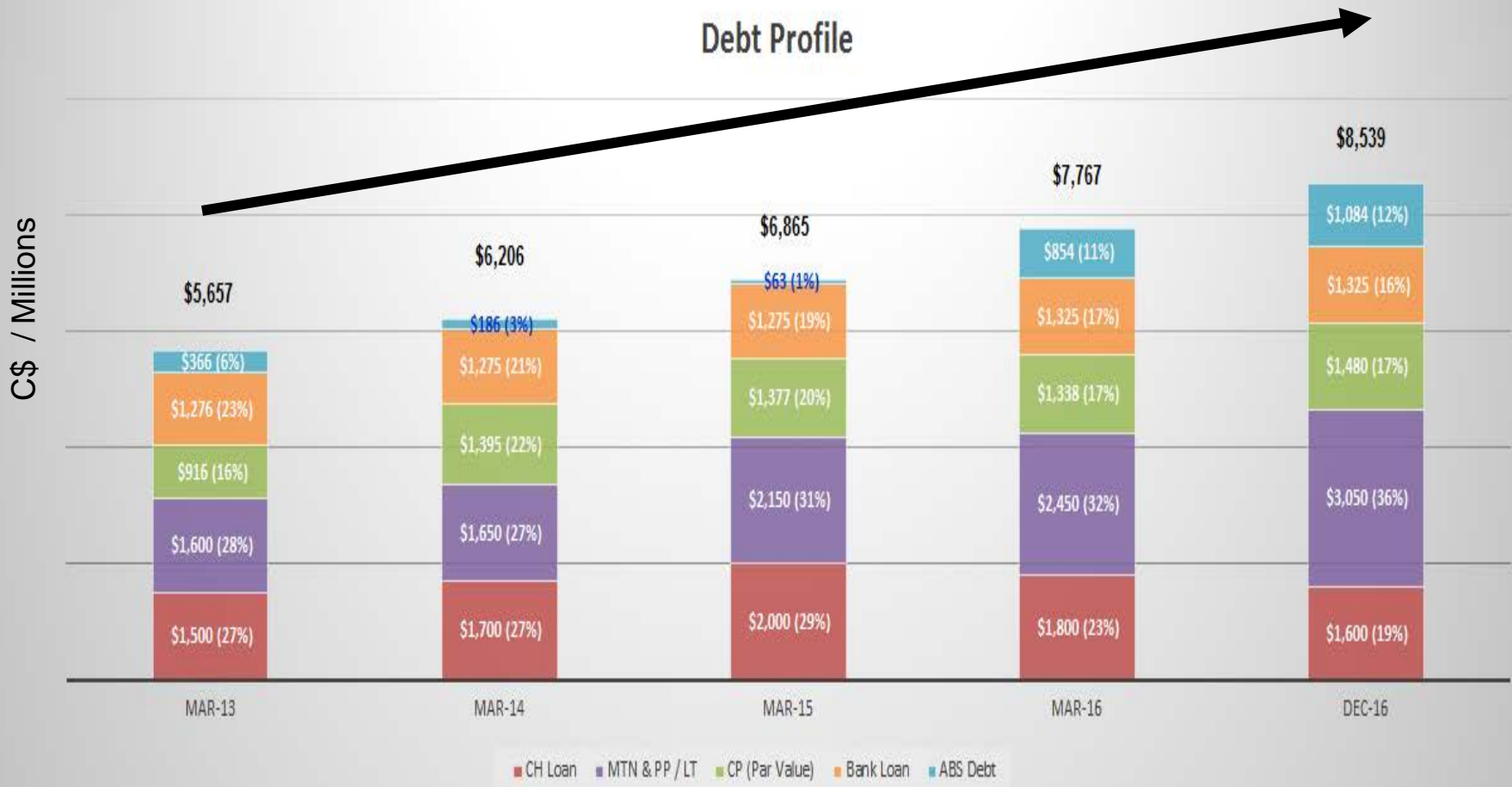
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- \$2.0 Billion Commercial Paper Program
- \$1.6 Billion Syndicated Credit Facility
- Private Placement Term Debt Program
- Securitization
- Short Term Inter-Company Loans
- Bank Loans

# HCFI Debt Outstanding

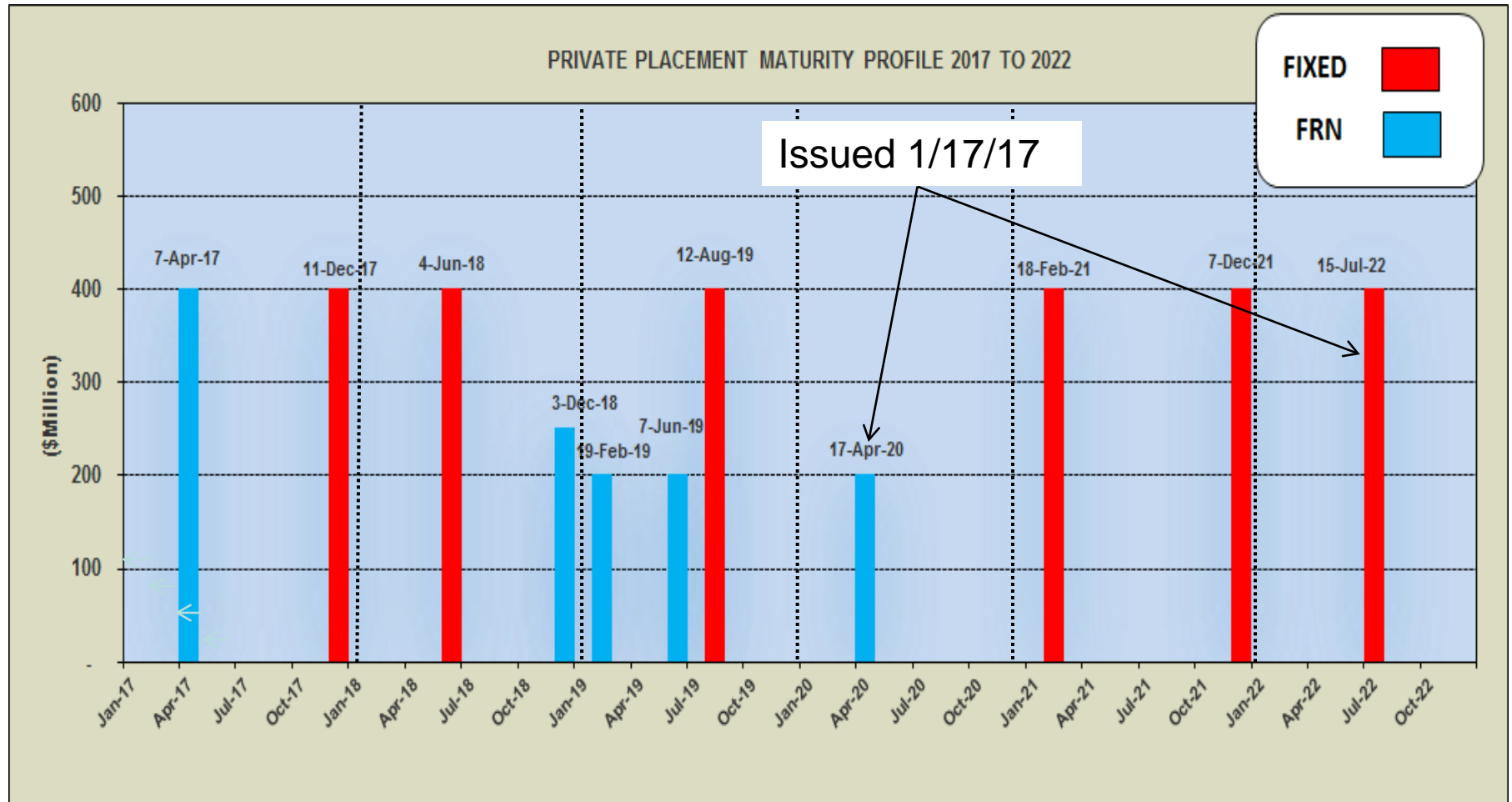
## HCFI Debt Profile FY2013 – FY2017 YTD 12/31/2016

### Debt Profile





# Private Placement Program



Current Outstandings: \$3.65 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 19th consecutive year**



# QUESTIONS?

