



Acura ILX
(North America)

Caution with Respect to Forward-Looking Statements:

These slides may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 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 AHFC 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.

Use and Definition of Non-GAAP Financial Measure:

This presentation includes the following financial measure defined as a non-GAAP financial measure by the SEC: Income before income taxes excluding valuation adjustments and reclassifications and adjusted return on assets before income taxes. This measure has limitations as an analytical tool and should not be considered as an alternative to, or more meaningful than, net income or adjusted return on assets before income taxes as determined in accordance with GAAP or as an indicator of our liquidity. Our presentation of this non-GAAP financial measure should also not be construed as an inference that our results will be unaffected by unusual or non-recurring items. Our computations of this non-GAAP financial measure may not be comparable to other similarly titled measures of other companies.

We define income before income taxes excluding valuation adjustments and reclassifications as income before income taxes excluding realized (gains)/losses on derivatives and foreign currency denominated debt, (gain)/loss on derivative instruments, and (gain)/loss on foreign currency revaluation of debt. Management believes income before income taxes excluding valuation adjustments and reclassifications is useful because it allows management to evaluate our operating performance and compare the results of our operations from period to period and against our peers without regard to fluctuations in performance resulting from currency related charges and interest rate swaps.

A reconciliation of our net income as determined in accordance with GAAP to income before taxes excluding valuation adjustments and reclassifications and adjusted return on assets before income taxes is provided in Appendix A to these slides.

Accounting Standards:

Honda Motor Co., Ltd.

Financial information is prepared in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

American Honda Finance Corp.

Financial information is prepared in conformity with U.S. generally accepted accounting principles.

This information is presented as of December 17, 2018 and does not purport to be accurate as of any other date. We undertake no obligation to update this information.

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.

Foreign Currency Translation:

The financial data in these slides is presented on a consolidated basis unless otherwise noted. Upon consolidation, the assets and liabilities are translated at year-end exchange rates, and the revenues and expenses are translated at the average rates of exchange during the respective years. Foreign currency denominated debt is translated at year-end exchange rates, and the foreign currency transaction gains and losses are recognized through earnings.



Financial
Services



Financial
Services



Legal Entity Name: **American Honda Finance Corporation**

Established: **February 1980**

Doing Business As: **Honda Financial Services**
Acura Financial Services

Headquarters: **Torrance, California**

Other Locations: **California (2),
Delaware, Georgia (2), Illinois,
Massachusetts, North Carolina
& Texas**

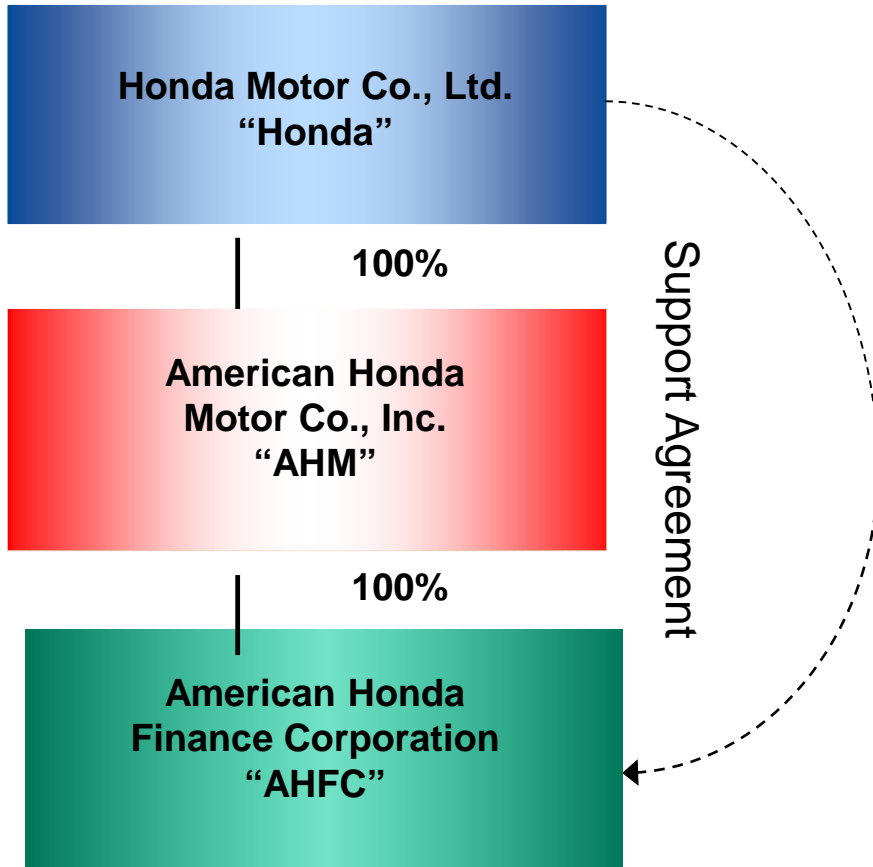
Other Information (as of 9/30/18)

- Associates: 1,253; Contingent Workers: 443;
- Assets: \$64,250; CFS outstanding \$57,173M; DFS outstanding \$4,501M
- Debt: \$41,211



AHFC Rating / Support by Honda

Rating Information: *Moody's* *A2 Stable*
S&P *A+ Negative*

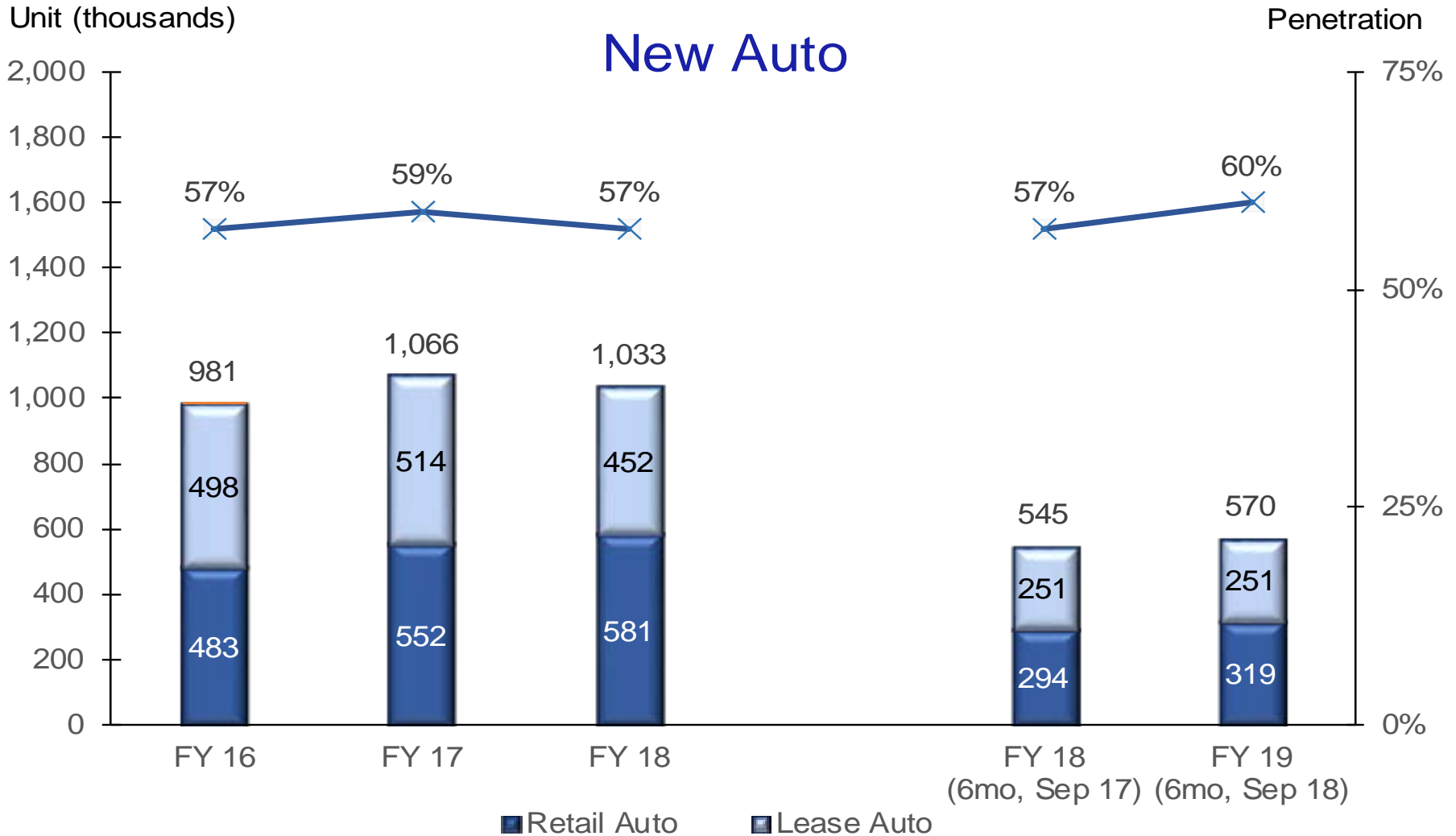


Support Agreement Highlights

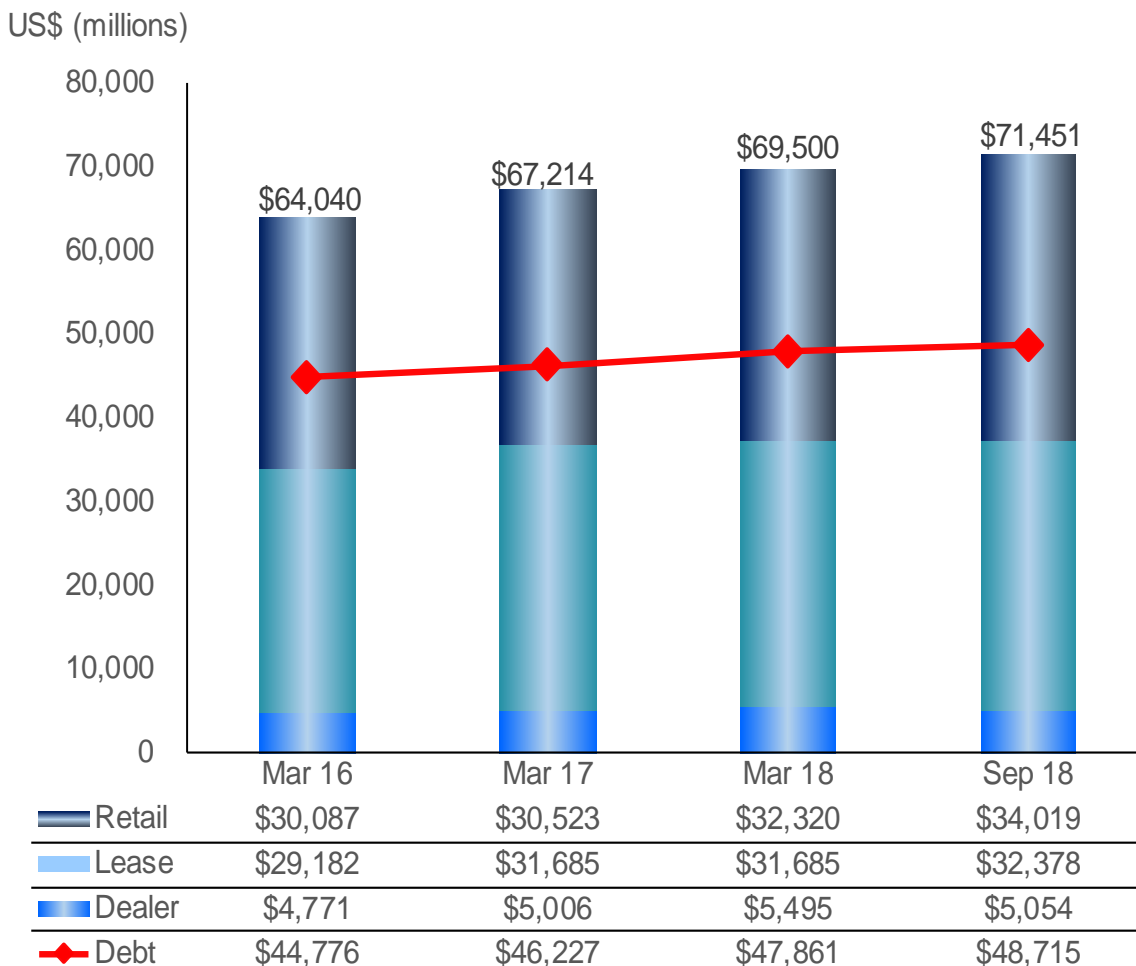
- Maintain 80% ownership
- Ensure AHFC maintains a positive net worth
- Ensure AHFC maintains liquidity to meet obligations

AHFC CFS Originations / Penetration

(US Operations only)



AHFC Portfolio Mix/Capital Adequacy



As of Sep 30, 2018:

Retail Loans(New/Used Auto & MC etc): includes ABS assets, approx.48% of outstanding receivables

Leases: approx. 45% of outstanding receivables

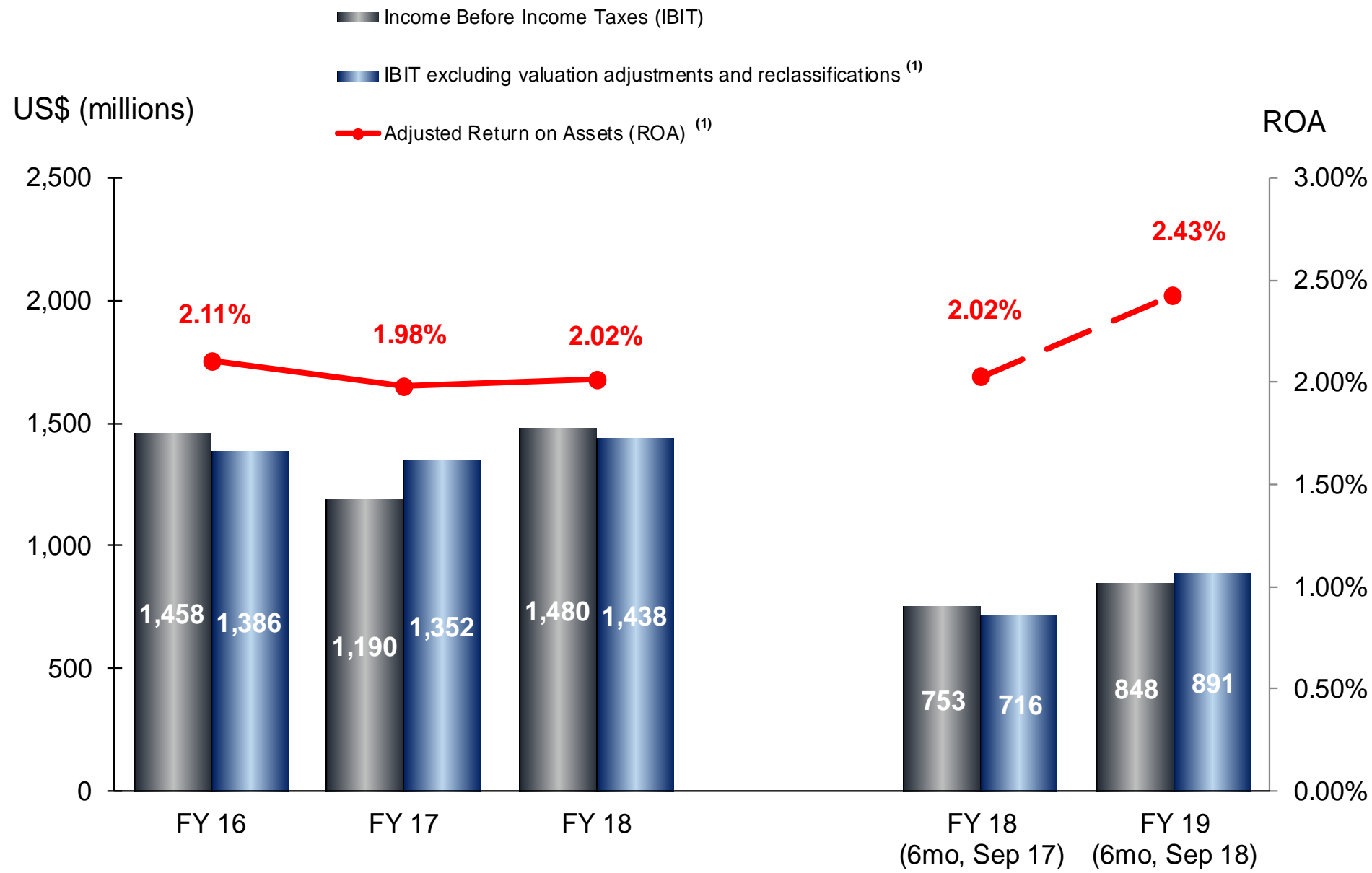
Dealer Loans: Flooring 30% of the Honda/Acura Auto dealers

Lease Includes both direct financing leases and operating leases

Equity	\$12,068	\$12,786	\$16,596 ⁽¹⁾	\$16,956
Debt to Equity	3.71	3.62	2.88	2.87

(1) On December 2017 the US government enacted a new tax legislation (Tax Act), which enacted a reduction of U.S. federal corporate tax rate from 35% to 21%. AHFC had a tax benefit of approx. \$2,970 million for the re-measurement of deferred taxes and \$209 million of the phase in tax rate as March 2018.

AHFC Profitability



(1) For a reconciliation of IBIT excluding valuation adjustments and reclassifications and "Adjusted ROA" see Appendix A

AHFC Asset Quality

	<u>Fiscal Year Ending</u>			<u>6 mo Ending</u>	
				FY 18	FY 19
	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>(Sep 17)</u>	<u>(Sep 18)</u>
Delinquency (60 or more days) ^{(1),(3)}	0.15%	0.13%	0.17%	0.24%	0.29%
Allowance for Credit Losses ^{(1),(3)}	0.26%	0.36%	0.46%	0.45%	0.48%
Charge-Offs (Net of Recoveries) ^{(2),(3),(4)}	0.33%	0.41%	0.44%	0.39%	0.37%

(1) Percentages based on ending receivable balances for respective periods.

(2) Percentages based on average receivable balances for respective periods.

(3) Ending and average receivable balances exclude the allowance for credit losses, write-down of lease residual values, unearned subvention income related to our incentive financing programs and deferred origination costs. Average receivable balances are calculated based on the average of each month's ending receivables balance for that fiscal period.

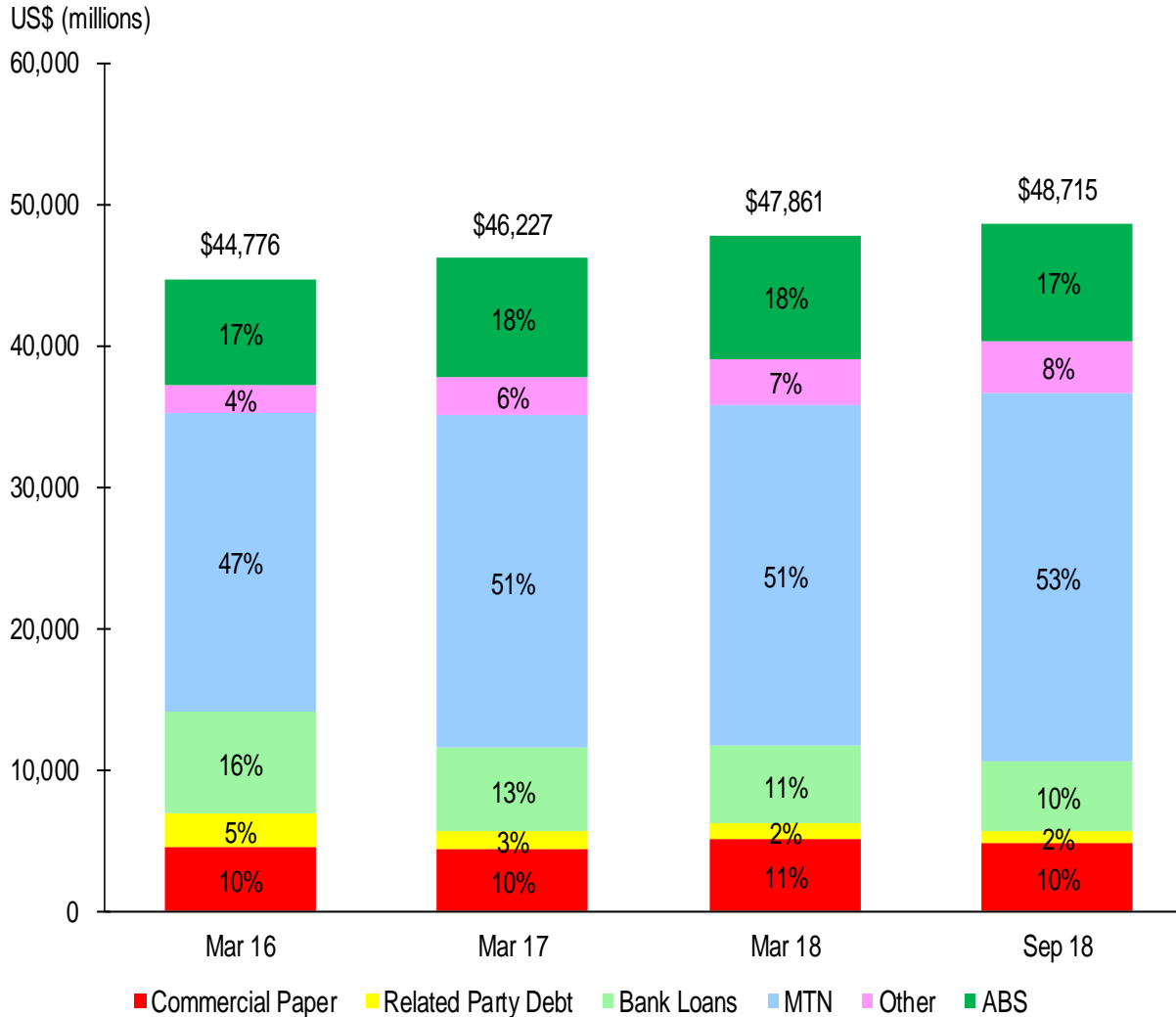
(4) Percentages of the six months ended September 30, 2017 and 2018 have been annualized

- 1) Provide stability to support Honda/Acura North American sales

- 2) Preserve funding diversity, balanced liquidity and expand our investor base
 - Strong liquidity including committed credit facilities, and commercial paper capacity
 - Expanding our access to various unsecured markets
 - Benchmark program in the ABS markets

- 3) Maintain prudent maturity profile

AHFC Funding Diversity



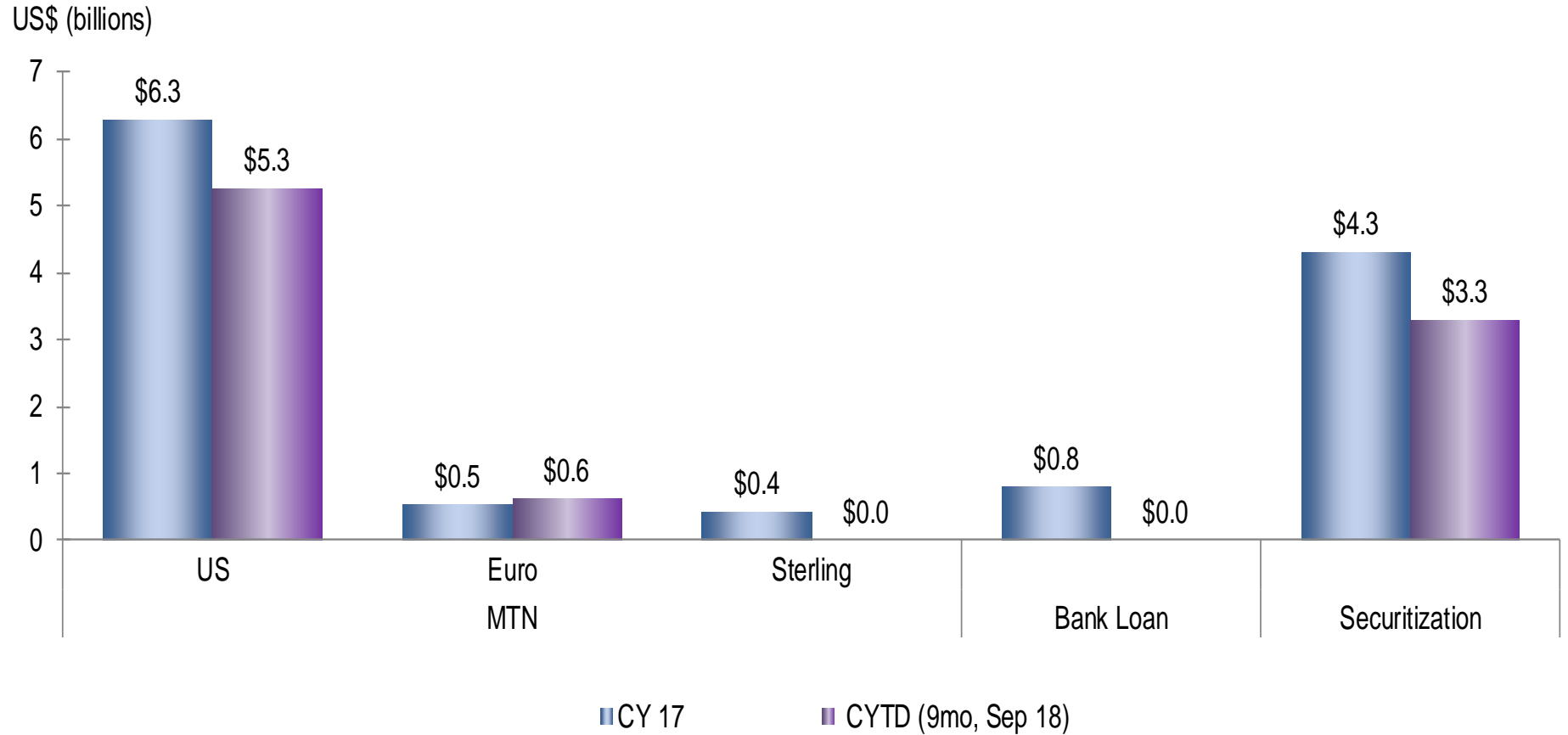
Diversified AHFC Funding Programs As of Sep 2018

- Commercial Paper Program
US \$7 billion, CAD \$2 billion
(supported by US \$7 billion and CAD \$1.6 billion Bank Credit Facilities)
- Related Party Debt
(HCFI only)
- Bank Loans
(AHFC & HCFI)
- Public \$30 billion MTN Shelf
(AHFC Only)
- Other (Private Placement)
(HCFI Only)
- Public & Private Securitization
(AHFC & HCFI)

MTN includes outstanding debt from Public, 144A and EMTN programs

Debt Issuance

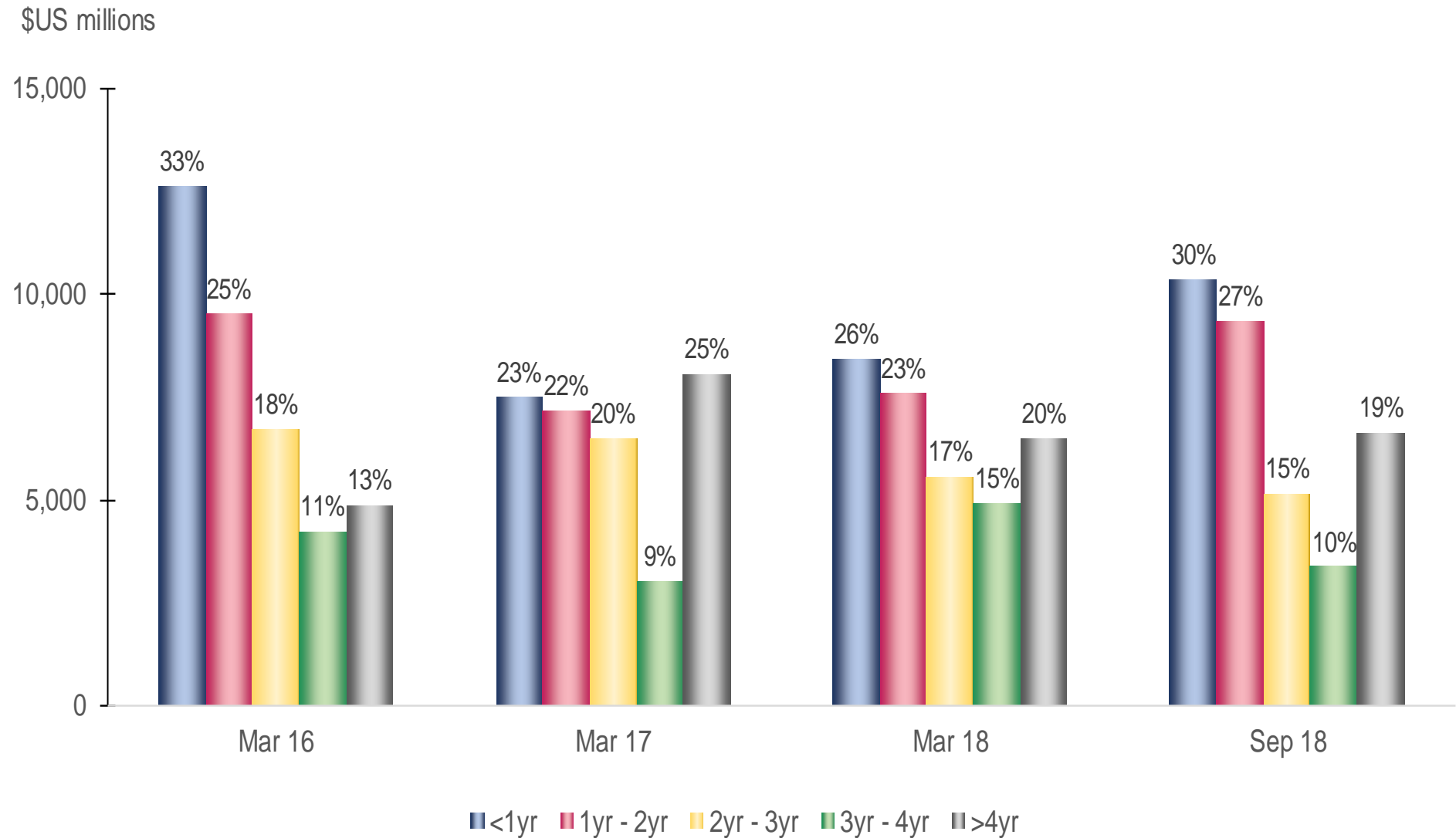
(US Operations Only)



Excludes Commercial Paper and Related Party Debt

Securitization excludes retained notes and retained portion of notes for risk retention

Unsecured Term Debt Maturity Profile



Excludes Commercial Paper and Related Party Debt

Does not include unamortized discounts and fees

Foreign debt based on exchange rates as of March 31 FY end and September 30, 2018

HONDA
The Power of Dreams

Appendix A

The table set forth below reconciles net income, calculated and presented in accordance with U.S. generally accepted accounting principles, to income before income taxes excluding valuation adjustments and reclassifications and return on assets, calculated and presented in accordance with U.S. generally accepted accounting principles, to adjusted return on assets before income taxes:

(US\$ Millions)

	Fiscal Years ended March 31,			6 Mo. Ended	
	2016	2017	2018	Sep 17	Sep 18
Net income.....	\$ 910	\$ 753	\$ 4,109	\$ 470	\$ 595
Add:					
Income tax expense.....	548	437	(2,629)	283	253
Realized (gains)/losses on derivatives and foreign currency denominated debt.....	(31)	18	14	6	7
(Gain)/Loss on derivative instruments	(101)	315	(550)	(374)	310
(Gain)/Loss on foreign currency revaluation of debt.....	60	(171)	494	331	(274)
Income before income taxes excluding valuation adjustments and reclassification.....	<u>\$ 1,386</u>	<u>\$ 1,352</u>	<u>\$ 1,438</u>	<u>\$ 716</u>	<u>\$ 891</u>
Beginning Total Assets	\$64,805	\$66,653	\$69,854	\$69,854	\$72,626
Ending Total Assets	\$66,653	\$69,854	\$72,626	\$71,589	\$74,253
Average Total Assets	\$65,729	\$68,254	\$71,240	\$70,722	\$73,440
Adjusted Return on Assets ⁽¹⁾	2.11%	1.98%	2.02%	2.02%	2.43%

(1) Percentages of the six months ended September 30, 2017 and 2018 have been annualized