GeoVax Labs, Inc.
Form 424B3
August 08, 2014

Prospectus Supplement No. 2	**Filed Pursuant to Rule 424(b)(3)**
To prospectus dated March 27, 2014	**Registration Statement No. 333-193172**

GEOVAX LABS, INC.

Up to 4,150,374 Shares of Common Stock

We are supplementing the prospectus dated March 27, 2014 covering the sale of up to 4,150,374 shares of our common stock, $0.001 par value, that may be sold from time to time by the selling stockholders named in the prospectus, to add certain information contained in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014, which was filed with the Securities and Exchange Commission on August 8, 2014.

This prospectus supplement supplements information contained in the prospectus dated March 27, 2014 and should be read in conjunction therewith, including any previous supplements and amendments thereto, which are to be delivered with this prospectus supplement.

This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the prospectus dated March 27, 2014, including any previous supplements and amendments thereto.

Investing in our common stock involves certain risks. See "Risk Factors" beginning on page 4 of the prospectus dated March 27, 2014 for a discussion of these risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement in truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is August 8, 2014.

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Part 1 -- FINANCIAL INFORMATION

Item 1 Financial Statements

GEOVAX LABS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$1,371,802	$2,513,861
Grant funds receivable	-	140,909
Prepaid expenses and other current assets	29,161	43,569
Total current assets	1,400,963	2,698,339
Property and equipment, net	103,647	120,227
Other assets	16,010	21,010
Total assets	$1,520,620	$2,839,576
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$115,376	$155,943
Accrued expenses	10,918	96,406
Amounts payable to Emory University (a related party)	111,200	60,000
Total current liabilities	237,494	312,349
Commitments (Note 5)		
Stockholders' equity:		
Preferred stock, $.01 par value:		
Authorized shares – 10,000,000		
Series A convertible preferred stock, $1,000 stated value; -0- and 71 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	-	60,586
	935,970	1,255,569

Series B convertible preferred stock, $1,000 stated value; 1,230 and 1,650 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively		
Common stock, $.001 par value:		
Authorized shares – 75,000,000		
Issued and outstanding shares – 25,168,037 and 23,765,180 at June 30, 2014 and December 31, 2013, respectively	25,168	23,765
Additional paid-in capital	28,669,528	28,239,392
Deficit accumulated during the development stage	(28,347,540)	(27,052,085)
Total stockholders' equity	1,283,126	2,527,227
Total liabilities and stockholders' equity	$1,520,620	$2,839,576

See accompanying notes to condensed consolidated financial statements.

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GEOVAX LABS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Grant revenue	$180,441	$441,561	$337,781	$1,238,601
Operating expenses:				
Research and development	516,202	553,199	919,062	1,435,187
General and administrative	344,862	415,784	716,664	1,028,727
Total operating expenses	861,064	968,983	1,635,726	2,463,914
Loss from operations	(680,623)	(527,422)	(1,297,945)	(1,225,313)
Other income:				
Interest income	1,086	1,138	2,490	2,232
Total other income	1,086	1,138	2,490	2,232
Net loss	$(679,537)	$(526,284)	$(1,295,455)	$(1,223,081)
Basic and diluted:				
Loss per common share	$(0.03)	$(0.02)	$(0.05)	$(0.06)
Weighted averages shares outstanding	25,075,729	21,089,687	24,921,376	20,630,515

See accompanying notes to condensed consolidated financial statements.

GEOVAX LABS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2014	2013
Cash flows from operating activities:		
Net loss	$(1,295,455)	$(1,223,081)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	32,744	35,101
Stock-based compensation expense	51,354	321,420
Changes in assets and liabilities:		
Grant funds receivable	140,909	230,498
Prepaid expenses and other current assets	14,408	13,618
Accounts payable and accrued expenses	(74,855)	(175,422)
Total adjustments	164,560	425,215
Net cash used in operating activities	(1,130,895)	(797,866)
Cash flows from investing activities:		
Purchase of property and equipment	(11,164)	-
Net cash used in investing activities	(11,164)	-
Cash flows from financing activities:		
Net proceeds from sale of common stock	-	1,643,334
Net cash provided by financing activities	-	1,643,334
Net increase (decrease) in cash and cash equivalents	(1,142,059)	845,468
Cash and cash equivalents at beginning of period	2,513,861	1,035,925
Cash and cash equivalents at end of period	$1,371,802	$1,881,393

Supplemental disclosure of non-cash investing and financing activities:

During the six months ended June 30, 2014, an aggregate of 71 shares of Series A Convertible Preferred Stock were converted into 202,857 shares of common stock, and an aggregate of 420 shares of Series B Convertible Preferred Stock were converted into 1,200,000 shares of common stock (see Note 6).

See accompanying notes to condensed consolidated financial statements.

GEOVAX LABS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(unaudited)

1. Description of Company and Basis of Presentation

GeoVax Labs, Inc. (“GeoVax” or the “Company”), is a biotechnology company whose planned principal operations are the design, testing, manufacturing and sale (either directly or through licensees) of vaccines to treat human diseases. Our current focus is on developing vaccines that prevent and fight Human Immunodeficiency Virus (“HIV”) infections, and we are conducting research and development activities to commercialize certain patented technology licensed to us. HIV infections result in Acquired Immunodeficiency Syndrome (“AIDS”). We have exclusively licensed from Emory University (“Emory”) vaccine technology which was developed in collaboration with the National Institutes of Health (“NIH”) and the Centers for Disease Control and Prevention (“CDC”). GeoVax is incorporated under the laws of the State of Delaware and our principal offices are located in Smyrna, Georgia (metropolitan Atlanta area).

Our most advanced vaccines under development address the clade B subtype of the HIV virus that is most prevalent in the United States and western Europe. Our vaccines are being evaluated to determine their potential to (a) prevent HIV infection and (b) to serve as an immunotherapy for individuals who are already infected with HIV. These vaccines are currently being evaluated in humans -- both in those infected with HIV and those who are not. Our goal is to build a profitable company by generating income from products we develop and commercialize, either alone or with one or more potential strategic partners.

Our activities are subject to significant risks and uncertainties. We have neither received regulatory approval for any of our vaccine candidates, nor do we have any commercialization capabilities; therefore, it is possible that we may never successfully derive significant product revenues from any of our existing or future development programs or product candidates.

We have funded our activities to date from government grants and clinical trial assistance, and from sales of our equity securities. We believe that our existing cash resources, combined with the proceeds from the NIH grants discussed in Note 8, will be sufficient to fund our planned operations into the first quarter of 2015. We will require additional funds to continue our planned operations beyond that date, and we are currently seeking sources of non-dilutive capital through government grant programs and clinical trial support. We also intend to conduct additional offerings of our equity securities. However, additional funding may not be available on favorable terms or at all. If we fail to obtain additional capital when needed, we may be required to delay, scale back, or eliminate some or all of our research and development programs as well as reduce our general and administrative expenses.

The accompanying condensed consolidated financial statements at June 30, 2014 and for the three month and six month periods ended June 30, 2014 and 2013 are unaudited, but include all adjustments, consisting of normal recurring entries, which we believe to be necessary for a fair presentation of the dates and periods presented. Interim results are not necessarily indicative of results for a full year. The financial statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. We expect our operating results to fluctuate for the foreseeable future; therefore, period-to-period comparisons should not be relied upon as predictive of the results in future periods.

We disclosed in Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 those accounting policies that we consider significant in determining our results of operations and financial position. There have been no material changes to, or in the application of, the accounting policies previously identified and described in the Form 10-K.

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which creates a new Topic, Accounting Standards Codification Topic 606. The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Company beginning in 2017 and allows for either full retrospective adoption or modified retrospective adoption. The Company is currently evaluating the impact of the adoption of Topic 606 on its financial statements.

In June 2014, the FASB issued Accounting Standards Update 2014-10, *Development Stage Entities (Topic 915)* ("ASU 2014-10"). The amendments in ASU 2014-10 remove the definition of a development stage entity from Topic 915, thereby removing the distinction between development stage entities and other reporting entities from U.S. GAAP. In addition, the amendments eliminate the requirements for development stage entities to (1) present inception-to-date information on the statements of income, cash flows, and shareholder's equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. For public business entities, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. We have evaluated this accounting standard and determined it to have a material impact on our financial statements. We adopted ASU-2014-10 effective June 30, 2014 and the effects of the adoption are reflected in our financial statements and footnotes contained herein.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2014, as compared to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which we expect to have a material impact on our financial statements.

3. Basic and Diluted Loss Per Common Share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and potentially dilutive common share equivalents outstanding during the period. Potentially dilutive common share equivalents consist of convertible preferred stock, stock options and stock purchase warrants. Common share equivalents which potentially could dilute basic earnings per share in the future, and which were excluded from the computation of diluted loss per share, as the effect would be anti-dilutive, totaled approximately 12.8 million and 10.4 million shares at June 30, 2014 and 2013, respectively.

4. Balance Sheet Components

The tables below provide a breakdown of certain line items on the accompanying condensed consolidated balance sheets.

	June 30,	December 31,

	2014	2013
Property and equipment:		
Laboratory equipment	$485,767	$474,603
Leasehold improvements	115,605	115,605
Other furniture, fixtures & equipment	28,685	28,685
Total property and equipment	630,057	618,893
Accumulated depreciation and amortization	(526,410)	(498,666)
Property and equipment, net	$103,647	$120,227

Other assets:		
Technology licenses	$248,855	$248,855
Deposits	11,010	11,010
Accumulated amortization – technology licenses	(243,855)	(238,855)
Total other assets	$16,010	$21,010

5. Commitments

Lease Agreement

We lease approximately 8,400 square feet of office and laboratory space located in Smyrna, Georgia (metropolitan Atlanta). As of June 30, 2014, our future minimum lease payments pursuant to the 62 month operating lease total $64,780 for the remainder of 2014.

Other Commitments

In the normal course of business, we may enter into various firm purchase commitments related to production and testing of our vaccines, conduct of our clinical trials, and other research-related activities. As of June 30, 2014, we had approximately $25,000 of unrecorded outstanding purchase commitments to our vendors and subcontractors, all of which we expect will be due in 2014.

6. Stockholders' Equity

Preferred Stock Transactions

During the six months ended June 30, 2014, we issued an aggregate of 202,857 and 1,200,000 shares of our common stock related to conversions of our Series A and Series B Convertible Preferred Stock, respectively. As of June 30, 2014, there are no shares of our Series A Convertible Preferred Stock outstanding, and 1,230 shares of our Series B Convertible Preferred Stock outstanding, convertible into 3,514,286 shares of our common stock.

Common Stock Transactions

Other than common stock issued pursuant to the conversion of our Series A and Series B Convertible Preferred Stock described above, we issued no shares of our common stock during the six months ended June 30, 2014.

Stock Options

We maintain a stock option plan that provides the Board of Directors broad discretion in creating equity incentives for employees, officers, directors and consultants. The following table presents a summary of stock option transactions during the six months ended June 30, 2014:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2013	1,197,044	$ 3.79
Granted	7,500	0.29
Exercised	--	--
Forfeited or expired	(223,245)	1.91
Outstanding at June 30, 2014	981,299	$ 4.19
Exercisable at June 30, 2014	624,793	$ 6.23

Stock Purchase Warrants

We have previously issued stock purchase warrants in connection with financing transactions and also in exchange for services from consultants and others. As of June 30, 2014, there are 8,284,826 stock purchase warrants outstanding, with a weighted average exercise price of $2.07.

Stock-Based Compensation Expense

During the three month and six month periods ended June 30, 2014, we recorded share-based compensation expense related to stock options of $25,047 and $51,354, as compared to $35,978 and $83,252 for the three month and six month periods ended June 30, 2013, respectively. Share-based compensation expense is recognized on a straight-line basis over the requisite service period for the award and is allocated to research and development expense or general and administrative expense based upon the related employee classification. As of June 30, 2014, there was $131,512 of unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted average period of 1.8 years.

During the three and six month periods ended June 30, 2014 and 2013, we recorded no expense related to the issuance of stock purchase warrants in exchange for services; and as of June 30, 2014, there was no unrecognized compensation expense related to any compensatory warrant arrangements. During the three month and six month periods ended June 30, 2013, we recorded $19,617 and $238,168 of general and administrative expense associated with certain modifications to then-outstanding stock purchase warrants.

Common Stock Reserved

A summary of our common stock reserved for future issuance is as follows as of June 30, 2014:

Series B Convertible Preferred Stock	3,514,286
Common Stock Purchase Warrants	8,284,826
Equity Incentive Plans	1,197,529
Total	12,996,641

7. Income Taxes

Because of our historically significant net operating losses, we have not paid income taxes since inception. We maintain deferred tax assets that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These deferred tax assets are comprised primarily of net operating loss carryforwards and also include amounts relating to nonqualified stock options and research and development credits. The net deferred tax asset has been fully offset by a valuation allowance because of the uncertainty of our future profitability and our ability to utilize the deferred tax assets. Utilization of operating losses and credits may be subject to substantial annual limitations due to ownership change provisions of Section 382 of the Internal Revenue Code. The annual limitation may result in the expiration of net operating losses and credits before utilization.

8. Government Grants

In September 2007, the NIH awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production. The aggregate award (including subsequent amendments) totaled approximately $20.4 million and, as of June 30, 2014, there is $484,499 of unrecognized grant funds remaining and available for use through the end of the grant period (August 31, 2014).

In July 2013, the NIH awarded us a Small Business Innovative Research (SBIR) grant entitled "Enhancing Protective Antibody Responses for a GM-CSF Adjuvanted HIV Vaccine." The initial grant award of approximately $277,000 is for the first year of a two year project period beginning August 1, 2013 and has been fully utilized as of June 30, 2014. In July 2014, the NIH awarded us a grant of approximately $290,000 for the second year of the project period.

We record revenue associated with these grants as the related costs and expenses are incurred and such revenue is reported as a separate line item in our statements of operations. During the three month and six month periods ended June 30, 2014, we recorded $180,441 and $337,781 of revenue associated with these grants, as compared to $441,561 and $1,238,601 for the three month and six month periods ended June 30, 2013, respectively

9. Related Party Transactions

We are obligated to reimburse Emory University (a significant stockholder of the Company) for certain prior and ongoing costs in connection with the filing, prosecution and maintenance of patent applications subject to our technology license agreement from Emory. During the six month period ended June 30, 2014, we recorded $115,393 of general and administrative expense associated with these patent cost reimbursements to Emory.

10. Subsequent Events

In July 2014, we issued 250,000 shares of our common stock for certain consulting services from a third party and recorded stock-based compensation expense of $50,000 related to the issuance.

As discussed in Note 8, in July 2014, the NIH awarded us a $290,000 SBIR grant entitled "Enhancing Protective Antibody Responses for a GM-CSF Adjuvanted HIV Vaccine." This grant award is for the second year of a two year project period beginning August 1, 2013.

In August 2014, we issued 50,000 shares of our common stock related to conversions of our Series B Convertible Preferred Stock.

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Item 2 **Management's Discussion and Analysis of Financial Condition And Results of Operations**

FORWARD LOOKING STATEMENTS

In addition to historical information, the information included in this Form 10-Q contains forward-looking statements. Forward-looking statements involve numerous risks and uncertainties, including but not limited to the risk factors set forth under the heading "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2013, and should not be relied upon as predictions of future events. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as ''believes,'' ''expects,'' ''may,'' ''will,'' ''should,'' ''seeks,'' ''approximately," ''intends,'' ''plans,'' ''pro forma,'' ''estimates,'' or ''anticipates'' 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 may be incapable of being realized. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

whether we can raise additional capital as and when we need it;
whether we are successful in developing our products;
whether we are able to obtain regulatory approvals in the United States and other countries for sale of our products;
whether we can compete successfully with others in our market; and
whether we are adversely affected in our efforts to raise cash by the volatility and disruption of local and national economic, credit and capital markets and the economy in general.

Readers are cautioned not to place undue reliance on forward-looking statements, which reflect our management's analysis only. We assume no obligation to update forward-looking statements.

Overview

GeoVax is a biotechnology company whose planned principal operations are the design, testing, manufacturing, and sale (either directly or through licensees) of vaccines to treat human diseases. Our current focus is on developing vaccines that prevent and control HIV, and we are conducting research and development activities to commercialize certain patented technology licensed to us. Our vaccine technology was developed in collaboration with researchers at Emory University, the NIH, and the CDC. The technology developed by the collaboration is exclusively licensed to us from Emory University. We also have nonexclusive licenses to certain patents owned by the NIH.

Our current vaccines under development address the clade B subtype of the HIV virus that is most prevalent in the United States and much of the developed world. Our vaccines are being evaluated to determine their potential to (a) prevent HIV infection and (b) to serve as an immunotherapy for individuals who are already infected with HIV. These vaccines are currently being evaluated in human clinical trials -- both in those infected with HIV and those who are not.

Our activities are subject to significant risks and uncertainties, including our ability to secure the funding necessary to complete our research and development efforts. We have neither received regulatory approval for any of our vaccine candidates, nor do we have any commercialization capabilities; therefore, it is possible that we may never successfully derive significant product revenues from any of our existing or future development programs or product candidates.

We expect for the foreseeable future our operations will result in a net loss on a quarterly and annual basis. As of June 30, 2014, we had an accumulated deficit of approximately $28.3 million.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based on the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and adjusts the estimates as necessary. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Our significant accounting policies are summarized in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

We recognize revenue in accordance with the SEC's Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements,* as amended by Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104). SAB 104 provides guidance in applying U.S. generally accepted accounting principles to revenue recognition issues, and specifically addresses revenue recognition for upfront, non-refundable fees received in connection with research collaboration agreements. Our revenue consists solely of grant funding received from the NIH. Revenue from this arrangement is approximately equal to the costs incurred and is recorded as income as the related costs are incurred.

Stock-Based Compensation

We account for stock-based transactions in which the Company receives services from employees, directors or others in exchange for equity instruments based on the fair value of the award at the grant date. Compensation cost for awards of common stock is estimated based on the price of the underlying common stock on the date of issuance. Compensation cost for stock options or warrants is estimated at the grant date based on each instrument's fair-value as calculated by the Black-Scholes option pricing model. We recognize stock-based compensation cost as expense ratably on a straight-line basis over the requisite service period for the award.

Liquidity and Capital Resources

At June 30, 2014, we had cash and cash equivalents of $1,371,802 and total assets of $1,520,620, as compared to $2,513,861 and $2,839,576, respectively, at December 31, 2013. Working capital totaled $1,163,469 at June 30, 2014, compared to $2,385,990 at December 31, 2013.

Sources and Uses of Cash

We have funded our activities to date primarily from government grants and clinical trial assistance, and from sales of our equity securities. We will continue to require substantial funds to continue these activities. We believe that our existing cash resources, combined with the proceeds from the NIH grants discussed below will be sufficient to fund our planned operations into the first quarter of 2015. We will require additional funds to continue our planned operations beyond that date, and we are currently seeking sources of non-dilutive capital through government grant programs and clinical trial support. We also intend to conduct additional offerings of our equity securities. However, additional funding may not be available on favorable terms or at all. If we fail to obtain additional capital when needed, we may be required to delay, scale back, or eliminate some or all of our research and development programs as well as reduce our general and administrative expenses.

Cash Flows from Operating Activities

Net cash used in operating activities was $1,130,895 for the six month period ended June 30, 2014 as compared to $797,866 for the comparable period in 2013. Generally, the differences between periods are due to fluctuations in our net losses, offset by non-cash charges such as depreciation and stock-based compensation expense, and by net changes in our assets and liabilities. Our net losses generally fluctuate based on expenditures for our research activities, offset by government grant revenues.

The NIH has funded the costs of conducting all of our human clinical trials (Phase 1 and Phase 2a) to date for our preventive vaccines, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. We are currently in planning discussions with the HIV Vaccine Trials Network (HVTN) and NIH for the next stage of our preventive clinical trials, expected to be a Phase 2b efficacy trial. We expect the next clinical trial to begin in late 2015 or early 2016 and to be fully funded by the NIH, with specific details of the study determined after further consideration by the HVTN and NIH. At this point in time, however, we cannot be fully assured of the level of support, if any, we will receive from the HVTN or the NIH for this clinical trial. In order to conduct the next clinical trial, we will need to manufacture additional quantities of our DNA vaccine, which we expect will cost approximately $3 million. We currently do not have sufficient cash resources to commit to this production, thus we are also seeking financial support from the NIH for this effort.

We recently completed a Phase 1 clinical trial (GV-TH-01) investigating the therapeutic use of our GOVX-B11 vaccine in HIV-infected patients. We received no federal assistance in conducting this study. In a follow-on study, we are planning to advance our HIV immunotherapy program through conducting a Phase 1/2 clinical trial investigating the treatment of HIV-positive individuals with our DNA vaccine in combination with standard-of-care antiretroviral drug therapy (“ART”). The primary objective of this study will be to evaluate the safety of our vaccine in the presence of ART, but we also intend to explore the vaccine’s effect on reactivating latent HIV infections for the purpose of destroying the activated cells. Initiation of this trial, which we expect will cost between $2-3 million, will be dependent upon our ability to secure the required funding. We plan to seek funding from U.S. government sources to conduct this trial, but we will also consider obtaining funds from issuance of our equity securities or other sources.

In addition to clinical trial support from the NIH, our operations are partially funded by NIH research grants. We record the funding we receive pursuant to these grants as revenue at the time the related expenditures are incurred. In September 2007, the NIH awarded us an IPCAVD grant to support our HIV/AIDS vaccine program. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production. The aggregate award (including subsequent amendments) totaled approximately $20.4 million, and there is approximately $484,500 remaining and available for use as of June 30, 2014. In July 2013, the NIH awarded us a Small Business Innovative Research (SBIR) grant to support preclinical studies evaluating the ability of protein boosts to augment antibody responses. The grant award of approximately $277,000 is for the first year of a two year project period beginning August 1, 2013, and has been fully utilized as of June 30, 2014. In July 2014, the NIH awarded us a grant of approximately $290,000 for the second year of the project period.

We intend to pursue additional grants from the federal government but cannot be assured of success. As we progress to the later stages of our vaccine development activities, government financial support may be more difficult to obtain, or may not be available at all. Therefore, it will be necessary for us to look to other sources of funding in order to finance our clinical trials and other vaccine development activities.

Cash Flows from Investing Activities

Our investing activities have consisted predominantly of capital expenditures. During the six months ended June 30, 2014, our capital expenditures were $11,164. There were no capital expenditures during the comparable period in 2013.

Cash Flows from Financing Activities

Net cash provided by financing activities was $-0- for the six month period ended June 30, 2014, as compared to $1,643,334 for the comparable period in 2013. The cash generated by our financing activities during the six month period ended June 30, 2013 relates to the exercise of certain stock purchase warrants.

Our capital requirements, particularly as they relate to our research and development activities, have been and will continue to be significant. We anticipate incurring additional losses for several years as we expand our clinical programs and proceed into higher cost human clinical trials. Conducting clinical trials for our vaccine candidates in development is a lengthy, time-consuming and expensive process. We will not generate revenues from the sale of our technology or products for at least several years, if at all. For the foreseeable future, we will be dependent on obtaining financing from third parties in order to maintain our operations, including our clinical program. Such capital may not be available on terms acceptable to the Company or at all. If we fail to obtain additional funding when needed, we would be forced to scale back or terminate our operations, or to seek to merge with or to be acquired by another company.

We expect that our current working capital combined with the remaining available funds from the NIH grants will be sufficient to support our planned level of operations into the first quarter of 2015. We anticipate raising additional capital during 2014, although there can be no assurance that we will be able to do so. While we believe that we will be successful in obtaining the necessary financing to fund our operations through government grants and clinical trial support, exercise of stock purchase warrants, or other sources, there can be no assurances that such additional funding will be available to us on reasonable terms or at all. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could have a material adverse effect on our business, operating results, financial condition and prospects.

We have no off-balance sheet arrangements that are likely or reasonably likely to have a material effect on our financial condition or results of operations.

Contractual Obligations

As of June 30, 2014, we had noncancellable lease obligations and other firm purchase obligations totaling approximately $90,000, as compared to approximately $206,000 at December 31, 2013. We have no committed lines of credit and no other committed funding or long-term debt. We have employment agreements with our senior management team, each of which may be terminated with 30 days advance notice. There have been no other material changes to the table presented in our Annual Report on Form 10-K for the year ended December 31, 2013.

Results of Operations

Net Loss

We recorded a net loss of $679,537 for the three months ended June 30, 2014, as compared to a net loss of $526,284 for the three months ended June 30, 2013. For the six months ended June 30, 2014, we recorded a net loss of $1,295,455, as compared to a net loss of $1,223,081 for the six months ended June 30, 2013. Our net losses will typically fluctuate due to the timing of activities and related costs associated with our vaccine research and development activities and our general and administrative costs, as described in more detail below.

Grant Revenue

During the three and six month periods ended June 30, 2014, we recorded grant revenue of $180,441 and $337,781 , respectively, as compared to $441,561 and $1,238,601, respectively, during the comparable periods of 2013. Grant revenues relate to grants from the NIH in support of our HIV vaccine development activities (see discussion under “Liquidity and Capital Resources” above). We record revenue associated with these grants as the related costs and expenses are incurred. The difference in our grant revenues from period to period is directly related to our expenditures for activities supported by the grants, and can fluctuate significantly based on the timing of the related expenditures. There is an aggregate of approximately $484,500 in approved grant funds remaining and available for use as of June 30, 2014, which we anticipate recognizing as revenue during the remainder of 2014. Additionally, in July 2014, the NIH awarded us an SBIR grant of approximately $290,000 which we anticipate recognizing as revenue during the project period from August 1, 2014 to July 31, 2015.

Research and Development

During the three month and six month periods ended June 30, 2014, we recorded $516,202 and $919,062, respectively, of research and development expense as compared to $553,199 and $1,435,187, respectively, during the three month and six month periods ended June 30, 2013. Research and development expense for the three month and six month periods of 2014 includes stock-based compensation expense of $7,878 and $17,016, respectively, while the comparable periods of 2013 include stock-based compensation expense of $11,678 and $23,741, respectively (see discussion under “Stock-Based Compensation Expense” below).

Our research and development expenses can fluctuate considerably on a period-to-period basis. The overall decrease in research and development expense during the three and six month periods ended June 30, 2014, as compared to the comparable 2013 periods, can mostly be attributed to lower expenditures related to our grants from the NIH, and lower expenditures associated with a Phase 1 trial of our therapeutic HIV vaccine, which was completed during the first quarter of 2014. We have not received any government support for clinical trials of our therapeutic vaccine. Our research and development costs do not include costs incurred by the HVTN in conducting clinical trials of our preventive HIV vaccines; those costs are funded directly by the NIH.

We cannot predict the level of support we may receive from HVTN or other federal agencies (or divisions thereof) for our future clinical trials. We expect that our research and development costs will increase in the future as we progress into the later stage human clinical trials.

Our vaccine candidates still require significant, time-consuming and costly research and development, testing and regulatory clearances. Completion of clinical development will take several years or more, but the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate. The NIH has funded the costs of conducting all of our completed and ongoing human clinical trials to date for our preventive HIV vaccine, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. We are having discussions with the HVTN and NIH with regard to the conduct of an additional trial of our preventive vaccine, and we expect the NIH will provide support for this trial as well. We intend to seek government and/or third party support for future clinical human trials, but there can be no assurance that we will be successful.

The duration and the cost of future clinical trials may vary significantly over the life of the project as a result of differences arising during development of the human clinical trial protocols, including, among others:

- the number of patients that ultimately participate in the clinical trial;
- the duration of patient follow-up that seems appropriate in view of the results;
- the number of clinical sites included in the clinical trials; and
- the length of time required to enroll suitable patient subjects.

Due to the uncertainty regarding the timing and regulatory approval of clinical trials and pre-clinical studies, our future expenditures are likely to be highly volatile in future periods depending on the outcomes of the trials and studies. From time to time, we will make determinations as to how much funding to direct to these programs in response to their scientific, clinical and regulatory success, anticipated market opportunity and the availability of capital to fund our programs.

In developing our product candidates, we are subject to a number of risks that are inherent in the development of products based on innovative technologies. For example, it is possible that our vaccines may be ineffective or toxic, or will otherwise fail to receive the necessary regulatory clearances, causing us to delay, extend or terminate our product development efforts. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase which, in turn, could have a material adverse effect on our results of operations and cash flows. Because of the uncertainties of clinical trials, estimating the completion dates or cost to complete our research and development programs is highly speculative and subjective. As a result of these factors, we are unable to accurately estimate the nature, timing and future costs necessary to complete the development of our product candidates. In addition, we are unable to reasonably estimate the period when material net cash inflows could commence from the sale, licensing or commercialization of such product candidates, if ever.

General and Administrative Expense

During the three month and six month periods ended June 30, 2014, we incurred general and administrative costs of $344,862 and $716,664, respectively, as compared to $415,784 and $1,028,727, respectively, during the comparable periods in 2013. General and administrative costs include officers' salaries, legal and accounting costs, patent costs, amortization expense associated with intangible assets, and other general corporate expenses. General and administrative expense for the three month and six month periods of 2014 include stock-based compensation expense of $17,169 and $34,338, respectively; while the comparable periods of 2013 include stock-based compensation expense of $43,917 and $297,679, respectively (see discussion under "Stock-Based Compensation Expense" below). Excluding stock-based compensation expense, general and administrative expenses during the three month and six month periods ended June 30, 2014 were $327,693 and $682,326, respectively, as compared to $371,867 and $731,048, respectively, during the comparable periods in 2013. The overall decrease in general and administrative expense during the three and six month periods ended June 30, 2014, as compared to the comparable 2013 periods, can mostly be attributed to reduced personnel costs. However, we expect that our general and administrative costs may increase in the future in support of expanded research and development activities and other general corporate activities.

Stock-Based Compensation Expense

We recorded stock-based compensation expense of $25,047 and $51,354 during the three month and six month periods ended June 30, 2014, respectively, as compared to $55,595 and $321,420, respectively, during the comparable periods of 2013. We allocate stock-based compensation expense to research and development expense or general and administrative expense according to the classification of cash compensation paid to the employee, consultant or director to whom the stock compensation was granted. In addition to amounts related to the issuance of stock options to employees and directors, the figures include amounts related to common stock and stock purchase warrants issued to consultants and others. The overall decrease in stock-based compensation expense during the 2014 periods, as compared to 2013, can be attributed primarily to an aggregate of $238,168 of expense recorded in the 2013 periods associated with the repricing and extension of certain stock purchase warrants held by investors from a prior financing round in exchange for exercise of a portion of those warrants by the investors. For the three month and six month periods ended June 30, 2014 and 2013, stock-based compensation expense was allocated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Expense Allocated to:	2014	2013	2014	2013
General and Administrative Expense	$17,169	$43,917	$34,338	$297,679
Research and Development Expense	7,878	11,678	17,016	23,741
Total Stock-Based Compensation Expense	$25,047	$55,595	$51,354	$321,420

Other Income

Interest income for the three month and six month periods ended June 30, 2014 was $1,086 and $2,490, respectively, as compared to $1,138 and $2,232, respectively, for comparable periods of 2013. The variances between periods are primarily attributable to cash available for investment and interest rate fluctuations.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of United States interest rates, particularly because a significant portion of our investments are in institutional money market funds. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income received without significantly increasing risk. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure.

Item 4 Controls and Procedures

Evaluation of disclosure controls and procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to management, including the Chief Executive Officer and Principal Financial and Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management has carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and our Principal Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the three months ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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imes New Roman" SIZE="2">86,067 **86,067**

Capital surplus

172,529 **172,529**

Legal reserves

43,965 **45,463**

Retained earnings

5,099,267 **5,304,473**

Accumulated other comprehensive income (loss), net

(1,322,828) **(1,208,162)**

Treasury stock

(71,712) **(71,730)**

Total Honda Motor Co., Ltd. stockholders equity

4,007,288 **4,328,640**

Noncontrolling interests

123,056 **127,790**

Total equity

4,130,344 **4,456,430**

Commitments and contingent liabilities

Total liabilities, minority interests and stockholders equity

¥11,818,917 **¥11,629,115**

Note: Please refer to Significant Accounting Policy Change.

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Consolidated Statements of Income

Years ended March 31, 2009 and 2010	Yen (millions) 2009 (reference)	2010
Net sales and other operating revenue	¥ 10,011,241	**¥ 8,579,174**
Operating costs and expenses:		
Cost of sales	7,419,582	**6,414,721**
Selling, general and administrative	1,838,819	**1,337,324**
Research and development	563,197	**463,354**
Total operating costs and expenses	9,821,598	**8,215,399**
Operating income	189,643	**363,775**
Other income (expenses):		
Interest income	41,235	**18,232**
Interest expense	(22,543)	**(12,552)**
Other, net	(46,601)	**(33,257)**
Total other income (expenses)	(27,909)	**(27,577)**
Income before income taxes and equity in income of affiliates	161,734	**336,198**
Income tax expense:		
Current	68,062	**90,263**
Deferred	41,773	**56,606**
Total income taxes	109,835	**146,869**
Income before equity in income of affiliates	51,899	**189,329**
Equity in income of affiliates	99,034	**93,282**
Net income	150,933	**282,611**
Less: Net income attributable to noncontrolling interests	13,928	**14,211**
Net income attributable to Honda Motor Co., Ltd.	¥ 137,005	**¥ 268,400**
	Yen	
Basic net income attributable to Honda Motor Co., Ltd. per common share	¥ 75.50	**¥ 147.91**

Note: Please refer to Significant Accounting Policy Change.

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Consolidated Statements of Stockholders Equity and Comprehensive Income

	Yen (millions)								
	Common stock	**Capital surplus**	**Legal reserves**	**Retained earnings**	**Accumulated other comprehensive income (loss), net**	**Treasury Stock**	**Honda Motor Co., Ltd. stockholders Equity**	**Non-controlling interests**	**Total equity**
Balance at March 31, 2008	¥ 86,067	¥ 172,529	¥ 39,811	¥ 5,106,197	¥ (782,198)	¥ (71,927)	¥ 4,550,479	¥ 141,806	¥ 4,692,285
Transfer to legal reserves			4,154	(4,154)					
Dividends paid to Honda Motor Co., Ltd. shareholders				(139,724)			(139,724)		(139,724)
Dividends paid to noncontrolling interests								(10,841)	(10,841)
Capital transactions and others								(172)	(172)
Comprehensive income (loss):									
Net income attributable to Honda Motor Co., Ltd.				137,005			137,005	13,928	150,933
Other comprehensive income (loss), net of tax									
Adjustments from foreign currency translation					(477,316)		(477,316)	(19,865)	(497,181)
Unrealized gains (losses) on marketable securities, net					(25,063)		(25,063)	(60)	(25,123)
Unrealized gains (losses) on derivative instruments, net					(460)		(460)		(460)
Pension and other postretirement benefits adjustments					(37,791)		(37,791)	(1,740)	(39,531)
Total comprehensive income							(403,625)	(7,737)	(411,362)
Purchase of treasury stock						(62)	(62)		(62)
Reissuance of treasury stock				(57)		277	220		220
Balance at March 31, 2009	86,067	172,529	43,965	5,099,267	(1,322,828)	(71,712)	4,007,288	123,056	4,130,344
Transfer to legal reserves			**1,498**	**(1,498)**					
Dividends paid to Honda Motor Co., Ltd. shareholders				**(61,696)**			**(61,696)**		**(61,696)**
Dividends paid to noncontrolling interests								**(16,278)**	**(16,278)**
Capital transactions and others								**127**	**127**

Comprehensive income (loss):									
Net income attributable to Honda Motor Co., Ltd.				**268,400**			**268,400**	**14,211**	**282,611**
Other comprehensive income (loss), net of tax									
Adjustments from foreign currency translation					**91,097**		**91,097**	**5,750**	**96,847**
Unrealized gains (losses) on marketable securities, net					**23,107**		**23,107**	**111**	**23,218**
Unrealized gains (losses) on derivative instruments, net					**(324)**		**(324)**		**(324)**
Pension and other postretirement benefits adjustments					**786**		**786**	**813**	**1,599**
Total comprehensive income							**383,066**	**20,885**	**403,951**
Purchase of treasury stock						**(20)**	**(20)**		**(20)**
Reissuance of treasury stock						**2**	**2**		**2**
Balance at March 31, 2010	**¥ 86,067**	**¥ 172,529**	**¥ 45,463**	**¥ 5,304,473**	**¥ (1,208,162)**	**¥ (71,730)**	**¥ 4,328,640**	**¥ 127,790**	**¥ 4,456,430**

Note: Please refer to Significant Accounting Policy Change.

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Consolidated Statements of Cash Flows (Reference)

Years ended March 31, 2009 and 2010	Yen (millions) 2009	2010
Cash flows from operating activities:		
Net income	¥ 150,933	¥ **282,611**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation excluding property on operating leases	441,868	**401,743**
Depreciation of property on operating leases	195,776	**227,931**
Deferred income taxes	41,773	**56,606**
Equity in income of affiliates	(99,034)	**(93,282)**
Dividends from affiliates	65,140	**140,901**
Provision for credit and lease residual losses on finance subsidiaries receivables	77,016	**40,062**
Impairment loss on investments in securities	26,001	**603**
Impairment loss on long-lived assets and goodwill excluding property on operating leases	21,597	**548**
Impairment loss on property on operating leases	18,528	**3,312**
Loss (gain) on derivative instruments, net	(15,506)	**(37,753)**
Decrease (increase) in assets:		
Trade accounts and notes receivable	(30,025)	**(6,910)**
Inventories	(262,782)	**352,994**
Other current assets	(82,838)	**103,071**
Other assets	8,640	**24,150**
Increase (decrease) in liabilities:		
Trade accounts and notes payable	(133,662)	**151,345**
Accrued expenses	(102,711)	**(20,457)**
Income taxes payable	(12,861)	**(14,524)**
Other current liabilities	10,630	**5,662**
Other liabilities	74,872	**(30,146)**
Other, net	(9,714)	**(44,255)**
Net cash provided by operating activities	383,641	**1,544,212**
Cash flows from investing activities:		
Increase in investments and advances	(4,879)	**(19,419)**
Decrease in investments and advances	1,921	**14,078**
Payment for purchase of available-for-sale securities	(31,936)	**(5,871)**
Proceeds from sales of available-for-sale securities	26,896	**4,945**
Payment for purchase of held-to-maturity securities	(17,348)	**(21,181)**
Proceeds from redemption of held-to-maturity securities	32,667	**6,283**
Capital expenditures	(635,190)	**(392,062)**
Proceeds from sales of property, plant and equipment	18,843	**24,472**
Acquisitions of finance subsidiaries receivables	(2,303,930)	**(1,448,146)**
Collections of finance subsidiaries receivables	2,023,031	**1,595,235**
Sales (purchases) of finance subsidiaries receivables, net	324,672	**(55,168)**
Purchase of operating lease assets	(668,128)	**(544,027)**
Proceeds from sales of operating lease assets	100,017	**245,110**
Net cash used in investing activities	(1,133,364)	**(595,751)**
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	270,795	**(649,641)**
Proceeds from long-term debt	1,299,984	**1,132,222**
Repayment of long-term debt	(889,483)	**(963,833)**
Dividends paid	(139,724)	**(61,696)**
Dividends paid to noncontrolling interests	(10,841)	**(16,278)**

Sales (purchases) of treasury stock, net	131	**(18)**
Net cash provided by (used in) financing activities	530,862	**(559,244)**
Effect of exchange rate changes on cash and cash equivalents	(141,672)	**40,316**
Net change in cash and cash equivalents	(360,533)	**429,533**
Cash and cash equivalents at beginning of the period	1,050,902	**690,369**
Cash and cash equivalents at end of the period	¥ 690,369	**¥ 1,119,902**

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The Notes to the Consolidated Statutory Report

Significant Accounting Policies:

1. Consolidated subsidiaries

Number of consolidated subsidiaries: 390

Corporate names of principal consolidated subsidiaries:

American Honda Motor Co., Inc., Honda of America Mfg., Inc., Honda Canada Inc., Honda R&D Co., Ltd., American Honda Finance Corporation

2. Affiliated companies

Number of affiliated companies: 102

Corporate names of major affiliated companies accounted for under the equity method:

Guangqi Honda Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd., Hero Honda Motors Ltd.

3. Changes of consolidated subsidiaries and affiliated companies

Consolidated subsidiaries:

Newly formed consolidated subsidiaries: 10

Reduced through reorganization: 16

Affiliated companies:

Newly formed affiliated companies: 1; Blue Energy Co., Ltd.

Reduced through reorganization: 4

4. The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, since the Company has listed its American Depositary Shares on the New York Stock Exchange and files reports with the U.S. Securities and Exchange Commission.

5. The average exchange rates for the fiscal year ended March 31, 2010 were ¥92.85=U.S.$1 and ¥131.15=Euro 1 as compared with ¥100.54=U.S.$1 and ¥143.48=Euro 1 for the same period last year.

6. Honda s common stock-to-ADS exchange ratio is one share of common stock to one ADS.

7. Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or market.

8. Honda classifies its debt and equity securities in the following categories: available-for-sale, trading, or held-to-maturity. Debt securities that are classified as held-to-maturity securities are reported at amortized cost. Debt and equity securities classified as trading securities are reported at fair value, with unrealized gains and losses included in earnings. Other marketable debt and equity securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains or losses, net of deferred taxes included in accumulated other comprehensive income (loss) in the stockholders equity section of the consolidated balance sheets.

9. Goodwill, all of which is allocated to Honda s reporting units, is not amortized but instead is tested for impairment at least annually.

10. Depreciation of property, plant and equipment is calculated principally by the declining-balance method based on estimated useful lives and salvage values of the respective assets.

11. Honda applies hedge accounting for certain foreign currency forward contracts related to forecasted foreign currency transactions between the Company and its subsidiaries.

12. The allowance for credit losses on finance subsidiaries receivables is maintained at an amount management deems adequate to cover estimated losses on finance receivables. The allowance is based on management s evaluation of many factors, including current economic trends, industry experience, inherent risks in the portfolio and the borrower s ability to pay.

13. Finance subsidiaries of the Company purchase insurance to cover a substantial amount of the estimated residual value of vehicles leased to customers. The allowance for losses on lease residual values is maintained at an amount management deems adequate to cover estimated losses on the uninsured portion of the vehicles lease residual values. The allowance is also based on management s evaluation of many factors, including current economic conditions, industry experience and the finance subsidiaries historical experience with residual value losses.

14. Provisions for retirement benefits are provided based on the fair value of both projected benefit obligations and plan assets at the end of the fiscal year to cover for employees retirement benefits. The Company recognizes its overfunded or underfunded status for the defined benefit postretirement plan as an asset or liability in its consolidated balance sheets and recognizes changes in the funded status in accumulated comprehensive income (loss), net of taxes. Prior service cost (benefit) is amortized by using the straight-line method and the estimated average remaining service years of employees. Actuarial loss is amortized if unrecognized net gain or loss exceeds ten percent of the greater of the projected benefit obligation or the market-related value of plan assets by using the straight-line method and the estimated average remaining service years of employees.

15. Estimated warranty expenses are provided based on historical warranty claim experience with consideration given to the expected level of future warranty costs as well as current information on repair costs. Included in warranty expenses accruals are costs for general warranties on vehicles Honda sells and product recalls.

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Significant Accounting Policy Change

Honda adopted the FASB Accounting Standards Codification (ASC) 810 Consolidation , which is previously known as Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 , effective April 1, 2009. This statement requires a noncontrolling interest in a subsidiary to be reported as equity in the consolidated financial statements, and requires that changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for as equity transactions. Upon the adoption of ASC 810, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and stockholders equity on the consolidated balance sheets, are now included as a separate component of total equity. In addition, the presentation of consolidated statements of income and stockholders equity and comprehensive income has been changed. As the presentation and disclosure requirements of ASC 810 have been applied retrospectively, Honda has made reclassifications to the prior consolidated financial statements to conform to the presentation used for the year ended March 2010. The adoption of ASC 810 did not have a material impact on the Company s consolidated financial position or results of operations.

Notes to Consolidated Balance Sheets:

1. The allowance for assets are as follows:

	Yen (millions)	
	Mar. 31, 2009	**Mar. 31, 2010**
The allowance for doubtful trade accounts and notes receivables	7,455	**8,555**
The allowance for credit losses for finance subsidiaries receivables	35,617	**34,927**
The allowance for losses on lease residual values for finance subsidiaries receivables	20,393	**9,253**
The allowance for inventory losses and obsolescence	25,690	**25,569**

2. Net book value of property, plant and equipment that were subject to specific collateral securing indebtedness and debt-related mortgages are as follows:

	Yen (millions)	
	Mar. 31, 2009	**Mar. 31, 2010**
Mortgaged assets:		
Trade accounts and notes receivable		**8,655**
Inventories		**3,777**
Property, plant and equipment	24,750	**20,492**
Finance subsidiaries receivables		**352,618**
Mortgage-related debts:		
Short-term debt	3,513	**44,503**
Long-term debt	14,615	**326,851**

3. Honda has entered into various guarantee and indemnification agreements which are primarily for employee bank loans to cover their housing costs as follows:

	Yen (millions)	
	Mar. 31, 2009	**Mar. 31, 2010**
Bank loans of employees for their housing costs	33,691	**31,772**

If an employee defaults on his/her loan payments, Honda is required to perform under the guarantee. The undiscounted maximum amount of Honda s obligation to make future payments in the event of defaults is shown above. As of March 31, 2010, no amount has been accrued for any estimated losses under these obligations, as it is probable that the employees will be able to make all scheduled payments.

Notes to Consolidated Statements of Stockholders Equity:

	Mar. 31, 2009	Mar. 31, 2010
1. The number of shares outstanding	1,834,828,430	**1,834,828,430**

	Mar. 31, 2009	Mar. 31, 2010
2. The number of treasury shares	20,219,430	**20,225,694**

3. The total amount of dividends for the fiscal year ended March 31, 2010, was ¥61,696 million. The Company intends to distribute year-end cash dividends of ¥21,775 million to the stockholders of record on March 31, 2010.

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Note on Financial Instruments:

Current Status of Financial Instruments

1. Policy Regarding Financial Instruments The policy of Honda is to support its business activities by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet. In its cash management activities, the Company invests principally in highly safe, short-term financial instruments. Honda meets its operating capital requirements primarily through cash generated by operations, bank loans and the issuance of commercial paper. In addition, the Company s finance subsidiaries fund those financial programs for customers and dealers primarily from corporate bonds, medium-term notes, commercial paper, securitization of finance receivables and intercompany loans.

2. Risk Associated with Financial Instruments and Related Risk Management System The Company reduces the credit risk arising from trade and note receivables and finance subsidiaries receivables by requiring compliance with its internal credit management regulations. To minimize the foreign currency fluctuation risk of the foreign currency denominated receivables, the Company enters into forward currency forward exchange contracts and foreign currency purchased option contracts. Regarding the lease receivables held by the Company s finance subsidiaries, losses may incur when proceeds from the sale of the returned vehicles are less than the contractual residual value. The Company s finance subsidiaries periodically review the estimated residual value of the leased vehicles to monitor the residual value risk.

Available-for-sale securities mainly consist of equity securities. Held-to-maturity securities mainly consist of government and agency debt securities. In order to manage the price fluctuation risk, the Company periodically estimates the fair value of these securities.

To manage the liquidity risk associated with short-term and long-term debt, the Company diversifies its sources of funds. To reduce the interest rate fluctuation risk, the Company enters into interest rate swap contracts. To minimize the foreign currency fluctuation risk of the foreign currency denominated payables, the Company enters into currency swap contracts.

The Company enters into derivative contracts within the actual demand of its business activities in accordance with the risk management policy. The derivative instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreement. However, Honda minimizes the risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines.

The Company applies hedge accounting for certain foreign currency forward exchange contracts related to forecasted foreign currency transactions between the Company and its subsidiaries.

Fair Value of Financial Instruments

The carrying amount, estimated fair value and difference of financial instruments at March 31, 2010 are as follows:

	Yen (millions)		
	Carrying Amount	**Estimate Fair Value**	**Difference**
Finance subsidiaries receivables	3,569,760	3,638,964	69,204
Available-for-sale securities	104,601	104,601	
Held-to-maturity securities	18,766	18,862	96
Short-term and long-term debt	(4,101,675)	(4,191,389)	(89,714)
Derivative instruments	22,763	22,763	

Note: The carrying amount of finance subsidiaries receivables at March 31, 2010 in the table excludes ¥411,288 million of direct financing leases, net, classified as finance subsidiaries receivables in the consolidated balance sheets. The carrying amount of finance subsidiaries receivables at March 31, 2010 in the table also includes ¥519,495 million of finance receivables classified as trade receivables and other assets in the consolidated balance sheets.

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The methodologies used to estimate the fair value of financial instruments are as follows.

1. Cash and cash equivalents, trade and note receivables and note and account payables The carrying amounts approximate fair values because of the short maturity of these instruments.

2. Finance subsidiaries receivables
The fair values of retail receivables and term loans to dealers are estimated by discounting future cash flows using the current rates for these instruments of similar remaining maturities. Given the short maturities of wholesale receivables, the carrying amount of those receivables approximates fair value. The fair values of the retained interests in securitizations are estimated by calculating the present value of the future cash flows using a discount rate commensurate with the risks involved.

3. Available-for-sale securities and held-to-maturity securities
The fair value of available-for-sale securities and held-to-maturity securities is estimated using the quoted market price. The fair value of auction rate securities is estimated by discounting future cash flows considering liquidity risk and other factors.

4. Short-term debt and long-term debt
The fair values of bonds and notes are estimated based on the quoted market prices for the same or similar issues. The fair value of long-term loans is estimated by discounting future cash flows using rates currently available for loans of similar terms and remaining maturities. The carrying amounts of short-term bank loans and commercial paper approximate fair values because of the short maturity of these instruments.

5. Derivative instruments
The Company holds foreign currency and interest rate derivative instruments. The fair values of foreign currency instruments are estimated based on foreign exchange rates, discount rates and implied volatility. The fair values of interest rate instruments are estimated by discounting future cash flows using LIBOR rates, swap rates and foreign exchange rates. The fair values of a limited number of interest rate swap agreements related to certain off-balance sheet securitizations are estimated using internally developed prepayment assumptions in order to forecast future notional amounts on these structured derivative contracts.

Non-marketable securities are excluded from the above table as it is not possible to estimate the future cash flow and it is deemed to be extremely difficult to measure the fair value. The carrying amount of non-marketable securities is ¥11,888 million at March 31, 2010.

Notes to Information about Per Common Share:

Honda Motor Co., Ltd. shareholders equity per common share and basic net income attributable to Honda Motor Co., Ltd. per common share are as follows: Yen

	Mar. 31, 2009	Mar. 31, 2010
Honda Motor Co., Ltd. shareholders equity per common share	2,208.35	**2,385.45**
Basic net income attributable to Honda Motor Co., Ltd. per common share	75.50	**147.91**

Basic net income attributable to Honda Motor Co., Ltd. per common share has been computed by dividing net income attributable to Honda Motor Co., Ltd. by the weighted average number of shares outstanding during each period. The weighted average number of shares outstanding for the year ended March 31, 2009 and 2010 were 1,814,560,728 and 1,814,605,803, respectively. There were no potentially dilutive shares issued during the years ended March 31, 2009 or 2010.

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Reclassifications and Revision:

Certain reclassifications have been made to the prior years consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2010.

Regarding the Notes for the Previous Fiscal Year

The notes for the previous fiscal year, including the note entitled Revisions of Classifications, contain additional information for reference.

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¡ Segment Information (reference)

(a) Business Segment Information

For the year ended March 31, 2009

	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Segment Total	Reconciling Items	Consolidated
							Yen (millions)
Net sales and other operating revenue:							
External customers	1,411,511	7,674,404	582,261	343,065	10,011,241		10,011,241
Intersegment			14,264	25,840	40,104	(40,104)	
Total	1,411,511	7,674,404	596,525	368,905	10,051,345	(40,104)	10,011,241
Cost of sales, SG&A and R&D expenses	1,311,598	7,649,861	515,854	384,389	9,861,702	(40,104)	9,821,598
Segment income (loss)	99,913	24,543	80,671	(15,484)	189,643		189,643
Assets	1,047,112	5,219,408	5,735,716	275,607	12,277,843	(458,926)	11,818,917
Depreciation and amortization	51,200	373,295	199,324	13,825	637,644		637,644
Capital expenditures	90,401	523,593	671,127	16,920	1,302,041		1,302,041

For the year ended March 31, 2010

	Motorcycle Business	Automobile Business	Financial Services Business	Power Product & Other Businesses	Segment Total	Reconciling Items	Consolidated
							Yen (millions)
Net sales and other operating revenue:							
External customers	**1,140,292**	**6,554,848**	**606,352**	**277,682**	**8,579,174**		**8,579,174**
Intersegment			**12,459**	**26,936**	**39,395**	**(39,395)**	
Total	**1,140,292**	**6,554,848**	**618,811**	**304,618**	**8,618,569**	**(39,395)**	**8,579,174**
Cost of sales, SG&A and R&D expenses	**1,081,455**	**6,428,090**	**423,910**	**321,339**	**8,254,794**	**(39,395)**	**8,215,399**
Segment income (loss)	**58,837**	**126,758**	**194,901**	**(16,721)**	**363,775**		**363,775**
Assets	**1,025,665**	**5,044,247**	**5,541,788**	**281,966**	**11,893,666**	**(264,551)**	**11,629,115**
Depreciation and amortization	**48,683**	**337,787**	**230,453**	**12,751**	**629,674**		**629,674**
Capital expenditures	**38,332**	**284,586**	**546,342**	**23,748**	**893,008**		**893,008**

Notes:

1. Intersegment sales and revenues are generally made at values that approximate arm s-length prices.

2. Unallocated corporate assets, included in reconciling items, amounted to ¥257,291 million as of March 31, 2009 and ¥338,135 million as of March 31, 2010, respectively, which consist primarily of cash and cash equivalents and marketable securities held by the Company. Reconciling items also include elimination of intersegment transactions.

3. Depreciation and amortization of Financial Services Business include ¥195,776 million for the year ended March 31, 2009 and ¥227,931 million for the year ended March 31, 2010, respectively, of depreciation of property on operating leases.

4. Capital expenditures of Financial Services Business include ¥668,128 million for the year ended March 31, 2009 and ¥544,027 million for the year ended March 31, 2010, respectively, of purchase of operating lease assets.

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(b) Geographic Segment Information

For the year ended March 31, 2009

	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
								Yen (millions)
Net sales and other operating revenue:								
External customers	1,871,962	4,534,684	1,191,540	1,335,091	1,077,964	10,011,241		10,011,241
Transfers between geographic areas	2,290,625	244,440	87,362	273,140	66,256	2,961,823	(2,961,823)	
Total	4,162,587	4,779,124	1,278,902	1,608,231	1,144,220	12,973,064	(2,961,823)	10,011,241
Cost of sales, SG&A and R&D expenses	4,324,203	4,699,422	1,268,701	1,504,628	1,009,158	12,806,112	(2,984,514)	9,821,598
Operating income (loss)	(161,616)	79,702	10,201	103,603	135,062	166,952	22,691	189,643
Assets	3,078,478	6,547,880	766,594	1,016,059	450,081	11,859,092	(40,175)	11,818,917
Long-lived assets	1,140,316	1,918,579	110,543	253,113	119,373	3,541,924		3,541,924

For the year ended March 31, 2010

	Japan	North America	Europe	Asia	Other Regions	Total	Reconciling Items	Consolidated
								Yen (millions)
Net sales and other operating revenue:								
External customers	**1,864,513**	**3,752,417**	**769,857**	**1,320,047**	**872,340**	**8,579,174**		**8,579,174**
Transfers between geographic areas	**1,441,264**	**155,799**	**55,615**	**198,533**	**24,151**	**1,875,362**	**(1,875,362)**	
Total	**3,305,777**	**3,908,216**	**825,472**	**1,518,580**	**896,491**	**10,454,536**	**(1,875,362)**	**8,579,174**
Cost of sales, SG&A and R&D expenses	**3,334,912**	**3,671,837**	**836,344**	**1,405,574**	**850,683**	**10,099,350**	**(1,883,951)**	**8,215,399**
Operating income (loss)	**(29,135)**	**236,379**	**(10,872)**	**113,006**	**45,808**	**355,186**	**8,589**	**363,775**
Assets	**2,947,764**	**6,319,896**	**591,423**	**1,050,727**	**619,345**	**11,529,155**	**99,960**	**11,629,115**
Long-lived assets	**1,113,386**	**1,861,596**	**107,262**	**240,704**	**162,198**	**3,485,146**		**3,485,146**

Notes:

1. The geographic areas are based on the location of the company and its subsidiaries.

   Major countries or regions in each geographic segment:

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Italy, Belgium
Asia	Thailand, Indonesia, China, India
Others	Brazil, Australia

2. Sales and revenues between geographic areas are generally made at values that approximate arm s-length prices.

3. Unallocated corporate assets, included in reconciling items, amounted to ¥257,291 million as of March 31, 2009 and ¥338,135 million as of March 31, 2010, respectively, which consist primarily of cash and cash equivalents and marketable securities held by the Company.

Reconciling items also include elimination of transactions between geographic areas.

(c) Overseas Sales

For the year ended March 31, 2009

	North America	Europe	Asia	Other Regions	Yen (millions) Total
Overseas sales	4,514,190	1,186,012	1,595,472	1,269,026	8,564,700
Consolidated sales					10,011,241
Overseas sales ratio to consolidated sales	45.1%	11.8%	15.9%	12.8%	85.6%

For the year ended March 31, 2010

	North America	Europe	Asia	Other Regions	Yen (millions) Total
Overseas sales	**3,736,447**	**764,785**	**1,543,397**	**957,227**	**7,001,856**
Consolidated sales					**8,579,174**
Overseas sales ratio to consolidated sales	**43.6%**	**8.9%**	**18.0%**	**11.1%**	**81.6%**

Note:

The geographic areas are based on the location where sales originate.

Major countries or regions in each geographic segment:

North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, France, Italy, Belgium
Asia	Thailand, Indonesia, China, India
Other Regions	Brazil, Australia

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Unconsolidated Balance Sheets

Years ended March 31, 2009 and 2010	Yen (millions) 2009 (reference)	2010
ASSETS:		
1. Current assets:		
Cash and bank deposits	¥ 91,778	¥ **82,997**
Notes receivable	738	**441**
Accounts receivable	301,525	**300,324**
Securities	94,500	**163,000**
Finished goods	93,712	**81,344**
Work in process	28,609	**14,912**
Raw materials and supplies	41,098	**28,331**
Advance payments	13,147	**23,093**
Prepaid expenses	4,558	**3,545**
Deferred income taxes	52,813	**53,956**
Short-term loans receivable	10,034	**42**
Short-term loans receivable subsidiaries and affiliates	68,901	**33,153**
Other receivables	50,304	**80,753**
Income taxes receivable	47,582	
Others	27,642	**17,488**
Allowance for doubtful accounts	(1,428)	**(2,892)**
Total current assets	925,520	**880,494**
2. Fixed assets		
Tangible fixed assets:		
Buildings	596,591	**607,781**
Accumulated depreciation	(343,031)	**(365,498)**
Buildings, net	253,560	**242,282**
Structures	120,763	**124,965**
Accumulated depreciation	(80,607)	**(86,059)**
Structures, net	40,156	**38,906**
Machinery and equipment	551,162	**567,920**
Accumulated depreciation	(471,779)	**(494,304)**
Machinery and equipment, net	79,382	**73,615**
Vehicles	15,318	**15,750**
Accumulated depreciation	(11,045)	**(11,796)**
Vehicles, net	4,273	**3,953**
Tools, furniture and fixtures	227,039	**230,068**
Accumulated depreciation	(205,221)	**(210,460)**
Tools, furniture and fixtures, net	21,817	**19,607**
Land	321,984	**338,503**
Lease assets	5,637	**4,864**
Accumulated depreciation	(3,036)	**(3,016)**
Lease assets, net	2,601	**1,848**
Construction in progress	39,997	**61,568**
Total tangible fixed assets	763,774	**780,286**
Intangible assets:		
Patents	104	**83**
Leaseholds	2,112	**2,112**
Trademarks	16	**15**
Software	2,018	**1,285**
Lease assets	25	**142**

Others	310	**404**
Total intangible assets	4,589	**4,044**
Investments and other assets:		
Investment securities	58,078	**92,131**
Investment securities subsidiaries and affiliates	490,349	**506,839**
Investments and other assets	6	**6**
Investments subsidiaries and affiliates	92,548	**92,435**
Long-term loans	232	**240**
Long-term loans receivable employees	323	**268**
Long-term loans receivable subsidiaries and affiliates	6,626	**6,690**
Receivables in bankruptcy	12,910	**7,991**
Long-term prepaid expenses	416	**433**
Deferred income taxes	153,504	**153,104**
Deposits	20,731	**18,448**
Others	4,868	**4,872**
Allowance for doubtful accounts	(13,200)	**(9,003)**
Total investments and other assets	827,396	**874,459**
Total fixed assets	1,595,760	**1,658,790**
Total assets	¥ 2,521,280	**¥ 2,539,284**

Yen amounts described above are rounded down to the nearest one million yen.

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	Yen (millions)	
	2009 (reference)	2010
LIABILITIES		
1. Current liabilities:		
Notes payable trade	¥ 1,048	¥ **666**
Accounts payable	198,917	**271,810**
Short-term bonds	85,954	
Short-term loans payable	170,098	**12,238**
Current portion of long-term loans payable	49	**39**
Lease debt	1,166	**1,038**
Other payables	50,902	**20,840**
Accrued expenses	89,675	**67,398**
Advances received	675	**2,774**
Deposits received	5,002	**4,906**
Deferred revenue	200	**264**
Current portion of accrued product warranty	52,309	**44,641**
Accrued employees bonuses	27,834	**28,579**
Accrued directors bonuses	293	**351**
Accrued operating officers bonuses	206	**218**
Notes payable other	8,360	**473**
Others	13,133	**7,363**
Total current liabilities	705,826	**463,604**
2. Non-current liabilities:		
Bonds		**70,000**
Long-term loans payable	310	**258**
Lease debt	1,548	**1,052**
Accrued product warranty	51,006	**45,183**
Accrued employees retirement benefits	106,747	**116,428**
Others	7,467	**6,411**
Total non-current liabilities	167,081	**239,334**
Total liabilities	¥ 872,907	¥ **702,938**

	Yen (millions)	
	2009 (reference)	2010
TOTAL NET ASSETS		
(1) Stockholders equity		
1. Common stock	¥ 86,067	¥ **86,067**
2. Capital surplus:		
Capital surplus	170,313	**170,313**
Total capital surplus	170,313	**170,313**
3. Retained earnings:		
Legal reserves	21,516	**21,516**
Other retained earnings:		
Reserve for dividends	159,800	**113,300**
General reserve	1,119,300	**1,119,300**
Reserve for special depreciation	1,481	**1,532**
Reserve for reduction of acquisition cost of fixed assets	12,325	**12,321**
Earnings to be carried forward	144,139	**361,495**

Total retained earnings	1,458,562	**1,629,466**
4. Treasury stock	(78,854)	**(78,872)**
Total stockholders equity	1,636,088	**1,806,974**
(2) Difference of appreciation and conversion		
1. Net unrealized gains on securities	12,284	**29,695**
2. Deferred gain on hedges		**(324)**
Total difference of appreciation and conversion	12,284	**29,371**
Total net assets	1,648,373	**1,836,346**
Total liabilities and net assets	¥ 2,521,280	**¥ 2,539,284**

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Unconsolidated Statements of Operations

	Yen (millions)	
Years ended March 31, 2009 and 2010	2009 (reference)	2010
Net sales	¥ 3,404,554	**¥ 2,717,736**
Cost of sales:		
Finished goods and parts for sale at beginning of year	100,879	**93,712**
Production cost	2,224,460	**1,755,835**
Others	252,623	**204,069**
	2,577,963	**2,053,618**
Transfer to other accounts	3,864	**2,574**
Finished goods and parts for sale at end of year	93,712	**81,344**
Cost of finished goods sold	2,480,386	**1,969,699**
Gross profit	924,167	**748,037**
Selling, general and administrative expenses	1,082,615	**819,632**
Operating loss	(158,447)	**(71,594)**
Non-operating income:		
Interest income	3,241	**851**
Dividend income	129,561	**305,150**
Rental income	26,413	**27,716**
Others	21,644	**8,490**
	180,860	**342,209**
Non-operating expenses:		
Interest expenses	601	**1,023**
Contributions	1,007	**710**
Depreciation	16,229	**18,049**
Expenses for rental assets	4,628	**4,684**
Loss on disposal of inventories	454	**348**
Others	2,736	**4,407**
	25,658	**29,223**
Ordinary income (loss)	(3,244)	**241,391**
Extraordinary income:		
Gain on sale of fixed assets	262	**363**
Reversal of allowance for doubtful receivables	690	
Gain on liquidation of subsidiaries and affiliates	441	**299**
Subsidy income		**1,003**
Others	5	**1**
	1,399	**1,668**

Extraordinary losses:		
Loss on disposal of fixed assets	4,264	**4,249**
Loss on devaluation of investment securities	8,660	**12**
Loss on devaluation of investment securities subsidiaries and affiliates	7,898	
Deferment depreciation on fixed assets	56,582	
Others	753	**116**
	78,158	**4,378**
Income (loss) before income taxes	(80,003)	**238,680**
Income taxes:		
Current	(5,862)	**18,262**
Deferred	(14,475)	**(12,181)**
	(20,337)	**6,080**
Net income (loss)	¥ (59,666)	**¥ 232,600**

Yen amounts described above are rounded down to the nearest one million yen.

Unconsolidated Statements of Stockholders Equity

	Common stock	Capital surplus	Total capital surplus	Legal reserves	Reserve for dividends	General reserve	Reserve for special depreciation
							Yen (millions)
	Stockholders equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
From April 1, 2009 to March 31, 2010							
Balance at March 31, 2009	86,067	170,313	170,313	21,516	159,800	1,119,300	1,481
Changes of items during the period							
Items of appropriation of retained earnings during previous period							
Provision for reserve for dividends							
Provision for general reserves					**(46,500)**		
Provision for reserve for special depreciation							**584**
Reversal of reserve for special depreciation							**(533)**
Provision reserve for reduction of acquisition cost of fixed assets							
Reversal of reserve for reduction of acquisition cost of fixed assets							
Dividend from surplus							
Net income							
Purchase of treasury stock							
Reissuance of treasury stock							
Others							
Total changes of items during the period					**(46,500)**		**50**
Balance at March 31, 2010	**86,067**	**170,313**	**170,313**	**21,516**	**113,300**	**1,119,300**	**1,532**

	Reserve for reduction of acquisition cost of fixed assets	Earnings to be carried forward	Total retained earnings	Treasury stock	Total stockholders equity	Net unrealized gains on securities	Deferred gain on hedges	Total difference of appreciation and conversion	Total net assets
									Yen (millions)
	Stockholders equity					Difference of appreciation and conversion			
	Retained earnings								
	Other retained earnings								
From April 1, 2009 to March 31, 2010									
Balance at March 31, 2009	12,325	144,139	1,458,562	(78,854)	1,636,088	12,284		12,284	1,648,373
Changes of items during the period									
Items of appropriation of retained earnings during previous period									
Provision for reserve for dividends									
Provision for general reserves		**46,500**							
		(584)							

Provision for reserve for special depreciation									
Reversal of reserve for special depreciation		**533**							
Provision reserve for reduction of acquisition cost of fixed assets	**46**	**(46)**							
Reversal of reserve for reduction of acquisition cost of fixed assets	**(50)**	**50**							
Dividend from surplus		**(61,696)**	**(61,696)**		**(61,696)**				**(61,696)**
Net income		**232,600**	**232,600**		**232,600**				**232,600**
Purchase of treasury stock				**(20)**	**(20)**				**(20)**
Reissuance of treasury stock				**2**	**2**				**2**
Others						**17,410**	**(324)**	**17,086**	**17,086**
Total changes of items during the period	**(4)**	**217,356**	**170,903**	**(17)**	**170,885**	**17,410**	**(324)**	**17,086**	**187,972**
Balance at March 31, 2010	**12,321**	**361,495**	**1,629,466**	**(78,872)**	**1,806,974**	**29,695**	**(324)**	**29,371**	**1,836,346**

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The Related Notes

Significant Accounting Policies

1. Securities

   (a) Debt securities that are classified as held-to-maturity securities are reported at amortized cost.

   (b) Investments in subsidiaries and affiliates are stated at cost, which is determined by the moving-average method.

   (c) Marketable securities classified as other securities are stated at fair value based on market prices at fiscal year-end. Any changes in unrealized holding gains or losses, net of applicable income taxes, are included directly in stockholders equity, and cost of securities sold is determined by the moving-average method.

   (d) Non-marketable securities classified as other securities are stated at cost, which is determined by the moving-average method.

2. Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or market.

3. Derivative financial instruments are stated at fair value.

4. Regarding the depreciation method for tangible fixed assets (excluding molds and dies included in tools, furniture and fixtures), the Company employs the declining-balance method and, after a specified number of fiscal years, over the remaining usable period of years (the usable life of the items less the elapsed period), employs the straight-line method to depreciate the item to memorandum value. For molds and dies included in tools, furniture and fixtures, depreciation is performed using the declining-balance method, and the items are depreciated to memorandum value in the fiscal year in which the usable life of the items elapses.

5. Amortization of intangible fixed assets is computed by using the straight-line method.

6. Depreciation of assets under finance leases, other than those for which the ownership transfers to the lessee, is calculated using the straight-line method, taking the useful lifetimes of the assets as the term of the lease and depreciating the residual value to zero.

7. The allowance for doubtful accounts is provided for possible bad debt at an amount determined based on the historical experience of bad debt for normal receivables; in addition, an estimate of uncollectible amounts is made by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

8. An accrued product warranty has been provided as a total of the following:

   (a)

An estimate of warranty costs to be incurred during the remaining warranty periods based on historical warranty claim experiences and an estimate of the probabilities of future warranty cost

(b) An estimate of future warranty claims mainly associated with reportings to regulatory authorities

9. Accrued employees bonuses are provided for payments of bonuses to employees based on the amount of the estimated employees bonus payments, which is attributable to the fiscal year.

10. Accrued Directors bonuses are provided for the payment of bonuses to Directors and Corporate Auditors based on the amount of the estimated Directors bonus payments.

11. Accrued operating officers bonuses are provided for the payment of bonuses to operating officers based on the amount of the estimated operating officers bonus payments.

12. Accrued employees retirement benefits are provided for payments of retirement benefits at an estimated amount incurred during the fiscal year calculated based on the retirement benefit obligation and the fair value of the pension plan assets at year-end.

The net retirement benefit obligation at transition is amortized by the straight-line method over 15 years.

Prior service costs are amortized by the straight-line method over the average remaining years of service of the employees. Actuarial gains or losses are amortized in the years following the year in which gains or losses are recognized by the straight-line method over the average remaining years of service of the employees.

13. Hedge accounting for some of the forward foreign currency exchange contracts is applied.

14. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. A consumption tax refund receivable is included in Others of current assets.

15. The consolidated regulatory tax rules and regulations were applied.

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Changes in Accounting Policy

1. The Company adopted the Partial Amendments to the Accounting Standards for Retirement Benefits (Part 3) (ASBJ Statement No. 19, issued on July 31, 2008) effective April 1, 2009. The adoption of the standard had no impact on the Company s results of operations, as well as retirement benefit obligations.

2. The Company changed the method to determine the cost of inventories from the last cost method to the first-in, first-out method dur- ing the fiscal year ended March 31, 2010, as the Company completed developing the inventory management system which enables it to calculate the costs upon acceptance and shipment. The application of the first-in, first-out method did not have a material impact on the Company s results of operations.

Changes in Methods of Presentation

(Unconsolidated Balance Sheets)

Income taxes receivable, which were presented as a separate item through the end of the previous fiscal year, have now been included in others because the amount of these taxes receivable has diminished.

Please note that the amount of income taxes receivable contained in others at the end of the fiscal year under review amounted to ¥395 million.

Notes for Balance Sheets (as of March 31, 2009 and 2010)

	Yen (millions)	
	2009	**2010**
1. The value of credits from and debts to subsidiaries and affiliates is as follows:		
Short-term credits from subsidiaries and affiliates	¥ 351,860	**¥ 316,466**
Short-term debts to subsidiaries and affiliates	¥ 118,058	**¥ 140,237**
Long-term credits from subsidiaries and affiliates	¥ 12,095	**¥ 7,081**
Long-term debts to subsidiaries and affiliates	¥ 1,628	**¥ 2,040**

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2. Guarantee issued and similar activities are as follows:

(1) The balance of guarantees issued and similar activities

Guarantee issued

Guaranteed company	2009 Guarantee amount Yen (millions)	Nature of guaranteed issued
Honda Bank GmbH	82	Deposits
Honda Logistics Inc.	20	Bank borrowings
Honda Engineering Co., Ltd.	7	Bank borrowings
Honda Foundry Co., Ltd.	5	Bank borrowings
Honda Racing Corporation	3	Bank borrowings
Employees (Including employees of affiliates)	33,824	Employees bank borrowings using the Honda Housing Mutual Aid system, etc.
Total	33,945	

Guaranteed company	2010 Guarantee amount Yen (millions)	Nature of guaranteed issued
Honda Bank GmbH	**162**	Deposits
Honda Logistics Inc.	**18**	Bank borrowings
Honda Engineering Co., Ltd.	**7**	Bank borrowings
Honda Foundry Co., Ltd.	**4**	Bank borrowings
Honda Racing Corporation	**3**	Bank borrowings
Employees (Including employees of affiliates)	**31,917**	Employees bank borrowings using the Honda Housing Mutual Aid system, etc.
Total	**32,113**	

Similar activities

Company	2009 Amount Yen (millions)	Nature of liabilities
American Honda Finance Corporation	2,540,759	Medium-term notes, commercial paper and bank borrowings
Honda Finance Co., Ltd.	401,000	Unsecured corporate bonds and commercial paper
Honda Canada Finance Inc.	389,278	Unsecured corporate bonds, commercial paper and medium-term notes
Honda Finance Europe plc	28,090	Commercial paper
Honda Leasing (Thailand) Company Limited	23,460	Unsecured corporate bonds
Honda Bank GmbH	10,387	Commercial paper
Total	3,392,974	

Company	2010 Amount Yen (millions)	Nature of liabilities

American Honda Finance Corporation	**2,010,389**	Medium-term notes, commercial paper and bank borrowings
Honda Canada Finance Inc.	**407,692**	Unsecured corporate bonds, commercial paper, bank borrowings and medium-term notes
Honda Finance Co., Ltd.	**390,000**	Unsecured corporate bonds and commercial paper
Honda Finance Europe plc	**28,080**	Commercial paper
Honda Leasing (Thailand) Company Limited	**12,341**	Unsecured corporate bonds
Honda Bank GmbH	**6,246**	Commercial paper
Total	**2,854,749**	

Similar activities comprise keep-well agreements between the Company and subsidiaries, which were issued for credit enhancement to support the subsidiaries financing.

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(2) Other

The Company was subjected to income tax examination related to transfer pricing issues on cross-border transactions between the Company and its overseas affiliates for the fiscal years ended March 31, 2005 and 2006. Currently, tax treaty-based bilateral discussions are being held to prevent double taxation for the fiscal years mentioned above and thereafter. These matters have not been reflected in the financial statements for the fiscal year ended March 31, 2010.

Notes for Statements of Income (for the fiscal years ended March 31, 2009 and 2010)

	Yen (millions)	
	2009	2010
1. Transactions with subsidiaries and affiliates are as follows:		
Sales to subsidiaries and affiliates	¥2,693,980	**¥2,038,911**
Purchases from subsidiaries and affiliates	¥ 857,880	**¥ 637,643**
Non-operating transactions with subsidiaries and affiliates	¥ 223,541	**¥ 350,679**
2. Total research and development expenses	¥ 589,221	**¥ 469,970**

Notes for Statements of Stockholders Equity

	2009	2010
Number of treasury shares at end of fiscal year are as follows:		
Common stock	20,219,430 shares	**20,225,694 shares**

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Tax-Effect Accounting

	Yen (millions)	
	Mar. 31, 2009	**Mar. 31, 2010**
1. Breakdown of the principal factors giving rise to deferred tax assets and deferred tax liabilities		
(Deferred Tax Assets)		
Operating loss carryforwards	¥ 38,256	**¥ 61,133**
Reserve for retirement benefits surplus	42,805	**46,687**
Reserve for product warranties provision	41,429	**36,019**
Depreciation and amortization surplus	34,923	**34,304**
Software and tax deferred assets provision	24,760	**22,385**
Reserve for bonuses provision	11,161	**11,460**
Inventory assets evaluation related provision	16,279	**10,975**
Negotiable securities write-down provision	4,709	**4,587**
Provision for doubtful accounts surplus	5,578	**4,110**
Reserve for accrued corporate officer retirement bonuses	2,434	**1,853**
Accrued income tax provision		**131**
Foreign tax deduction	15,317	
Other	7,803	**8,736**
Deferred tax asset subtotal	245,459	**242,383**
Allowance account	(16,693)	**(6,169)**
Deferred tax asset total	228,766	**236,214**
(Deferred Tax Liabilities)		
Evaluation change for other marketable securities	(8,224)	**(19,879)**
Advanced depreciation of fixed assets	(8,251)	**(8,248)**
Special depreciation and amortization	(996)	**(1,025)**
Accrued business tax refund	(4,977)	
Deferred tax liability total	(22,448)	**(29,153)**
Net deferred tax asset total	¥ 206,317	**¥ 207,060**

Notes to Information about Per Common Share

Net assets per common share and net income per common share are as follows: Yen

	Mar. 31, 2009	**Mar. 31, 2010**
1. Net assets per common share	908.39	**1,011.98**

	Year ended Mar. 31, 2009	**Year ended Mar. 31, 2010**
2. Net income (loss) per common share	(32.88)	**128.18**

Basic net income (loss) per common share has been computed by dividing net income available to common stockholders by the weighted average number of shares outstanding during each year. The weighted average number of shares outstanding for the years ended March 31, 2009 and 2010 was 1,814,609,728 and 1,814,605,803, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2009 or 2010.

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Independent Auditors Report

Independent Auditors Report

The Board of Directors
Honda Motor Co., Ltd.

May 10, 2010

KPMG AZSA & Co.	
Masanori Sato (Seal)	Designated and Engagement Partner, Certified Public Accountant
Kenji Tanaka (Seal)	Designated and Engagement Partner, Certified Public Accountant
Hideaki Koyama (Seal)	Designated and Engagement Partner, Certified Public Accountant

We have audited the consolidated statutory report, that is the consolidated balance sheet, the consolidated statement of income, the consolidated statement of stockholders equity and comprehensive income and the notes to the consolidated statutory report of Honda Motor Co., Ltd. for the year from April 1, 2009 to March 31, 2010 in accordance with Article 444 (4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the consolidated financial position of Honda Motor Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and the consolidated results of their operations for the year then ended, in conformity with the Article 3, Paragraph 1 of the Supplementary Provision of the Company Accounting Regulations (the Ministry of Justice Ordinance No. 46 of 2009) and the recognition and measurement criteria of accounting principles generally accepted in the United States of America (Refer to Note 4 of Significant Accounting Policies of the notes to the consolidated statutory report).

Additional information

As described in Significant Changes in Accounting Policy in the Notes to Consolidated Financial Statements, Honda adopted the provision of FASB Accounting Standards Codification (ASC) 810 Consolidation , which includes the accounting standard previously known as Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 as of April 1, 2009.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

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Independent Auditors Report

The Board of Directors
Honda Motor Co., Ltd.

May 10, 2010

KPMG AZSA & Co.

Masanori Sato (Seal)	Designated and Engagement Partner, Certified Public Accountant
Kenji Tanaka (Seal)	Designated and Engagement Partner, Certified Public Accountant
Hideaki Koyama (Seal)	Designated and Engagement Partner, Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of Honda Motor Co., Ltd. as of March 31, 2010 and for the 86th business year from April 1, 2009 to March 31, 2010 in accordance with Article 436 (2) of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require

us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and

supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Honda Motor Co., Ltd. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Additional Information

As described in No. 2-(2) of Notes for Balance Sheets of the related notes, the Company was subjected to income tax examination related to transfer pricing issues on cross-border transactions between the Company and its overseas affiliates for the fiscal years ended March 31, 2005 and 2006. Currently, tax treaty-based bilateral discussions are being held to prevent double taxation for the fiscal years mentioned above and thereafter. These matters have not been reflected in the financial statements for the fiscal year ended March 31, 2010.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

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Audit Report of the Board of Corporate Auditors

Audit Report

Mr. Takanobu Ito

President and Representative Director of

Honda Motor Co., Ltd.

The Board of Corporate Auditors has prepared this Audit Report regarding the performance of duties by the Directors for the 86th fiscal year from April 1, 2009 to March 31, 2010, upon deliberation based on the audit reports prepared by each Corporate Auditor, and hereby reports as follows:

1. Auditing Methods Employed by the Corporate Auditors and the Board of Corporate Auditors and Details of Such Methods

The Board of Corporate Auditors established auditing policies, assignment of duties, etc., and received reports from each Corporate Auditor regarding their execution of audits and results thereof, and received reports from the Directors, etc. and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.

Each Corporate Auditor, in accordance with the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, following the auditing policies, assignment of duties and other relevant matters, communicated with the Directors, the Audit Office and other employees, etc., made efforts to collect information and establish the environment for auditing, and participated in the meetings of the Board of Directors and other important meetings, received reports from the Directors and employees regarding performance of their duties, sought explanations as necessary, examined important documents on business decisions, etc., and surveyed the status of operations and assets at the head office and principal business offices. In addition, each Corporate Auditor monitored and verified the content of the resolution of the Board of Directors regarding the establishment of the system for ensuring that the performance of duties by the Directors conforms to the laws and regulations and Articles of Incorporation and other systems stipulated in Paragraphs 1 and 3 of Article 100 of the Enforcement Regulations of the Corporation Law as being necessary for ensuring appropriateness of the Company s operations, and the status of the systems established based on such resolution (Internal Control Systems). With respect to subsidiaries, Corporate Auditors communicated and exchanged information with Directors and Corporate Auditors of subsidiaries, and received business reports from subsidiaries as necessary. Based on the above methods, Corporate Auditors examined the business report and the accompanying detailed statements for this fiscal year.

Furthermore, Corporate Auditors monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, Corporate Auditors received notice from the Accounting Auditor that System for ensuring that duties are performed properly (matters set forth in each item of Article 131 of the Company Accounting Regulations) is established in accordance with the Quality Control Standards Regarding Audits (Business Accounting Council, October 28, 2005), etc., and sought explanations as necessary. Based on the above methods, Corporate Auditors examined the unconsolidated financial statements (unconsolidated balance sheets, unconsolidated statements of operations, unconsolidated statements of stockholders equity and notes to the unconsolidated financial statements) and the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of stockholders equity and notes to consolidated financial statements) for this fiscal year.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

1. The business report and the supplementary schedules thereto fairly represent the status of the Company in accordance with the applicable laws and regulations and Articles of Incorporation.

2. No misconduct or material violation of laws, regulations or the Articles of Incorporation was found with regard to the performance of duties by the Directors.

3. The content of the resolution of the Board of Directors regarding the Internal Control Systems is appropriate. In addition, no matter was found on which to remark in regard to the performance of duties by the Directors regarding the Internal Control Systems.

(2) Results of Audit of unconsolidated financial statements and the supplementary schedules thereto. The methods and results of the audit performed by the Accounting Auditor, KPMG AZSA & Co., are appropriate.

(3) Results of Audit of consolidated financial statements.
The methods and results of the audit performed by the Accounting Auditor, KPMG AZSA & Co., are appropriate.

May 12, 2010

Board of Corporate Auditors

Honda Motor Co., Ltd.

Corporate Auditor (Full-time)	Toru Onda (Seal)
Corporate Auditor (Full-time)	Hideki Okada (Seal)
Corporate Auditor (Outside)	Koukei Higuchi (Seal)
Corporate Auditor (Outside)	Fumihiko Saito (Seal)
Corporate Auditor (Outside)	Yuji Matsuda (Seal)

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REFERENCE

Forecasts for the Fiscal Year Ending March 31, 2011

In regard to the forecasts of the financial results for the fiscal year ending March 31, 2011, Honda projects consolidated and unconsolidated results to be as shown below:

These forecasts are based on the assumption that the average exchange rates for the Japanese yen to the U.S. dollar and the euro will be ¥90 and ¥120, respectively, for the first half of the year ending March 31, 2011, and ¥90 and ¥120, respectively, for the full year ending March 31, 2011.

Consolidated

	Yen (billions)/Changes from the previous fiscal period			
	First half ending September 30, 2010		Fiscal year ending March 31, 2011	
Net sales and other operating revenue	4,660	(14.8)%	9,340	(8.9)%
Operating income	235	(159.1)%	400	(10.0)%
Income before income taxes, minority interest and equity in income of affiliates	240	(235.2)%	410	(22.0)%
Net income (loss) attributable to Honda Motor Co., Ltd.	195	(216.6)%	340	(26.7)%

Unconsolidated

	Yen (billions)/Changes from the previous fiscal year	
	Fiscal year ending March 31, 2011	
Net sales	3,090	(13.7)%
Operating loss	-35	
Ordinary income	125	(-48.2)%
Net income	125	(-46.3)%

This announcement contains forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on management s assumptions and beliefs taking into account information currently available to it. Therefore, please be advised that Honda s actual results could materially differ from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in Honda s principal markets and foreign exchange rates between the Japanese yen and the U.S. dollar, the euro and other major currencies, as well as other factors detailed from time to time. The various factors for increases and decreases in income have been classified in accordance with a method that Honda considers reasonable.

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Shareholders

Categories	FY2008 Year-End (As of March 31, 2008) Thousand shares	Number of shareholders	FY2009 Year-End (As of March 31, 2009) Thousand shares	Number of shareholders	FY2010 Year-End (As of March 31, 2010) Thousand shares	Number of shareholders
Individuals	182,430	206,654	188,845	224,632	180,939	216,851
National and Local Public Entities			46	2	49	1
Financial Institutions	762,810	362	823,702	333	792,547	294
Securities Companies	35,275	81	15,020	56	23,861	73
Other Domestic Corporations	185,117	1,802	183,844	1,803	180,943	1,625
Foreigners	648,974	1,012	603,149	1,051	636,260	1,021
Treasury Stock	20,219	1	20,219	1	20,225	1
Total	1,834,828	209,912	1,834,828	227,878	1,834,828	219,866

Note: The numbers of shares above disregard and round off amounts of less than one thousand.

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Honda Motor Co., Ltd.