

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024
[Japanese GAAP] (Consolidated)
English translation from the original Japanese-language document



October 27, 2023

Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.
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Scheduled Date of Dividend Payment Start: -

Supplementary materials for the quarterly financial results: Yes

Investor conference for the quarterly financial results: Yes (For Mass Media and Analysts)

(Amounts are rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023–September 30, 2023)

(1) Consolidated Financial Results (Cumulative) (% of change from the same quarter of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY 2024	755,388	3.0	6,766	-59.3	6,291	-69.4	76	-97.8
2Q of FY 2023	733,359	6.4	16,615	-47.8	20,548	-36.3	3,478	-70.4

(Note) Comprehensive income: 2Q of FY 2024: ¥ 18,674 million (-28.6%) 2Q of FY 2023: ¥ 26,154 million (127.3%)

	Profit per share		Diluted profit per share	
	Yen		Yen	
2Q of FY 2024	0.13		—	
2Q of FY 2023	6.06		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
2Q of FY 2024	1,422,900		445,619		26.6	
FY 2023	1,361,735		433,409		27.0	

(Reference) Equity capital: 2Q of FY 2024: ¥ 377,982 million FY 2023: ¥ 367,914 million

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
FY 2023	—	0.00	—	0.00	0.00
FY 2024	—	0.00			
FY 2024 (forecast)			—	—	—

(Note) Changes from the latest dividend forecast: None

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(% of change from FY2023)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY 2024	1,500,000	-0.5	1,000	-94.3	-4,000	—	-22,000	—	-38.33

(Note) Changes from the latest financial forecast: Yes

*Notes

(1) Changes in significant subsidiaries (changes of specified subsidiaries resulting in changes in scope of consolidation) during the current term: None

(2) Application of the accounting procedures for producing quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatements:

- 1) Changes in accounting policies due to revisions of accounting standards: None
- 2) Changes in accounting policies due to reasons other than above 1): None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock) at end of term	2Q of FY 2024	574,580,850 shares	FY 2023	574,580,850 shares
2) Number of treasury stock at end of term	2Q of FY 2024	554,483 shares	FY 2023	554,114 shares
3) Average number of shares (quarterly consolidated cumulative period)	2Q of FY 2024	574,026,599 shares	2Q of FY 2023	574,027,239 shares

*Summary of financial results is out of scope of audit by Certified Public Accountants or Audit companies.

*Statement regarding the proper use of financial forecasts and other remarks

- Descriptions regarding the future, including the financial projections contained in this report, are based on certain assumptions currently available to the Company, which are, at the discretion of the Company, deemed reasonable, and the Company gives no guarantees that it will achieve these results. In addition, actual financial results may significantly vary due to various factors.

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1. Qualitative Information Regarding the Financial Performance for the Current Quarter

(1) Information on Consolidated Operating Results

As for the Japanese domestic truck market during the current second quarter (six months), the delay in vehicle manufacturing due to the global shortage of semiconductors was recovered, so the total demand for heavy-duty, medium-duty, and light-duty trucks increased. In the domestic bus market, too, the total demand for buses increased, mainly due to the recovery trend of demand for sightseeing, which declined due to the COVID-19. Accordingly, the total demand for trucks and buses in Japan was 76.7 thousand units, an increase of 17.9 thousand units (30.3%) compared to the same quarter in the previous year.

As for Japanese domestic sales, the impact of suspension of shipment due to the misconduct of our company for engine certification was lingering, but thanks to the resumption of shipment of some vehicles, the total sales volume of trucks and buses was 19.1 thousand units, an increase of 0.5 thousand units (2.7%) compared to the same quarter in the previous year.

As for overseas truck and bus market, mainly due to the decline in sales in ASEAN countries, sales volume was 48.3 thousand units, a decrease of 7.5 thousand units (-13.4%) compared to the same quarter in the previous year.

As a result of the above, total unit sales of Hino Brand trucks and buses were 67.4 thousand units, a decrease of 7.0 thousand units (-9.4%) compared to the same quarter in the previous year.

As for the volume of sales to Toyota Motor Corporation, the sales volume of SUVs and light-duty trucks decreased. As a result, total sales volume was 60.8 thousand units, a decrease of 11.2 thousand units (-15.6%) compared to the same quarter in the previous year

Due to the effects of the conversion of figures of overseas subsidiaries into yen, price revisions, etc. in addition to the above-mentioned items, net sales in the current second quarter were ¥755,388 million, which is an increase of ¥22,029 million (3.0%) as compared to the same quarter in the previous year. As for profit and loss, the yen was still weak, but due to the decrease in overseas sales volume, the worsening of the market of materials, etc., operating income was ¥6,766 million which is a decrease of ¥9,848 million (-59.3%) compared to the same quarter in the previous year and ordinary income was ¥6,291 million which is a decrease of ¥14,256 million (-69.4%) compared to the same quarter in the previous year. In addition, while a gain on sale of non-current assets of ¥50,315 million was posted as an extraordinary income, a loss related to domestic certification of ¥14,691 million and a loss related to North American certification of ¥34,709 million were posted in the section of extraordinary loss. As a result, profit attributable to owners of parent was ¥76 million which is a decrease of ¥3,401 million (-97.8%) compared to the same quarter in the previous year.

(2) Information on Consolidated Financial Position

Total assets at the end of the second quarter increased to ¥1,422,900 million by ¥61,164 million compared to the end of the previous fiscal year. This is mainly because inventories increased by ¥42,127 million and property, plant and equipment increased by ¥10,115 million.

Liabilities increased to ¥977,281 million by ¥48,954 million compared to the end of the previous fiscal year. This is mainly because interest-bearing liabilities increased by ¥20,916 million.

Net assets increased to ¥445,619 million by ¥12,209 million compared to the end of the previous fiscal year. This is because valuation difference on available-for-sale securities increased by ¥5,453 million and foreign currency translation adjustment increased by ¥3,950 million.

(3) Information on Forecasts of Consolidated Financial Results

We have revised the full-year earnings forecast as follows, while considering the variation in the number of vehicles manufactured as entrusted by Toyota Motor Corporation and the situations of sale of our trucks and buses inside and outside Japan.

(Consolidated Earnings Forecast for the Full Fiscal Year)

Net sales	¥1,500,000 million
Operating income	¥1,000 million
Ordinary income	-¥4,000 million
Profit attributable to owners of parent	-¥22,000 million
Japan unit sales of trucks and buses.....	40.0 thousand units
Overseas unit sales of trucks and buses	98.0 thousand units
Unit sales of Toyota brand vehicles.....	119.8 thousand units

* The above forecasts are created based on the information available to the company and on certain assumptions deemed reasonable and are not guaranteed to be achieved.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	82,150	87,818
Notes and accounts receivable - trade	288,668	285,906
Merchandise and finished goods	162,018	194,284
Work in process	66,189	66,220
Raw materials and supplies	50,296	60,127
Other	89,144	87,847
Allowance for doubtful accounts	-5,287	-5,678
Total current assets	733,181	776,526
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	183,690	186,246
Machinery, equipment and vehicles, net	73,730	75,343
Land	128,740	129,647
Other, net	54,025	59,065
Total property, plant and equipment	440,187	450,302
Intangible assets	31,682	30,327
Investments and other assets		
Investment securities	133,260	143,039
Deferred tax assets	12,202	11,545
Other	14,450	14,400
Allowance for doubtful accounts	-3,229	-3,241
Total investments and other assets	156,684	165,743
Total non-current assets	628,554	646,373
Total assets	1,361,735	1,422,900
Liabilities		
Current liabilities		
Notes and accounts payable - trade	243,640	230,313
Short-term borrowings	247,798	264,226
Current portion of bonds payable	1,470	1,680
Current portion of long-term borrowings	5,376	8,669
Income taxes payable	5,480	7,734
Provision for product warranties	45,597	42,494
Provision for certification related loss	100,078	98,229
Other provisions	8,161	7,854
Other	118,486	159,486
Total current liabilities	776,089	820,689
Non-current liabilities		
Bonds payable	4,410	5,040
Long-term borrowings	31,397	31,752
Deferred tax liabilities	32,021	32,339
Deferred tax liabilities for land revaluation	2,742	2,742
Retirement benefit liability	42,504	42,739
Other provisions	1,576	1,334
Other	37,584	40,643
Total non-current liabilities	152,237	156,591
Total liabilities	928,326	977,281

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	72,717	72,717
Capital surplus	65,956	65,956
Retained earnings	161,423	161,499
Treasury shares	-202	-202
Total shareholders' equity	299,894	299,970
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,315	56,768
Deferred gains or losses on hedges	-53	-93
Revaluation reserve for land	2,273	2,273
Foreign currency translation adjustment	7,487	11,438
Remeasurements of defined benefit plans	6,996	7,625
Total accumulated other comprehensive income	68,020	78,012
Non-controlling interests	65,494	67,636
Total net assets	433,409	445,619
Total liabilities and net assets	1,361,735	1,422,900

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

[Quarterly Consolidated Statements of Income]

[Consolidated Second Quarter of FY 2024 and FY 2023 (Cumulative)]

(Millions of yen)

	FY 2023 (From April 1, 2022 to September 30, 2022)	FY 2024 (From April 1, 2023 to September 30, 2023)
Net sales	733,359	755,388
Cost of sales	609,374	631,379
Gross profit	123,984	124,009
Selling, general and administrative expenses		
Salaries and allowances	26,805	27,432
Provision for bonuses	3,938	4,135
Retirement benefit expenses	1,788	1,608
Other	74,836	84,066
Total selling, general and administrative expenses	107,369	117,242
Operating profit	16,615	6,766
Non-operating income		
Interest income	866	1,057
Dividend income	1,841	1,067
Foreign exchange gains	2,133	1,948
Share of profit of entities accounted for using equity method	608	63
Miscellaneous income	2,011	2,138
Total non-operating income	7,461	6,275
Non-operating expenses		
Interest expenses	2,435	5,349
Miscellaneous expenses	1,093	1,401
Total non-operating expenses	3,528	6,751
Ordinary profit	20,548	6,291
Extraordinary income		
Gain on sale of investment securities	125	6,385
Gain on sale of non-current assets	96	50,315
Subsidy for estate	670	—
Other	35	49
Total extraordinary income	928	56,750
Extraordinary losses		
Loss on sale and retirement of non-current assets	300	211
Loss related to domestic certification	4,606	14,691
Loss related to certification in North America	—	34,709
Other	17	595
Total extraordinary losses	4,924	50,208
Profit before income taxes	16,552	12,833
Income taxes - current	7,816	8,912
Income taxes - deferred	400	-810
Total income taxes	8,217	8,102
Profit	8,335	4,731
Profit attributable to non-controlling interests	4,856	4,655
Profit attributable to owners of parent	3,478	76

[Quarterly Consolidated Statements of Comprehensive Income]
 [Consolidated Second Quarter of FY 2024 and FY 2023 (Cumulative)]

(Millions of yen)

	FY 2023 (From April 1, 2022 to September 30, 2022)	FY 2024 (From April 1, 2023 to September 30, 2023)
Profit	8,335	4,731
Other comprehensive income		
Valuation difference on available-for-sale securities	925	4,087
Deferred gains or losses on hedges	39	-17
Foreign currency translation adjustment	16,398	7,303
Remeasurements of defined benefit plans, net of tax	400	658
Share of other comprehensive income of entities accounted for using equity method	55	1,911
Total other comprehensive income	17,819	13,942
Comprehensive income	26,154	18,674
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,157	10,068
Comprehensive income attributable to non-controlling interests	9,996	8,606

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

There is no related information.

(Additional Information)

Extraordinary income

(Gain on sale of non-current assets)

The gain on sale of non-current assets is primarily attributable to the sale of land (part of the old factory of Hino) in Hino City, Tokyo.

Extraordinary losses

(Loss related to domestic certification)

The misconduct in the procedure for engine certification for the Japanese market was confirmed, and it was revealed that there was a problem with engine performance. Accordingly, our company posted a loss from compensation for suppliers, customers, etc. and loss on valuation of inventories amounting to ¥14,691 million as a loss related to domestic certification in the section of extraordinary loss.

(Loss related to North American certification)

Regarding the major factors in the loss related to the certification in North America, a lawsuit was filed against our company and U.S. subsidiaries in the U.S. District Court for the Southern District of Florida, Miami Division on August 5, 2022 (local time), but a contract for settlement is scheduled to be submitted to the U.S. District Court for the Southern District of Florida, Miami Division on October 25, 2023. Due to this settlement, a loss related to the certification in North America amounting to ¥34,675 million was posted in the section of extraordinary losses.

(Contingent Liabilities)

- Certification issues

Regarding the impact of the certification issue for engines for the North American and Japanese markets, the investigation by the special investigation committee for engines for the Japanese market has been completed, but some verification, investigations and communications with related parties are still ongoing. Accordingly, it is difficult to reasonably estimate the impact other than the amount already identified at this time and our company has not reflected the impact in our quarterly consolidated financial statements.

- Litigation against our company and subsidiaries outside Japan

Class action lawsuit in Florida, U.S.A.

On August 5, 2022 (local time), our company and U.S. subsidiaries were sued in the U.S. District Court for the Southern District of Florida, Miami Division.

The plaintiffs, in a putative class action lawsuit on behalf of persons who purchased or leased our company's 2004 through 2021 model year trucks sold in the United States, allege, among other things, that they have suffered damages as a result of past fraud and other wrongful acts.

Regarding this lawsuit, our company comprehensively considered the impact of the prolongation of this lawsuit on our business administration, and a contract for settlement is scheduled to be submitted to the U.S. District Court for the Southern District of Florida, Miami Division on October 25, 2023.

Class action lawsuit in Victoria, Australia

On September 30, 2022 (local time) and April 17, 2023 (local time), our company and Australian subsidiaries were sued in the Superior Court of Victoria, Australia.

The plaintiffs are suing as a class action on behalf of all persons in Australia who purchased, leased, or otherwise legally entitled to our trucks from January 1, 2003. The lawsuit alleges, among other things, that the plaintiffs have suffered damages as a result of fraudulent and other acts relating to violations of emission performance standards and fuel economy standards for our company's engines.

In the complaint in this lawsuit, the plaintiffs claim damages against our company and others for fraud and other wrongful acts in connection with quality assurance under Australian laws and regulations, but the specific amounts claimed by the plaintiffs are not disclosed in any way.

The procedures, including whether to consolidate and organize the claims for the two class action lawsuits, are scheduled to be organized by the court on the date for scheduling conference.

A class-action lawsuit in British Columbia, Canada

On October 19, 2023 (local time), a lawsuit was filed against our company, our subsidiaries in Canada and the U.S., our parent company and its subsidiaries in Canada at a higher court in British Columbia.

The plaintiff represents those who have purchased or rented our company's vehicles manufactured during a period from 2004 to 2021 and sold in Canada and claimed that they suffered damage due to the past misconduct, etc., filing a class-action lawsuit in a provisional manner.

In the complaint for this lawsuit, the plaintiff is claiming damages, punitive damages and other remedies against our company and others, but the exact amount demanded by the plaintiff has not been disclosed at all.

Since it is difficult to reasonably predict the impact of the above three lawsuits in Australia and Canada at this time, the amounts are not reflected in the quarterly consolidated financial statements.

3. Supplementary Information

(1) Actual Production (Consolidated)

Category	FY 2023 (From April 1, 2022 to September 30, 2022)	FY 2024 (From April 1, 2023 to September 30, 2023)	Change
Trucks and buses	74,559 units	66,503 units	-8,056 units
Toyota brand vehicles	72,060 units	60,839 units	-11,221 units

(2) Actual Sales (Consolidated)

Category		FY 2023 (From April 1, 2022 to September 30, 2022)		FY 2024 (From April 1, 2023 to September 30, 2023)		Change	
		Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
	Japan	18,628	108,175	19,132	131,049	504	22,874
	Overseas	55,758	293,819	48,275	275,079	-7,483	-18,739
	Supplies of parts for overseas production	—	87	—	15	—	-72
Total trucks and buses		74,386	402,082	67,407	406,145	-6,979	4,062
Total Toyota brand		72,064	50,186	60,839	37,630	-11,225	-12,556
	Japan	—	33,492	—	36,045	—	2,552
	Overseas	—	41,180	—	47,583	—	6,402
	Total service parts	—	74,673	—	83,628	—	8,955
	Japan	—	91,482	—	100,453	—	8,970
	Overseas	—	10,689	—	6,284	—	-4,404
	Toyota	—	104,244	—	121,246	—	17,001
Total others		—	206,415	—	227,984	—	21,568
Total net sales		—	733,359	—	755,388	—	22,029

(Note) Amounts are rounded down to the nearest one million yen.