

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023
[Japanese GAAP] (Consolidated)
English translation from the original Japanese-language document



February 2, 2023

Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.
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Scheduled Date of Quarterly Financial Statements Filing: February 8, 2023

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 Third Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022–December 30, 2022)

(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	%
3Q of FY 2023	1,110,377	3.8	25,635	-48.6	20,093	-52.1	-23,721	—
3Q of FY 2022	1,069,427	—	49,834	—	52,333	—	18,836	—

(Note) Comprehensive income: 3Q of FY 2023: ¥ -3,673 million (—%) 3Q of FY 2022: ¥ 22,549 million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
3Q of FY 2023	-41.32	—
3Q of FY 2022	32.81	—

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020), etc. were applied from the beginning of the First quarter of the previous consolidated accounting period. Accordingly, the figures for the Third quarter of the term ending March 2022 reflect said accounting standard, etc., and increase/decrease rates from the same quarter of the previous year are not indicated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q of FY 2023	1,326,989	507,984	33.4
FY 2022	1,258,350	516,007	36.4

(Reference) Equity capital: 3Q of FY 2023: ¥ 443,737 million FY 2022: ¥ 458,169 million

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2022	—	10.00	—	0.00	10.00
FY 2023	—	0.00	—		
FY 2023 (forecast)				0.00	0.00

(Note) Changes from the latest dividend forecast: Yes

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% of change from FY2022)

	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 2023	1,500,000	2.8	12,000	-64.5	9,000	-76.3	-55,000	—	-95.81

(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	3Q of FY 2023	574,580,850 shares	FY 2022	574,580,850 shares
2) Number of treasury stock at end of term	3Q of FY 2023	553,848 shares	FY 2022	553,582 shares
3) Average number of shares (quarterly consolidated cumulative period)	3Q of FY 2023	574,027,167 shares	3Q of FY 2022	574,027,677 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 third quarter (nine months), the total sales of heavy and medium-duty trucks and light-duty trucks decreased significantly due to supply disruptions caused by vehicle production delays due to the global semiconductor shortage. In the domestic bus market, total sales volume of buses also declined, mainly due to a drop in tourism demand caused by the prolonged impact of COVID-19. As a result of the above, total domestic sales volume of trucks and buses was 88.9 thousand vehicles, a decrease of 30.1 thousand vehicles (-25.3%) compared to the same quarter in the previous year.

Due to the impact of the suspension of shipment resulting from our company's fraudulent actions regarding engine certification, in addition to the decline in total sales volume, total domestic sales volume of trucks and buses was 26.5 thousand vehicles, a decrease of 17.2 thousand vehicles (-39.4%) compared to the same quarter in the previous year.

The overseas truck and bus market is on a recovery trend, mainly in ASEAN countries, and overseas sales volume of trucks and buses was 86.3 thousand vehicles, an increase of 12.9 thousand vehicles (17.5%) 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 112.8 thousand units, a decrease of 4.3 thousand units (-3.7%) compared to the same quarter in the previous year.

As for the volume of sales to Toyota Motor Corporation, the sales volume of SUVs decreased, so the total sales volume was 101.8 thousand units, a decrease of 3.3 thousand units (-3.1%) compared to the same quarter in the previous year.

As a result of the above, net sales in the current third quarter were ¥1,110,377 million, which is an increase of ¥40,950 million (3.8%) as compared to the same quarter in the previous year. As for profit and loss, despite a favorable turnaround in the foreign exchange environment, due to the deterioration in the vehicle mix caused by the decline in domestic sales volume, operating income was ¥25,635 million which is a decrease of ¥24,198 million (-48.6%) compared to the same quarter in the previous year, ordinary income was ¥25,093 million which is a decrease of ¥27,239 million (-52.1%) compared to the same quarter in the previous year, and loss attributable to owners of parent was ¥23,721 million which is a decrease of ¥42,557 million (profit attributable to owners of parent of ¥18,836 million in the same quarter in the previous year) compared to the same quarter in the previous year, because a loss related to domestic certification of ¥28,474 million was posted as an extraordinary loss.

(2) Information on Consolidated Financial Position

Total assets at the end of the third quarter increased to ¥1,326,989 million by ¥68,639 million compared to the end of the previous fiscal year. This is mainly because inventories increased by ¥55,230 million.

Liabilities increased to ¥819,005 million by ¥76,662 million compared to the end of the previous fiscal year. This is mainly because interest-bearing liabilities increased by ¥108,979 million, while notes and accounts payable - trade decreased by ¥30,384 million.

Net assets decreased to ¥507,984 million by ¥8,023 million compared to the end of the previous fiscal year. This is mainly because loss attributable to owners of parent of ¥23,721 million was recorded, although foreign currency translation adjustment increased by ¥8,154 million.

(3) Information on Forecasts of Consolidated Financial Results

At the time of announcement of financial results on October 27, 2022, ordinary income, net income per share, etc. were still to be disclosed, because it was difficult to reasonably estimate some certification-related losses due to the misconduct for certification. As we have estimated the certification-related loss based on currently available information and forecasts, we have decided to announce ordinary income, net income per share, etc.

Also, considering the recent situation including the effect of foreign exchange rate, operating income is projected to be ¥6,000 million higher, despite a decline in sales from the previous announced forecast as a result of reviewing the unit sales mainly in ASEAN countries.

(Consolidated Earnings Forecast for the Full Fiscal Year)

Net sales	¥1,500,000 million
Operating income	¥12,000 million
Ordinary income	¥9,000 million
Loss attributable to owners of parent	¥55,000 million
Japan unit sales of trucks and buses	35.0 thousand units
Overseas unit sales of trucks and buses	110.0 thousand units
Unit sales of Toyota brand vehicles	128.4 thousand units

*The figures in the above earnings forecast are based on currently available information and certain assumptions considered reasonable. Actual results, etc. may be different from them due to various factors.

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

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	66,253	83,156
Notes and accounts receivable - trade	288,044	258,569
Merchandise and finished goods	127,565	140,840
Work in process	50,665	82,975
Raw materials and supplies	47,906	57,551
Other	59,199	88,911
Allowance for doubtful accounts	-4,878	-5,221
Total current assets	634,755	706,783
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	178,778	180,085
Machinery, equipment and vehicles, net	86,643	78,589
Land	128,202	129,126
Other, net	50,669	52,367
Total property, plant and equipment	444,293	440,169
Intangible assets	31,129	30,288
Investments and other assets		
Investment securities	122,444	126,895
Deferred tax assets	9,890	10,343
Other	18,895	15,743
Allowance for doubtful accounts	-3,059	-3,233
Total investments and other assets	148,171	149,749
Total non-current assets	623,594	620,206
Total assets	1,258,350	1,326,989
Liabilities		
Current liabilities		
Notes and accounts payable - trade	250,780	220,395
Short-term borrowings	144,568	225,534
Current portion of bonds payable	—	1,662
Current portion of long-term borrowings	8,400	3,429
Income taxes payable	2,383	3,400
Provision for product warranties	52,333	47,201
Provision for certification related loss	29,970	44,080
Other provisions	7,752	3,817
Other	118,017	107,509
Total current liabilities	614,204	657,030
Non-current liabilities		
Bonds payable	—	4,987
Long-term borrowings	8,279	34,613
Deferred tax liabilities	26,680	27,680
Deferred tax liabilities for land revaluation	2,742	2,742
Retirement benefit liability	56,174	56,300
Other provisions	1,700	1,497
Other	32,559	34,151
Total non-current liabilities	128,137	161,974
Total liabilities	742,342	819,005

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	72,717	72,717
Capital surplus	65,952	65,956
Retained earnings	279,087	255,366
Treasury shares	-201	-202
Total shareholders' equity	417,556	393,837
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46,315	46,700
Deferred gains or losses on hedges	-125	-61
Revaluation reserve for land	2,273	2,273
Foreign currency translation adjustment	170	8,324
Remeasurements of defined benefit plans	-8,020	-7,338
Total accumulated other comprehensive income	40,613	49,899
Non-controlling interests	57,837	64,247
Total net assets	516,007	507,984
Total liabilities and net assets	1,258,350	1,326,989

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

[Quarterly Consolidated Statements of Income]

[Consolidated Third Quarter of FY 2023 and FY 2022 (Cumulative)]

(Millions of yen)

	FY 2022 (From April 1, 2021 to December 31, 2021)	FY 2023 (From April 1, 2022 to December 31, 2022)
Net sales	1,069,427	1,110,377
Cost of sales	872,691	922,374
Gross profit	196,736	188,003
Selling, general and administrative expenses		
Salaries and allowances	37,915	40,427
Provision for bonuses	2,001	1,087
Retirement benefit expenses	2,600	2,717
Other	104,383	118,135
Total selling, general and administrative expenses	146,902	162,367
Operating profit	49,834	25,635
Non-operating income		
Interest income	816	1,367
Dividend income	2,405	2,584
Share of profit of entities accounted for using equity method	640	572
Miscellaneous income	2,931	3,303
Total non-operating income	6,793	7,828
Non-operating expenses		
Interest expenses	2,109	4,372
Foreign exchange losses	484	2,325
Miscellaneous expenses	1,699	1,672
Total non-operating expenses	4,294	8,370
Ordinary profit	52,333	25,093
Extraordinary income		
Gain on sale of investment securities	642	395
Gain on sale of non-current assets	42	195
Subsidy for estate	—	670
Other	37	45
Total extraordinary income	722	1,307
Extraordinary losses		
Loss on sale and retirement of non-current assets	192	2,627
Loss related to domestic certification	—	28,474
Loss related to North American certification	12,580	—
Other	2,338	34
Total extraordinary losses	15,112	31,136
Profit (loss) before income taxes	37,944	-4,735
Income taxes - current	13,186	11,250
Income taxes - deferred	1,786	617
Total income taxes	14,972	11,867
Profit (loss)	22,971	-16,603
Profit attributable to non-controlling interests	4,135	7,117
Profit (loss) attributable to owners of parent	18,836	-23,721

[Quarterly Consolidated Statements of Comprehensive Income]
 [Consolidated Third Quarter of FY 2023 and FY 2022 (Cumulative)]

(Millions of yen)

	FY 2022 (From April 1, 2021 to December 31, 2021)	FY 2023 (From April 1, 2022 to December 31, 2022)
Profit (loss)	22,971	-16,603
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,888	1,032
Deferred gains or losses on hedges	63	111
Foreign currency translation adjustment	2,080	11,099
Remeasurements of defined benefit plans, net of tax	759	642
Share of other comprehensive income of entities accounted for using equity method	-436	44
Total other comprehensive income	-421	12,930
Comprehensive income	22,549	-3,673
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,016	-14,435
Comprehensive income attributable to non-controlling interests	4,533	10,762

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Additional Information)

Extraordinary losses

(Loss related to domestic certification)

Our company has confirmed that there was fraud in the engine certification procedure for the Japanese market, and that there was a problem with engine performance. Accordingly, we posted a recall cost of ¥4,072 million, a cost for additional payment of tax benefits regarding exhaust gas and fuel efficiency of ¥14,110 million, and a loss for compensating suppliers, customers, and others of ¥10,292 million, for a total of ¥28,474 million as domestic certification-related losses in 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, and it is difficult to reasonably estimate the impact other than the amount already identified at this time. Accordingly, our company has not reflected the impact of the certification issue on 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, U.S. subsidiaries, and parent company 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.

In the complaint in this lawsuit, the plaintiffs claim damages, punitive damages, and rescission of the purchase agreement, etc., against our company and others, but the specific amounts claimed by the plaintiffs are not disclosed in any way.

Class action lawsuit in Victoria, Australia

On September 30, 2022 (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 through September 30, 2022. 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.

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

3. Supplementary Information

(1) Actual Production (Consolidated)

Category	3Q of FY2022 (From April 1, 2021 to December 31, 2021)	3Q of FY2023 (From April 1, 2022 to December 31, 2022)	Change
Trucks and buses	119,367 units	116,577 units	-2,790 units
Toyota brand vehicles	105,060 units	101,804 units	-3,256 units

(2) Actual Sales (Consolidated)

Category		3Q of FY2022 (From April 1, 2021 to December 31, 2021)		3Q of FY2023 (From April 1, 2022 to December 31, 2022)		Change	
		Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
	Japan	43,712	322,651	26,505	152,694	-17,207	-169,957
	Overseas	73,453	298,025	86,338	449,815	12,885	151,789
	Supplies of parts for overseas production	—	430	—	99	—	-330
Total trucks and buses		117,165	621,107	112,843	602,609	-4,322	-18,498
Total Toyota brand vehicles		105,059	71,998	101,808	74,363	-3,251	2,365
	Japan	—	46,864	—	51,300	—	4,436
	Overseas	—	45,627	—	63,187	—	17,560
	Total service parts	—	92,492	—	114,488	—	21,996
	Japan	—	137,018	—	142,118	—	5,100
	Overseas	—	25,862	—	15,347	—	-10,514
	Toyota	—	120,948	—	161,449	—	40,501
Total others		—	283,828	—	318,916	—	35,087
Total net sales		—	1,069,427	—	1,110,377	—	40,950

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